

## **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 period ended December 31, 2019. 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, 2019	
Particulars	RWA*	Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardised Approach	74,528,450	8,104,969
Market Risk		
- Interest Rate Risk	1,046,925	113,853
- Foreign Exchange Risk	1,687,500	183,516
Operational Risk		
- Basic Indicator Approach	27,772,736	3,020,285
<b>Total</b>	<b>105,035,611</b>	<b>11,422,623</b>

\* 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, 2019
Common Equity Tier I Ratio	14.56%
Tier I Ratio	14.56%
Total Capital Ratio	23.54%

### 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/loss are provided at 100% till written off. Restructured assets are classified and provided for in accordance with the guidelines issued by RBI from time to time.

**Quantitative Disclosure:**

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

**(Amount Rs.'000)**

	<b>As at December 31, 2019</b>		
	<b>Fund Based</b>	<b>Non-fund Based</b>	<b>Total</b>
<b>Domestic</b>			
Investment Exposure	-	-	-
Credit Exposure	-	-	-
<b>Mining and Quarrying</b>	<b>257,281</b>	-	<b>257,281</b>
Coal	16,728	-	16,728
Others	240,553	-	240,553
<b>Food Processing</b>	<b>627,336</b>	-	<b>627,336</b>
Sugar	3,609	-	3,609
Edible Oils and Vanaspati	15,019	-	15,019
Tea	12,285	-	12,285
Coffee	-	-	-
Others	596,423	-	596,423
<b>Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>199,735</b>	-	<b>199,735</b>
Tobacco and tobacco products	16,903	-	16,903
Others	182,832	-	182,832
<b>Textiles</b>	<b>629,961</b>	-	<b>629,961</b>
Cotton	192,221	-	192,221
Jute	7,088	-	7,088
Man-made	3,300	-	3,300
Others	427,352	-	427,352
<b>Leather and Leather products</b>	<b>136,436</b>	-	<b>136,436</b>
Leather and Leather products	136,436	-	136,436
<b>Wood and Wood Products</b>	<b>42,425</b>	-	<b>42,425</b>
Wood and Wood Products	42,425	-	42,425
<b>Paper and Paper Products</b>	<b>71,713</b>	-	<b>71,713</b>
Paper and Paper Products	71,713	-	71,713
<b>Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>49,478</b>	-	<b>49,478</b>
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	49,478	-	49,478
<b>Chemicals and Chemical Products (Dyes, Paints, etc.)</b>	<b>2,542,526</b>	-	<b>2,542,526</b>
Fertilizers	127,025	-	127,025
Drugs and Pharmaceuticals	1,057,895	-	1,057,895
Petro-chemicals (excluding under Infrastructure)	2,184	-	2,184
Others	1,355,422	-	1,355,422
<b>Rubber, Plastic and their Products</b>	<b>322,189</b>	-	<b>322,189</b>
Rubber, Plastic and their Products	322,189	-	322,189

<b>Glass &amp; Glassware</b>	<b>148,382</b>	-	<b>148,382</b>
Glass & Glassware	148,382	-	148,382
<b>Cement and Cement Products</b>	<b>127,684</b>	-	<b>127,684</b>
Cement and Cement Products	127,684	-	127,684
<b>Basic Metal and Metal Products</b>	<b>450,227</b>	-	<b>450,227</b>
Iron and Steel	244,117	-	244,117
Other Metal and Metal Products	206,110	-	206,110
<b>All Engineering</b>	<b>3,158,234</b>	-	<b>3,158,234</b>
Electronics	1,328,004	-	1,328,004
Others	1,830,230	-	1,830,230
<b>Vehicles, Vehicle Parts and Transport Equipments</b>	<b>788,810</b>	-	<b>788,810</b>
Vehicles, Vehicle Parts and Transport Equipments	788,810	-	788,810
<b>Gems and Jewellery</b>	<b>19,800</b>	-	<b>19,800</b>
Gems and Jewellery	19,800	-	19,800
<b>Construction</b>	<b>1,027,547</b>	-	<b>1,027,547</b>
Construction	1,027,547	-	1,027,547
<b>Infrastructure</b>	<b>47,137</b>	-	<b>47,137</b>
Electricity generation and distribution	42,275	-	42,275
Gas Pipelines	-	-	-
Water supply pipelines	4,862	-	4,862
<b>Other Industries</b>	<b>2,295,792</b>	-	<b>2,295,792</b>
Other Industries	2,295,792	-	2,295,792
<b>Service</b>	<b>21,970,333</b>	-	<b>21,970,333</b>
Transport Operators	255,626	-	255,626
Computer Software	6,379,711	-	6,379,711
Tourism, Hotel and Restaurants	4,824,919	-	4,824,919
Professional Services	4,599,457	-	4,599,457
Commercial Real Estate	98,119	-	98,119
NBFCs	253,444	-	253,444
Bank's	454,109	-	454,109
Other Services	5,104,948	-	5,104,948
<b>Trade</b>	<b>4,614,566</b>	-	<b>4,614,566</b>
Wholesale Trade (other than Food Procurement)	747,690	-	747,690
Retail Trade	3,866,876	-	3,866,876
<b>Personal Loans</b>	<b>215,004,364</b>	-	<b>215,004,364</b>
Credit Card and Staff Loan	215,004,364	-	215,004,364
<b>Total</b>	<b>254,531,956</b>	-	<b>254,531,956</b>

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	442503	157440	21339729	16274885	-	1660466	39875023
15 – 30 days	220389	34977	1240713	18599868	-	264389	20360336
31 days – 2 months	118226	12843	455577	3383967	-	423048	4393662
2 months – 3 months	130068	14606	518126	1473764	-	76987	2213550
3 months – 6 months	161759	21409	759420	3192350	-	-	4134938
6 months – 1 year	333665	37334	1324336	2515233	-	-	4210568
1 year – 3 years	9287	890	31584	5585547	-	295982	5923290
3 years – 5 years	50307	5613	199100	686001	-	-	941021
Over 5 years	339493	37883	1343820	207349	340958	252072	2521575
<b>TOTAL</b>	<b>1805697</b>	<b>322995</b>	<b>27212405</b>	<b>51918964</b>	<b>340958</b>	<b>2972944</b>	<b>84573963</b>

**(c) Amount of NPAs (Gross) - Total**

(Amount Rs.'000)

Nonperforming asset category	As at December 31, 2019
Sub standard	1,406,606
Doubtful	300,363
Loss	1,652
<b>Total</b>	<b>1,708,621</b>

**(d) Net NPAs**

(Amount Rs.'000)

Net Nonperforming asset category	As at December 31, 2019
Sub- Standard	685,939
Doubtful	-
Loss	-
<b>Total</b>	<b>685,939</b>

**(e) NPA Ratios**

(Amount Rs.'000)

Particulars	As at December 31, 2019
Gross NPA as a ratio to gross advances	3.23%
Net NPAs to net advances	1.32%

**(f) Movement of NPAs Gross**

(Amount Rs.'000)

Particulars	For the half year ended December 31, 2019
Opening Balance (As at April 1, 2019)	1,995,881
Additions during the period	10,566,226
Reductions during the period	10,853,486
Closing Balance (As at December 31, 2019)	1,708,621

**(g) Movement of Provisions for NPAs**

(Amount Rs.'000)

Particulars	For the half year ended December 31, 2019
Opening balance (As at April 1, 2019)	913,808
Provisions made during the period	6,291,443
Reductions made during the period due to write-off, upgradation and recoveries	6,182,569
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance (As at December 31, 2019)	1,022,682

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

(Amount Rs.'000)

Particulars	For the half year ended December 31, 2019
Write offs	1,456,614
Recoveries	741,937

**(i) Movement of Provisions for Standard Assets\***

(Amount Rs.'000)

Particulars	For the half year ended December 31, 2019
Opening balance (As at April 1, 2019)	360,578
Provisions made during the period	-
Write-back of excess provisions	15,858
Closing balance (As at December 31, 2019)	344,720

\* 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, 2019**

**(Amount Rs. '000)**

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for
				Standard Assets*
<b>Mining and Quarrying</b>	<b>12,051</b>	<b>6,576</b>	<b>3</b>	<b>1,630</b>
Coal	-	-	-	144
Others	12,051	6,576	3	1,486
<b>Food Processing</b>	<b>544</b>	<b>382</b>	<b>82,565</b>	<b>5,654</b>
Sugar	182	182	-	4
Edible Oils and Vanaspati	-	-	-	25
Tea	320	175	-	119
Coffee	-	-	-	-
Others	42	25	82,565	5,506
<b>Beverages (excluding Tea &amp; Coffee) and Tobacco</b>	<b>1,995</b>	<b>1,293</b>	<b>186</b>	<b>1,206</b>
Tobacco and tobacco products	-	-	-	-
Others	1,995	1,293	186	1,206
<b>Textiles</b>	<b>1,754</b>	<b>1,058</b>	<b>3,241</b>	<b>1,633</b>
Cotton	-	-	-	406
Jute	-	-	-	43
Man-made	-	-	-	-
<b>Others</b>	<b>1,754</b>	<b>1,058</b>	<b>3,241</b>	<b>1,184</b>
<b>Leather and Leather products</b>	<b>443</b>	<b>264</b>	<b>1,340</b>	<b>255</b>
Leather and Leather products	443	264	1,340	255
<b>Wood and Wood Products</b>	<b>1</b>	<b>1</b>	<b>18</b>	<b>105</b>
Wood and Wood Products	1	1	18	105
<b>Paper and Paper Products</b>	<b>742</b>	<b>405</b>	<b>1,602</b>	<b>139</b>
Paper and Paper Products	742	405	1,602	139
<b>Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels</b>	<b>39</b>	<b>21</b>	<b>-</b>	<b>84</b>
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	39	21	-	84
Chemicals and Chemical Products (Dyes, Paints, etc.)	<b>11,800</b>	<b>9,222</b>	<b>5,751</b>	<b>9,618</b>
Fertilizers	-	-	-	281
Drugs and Pharmaceuticals	4,307	2,488	3,073	4,526
Petro-chemicals (excluding under Infrastructure)	-	-	-	6
Others	7,493	6,734	2,678	4,805
<b>Rubber, Plastic and their Products</b>	<b>66</b>	<b>36</b>	<b>7</b>	<b>739</b>
Rubber, Plastic and their Products	66	36	7	739
<b>Glass &amp; Glassware</b>	<b>23,076</b>	<b>12,593</b>	<b>-</b>	<b>514</b>
Glass & Glassware	23,076	12,593	-	514
<b>Cement and Cement Products</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>



Cement and Cement Products	-	-	-	63
<b>Basic Metal and Metal Products</b>	<b>20,552</b>	<b>11,218</b>	<b>42</b>	<b>1,600</b>
Iron and Steel	20,547	11,215	16	750
Other Metal and Metal Products	5	3	26	850
<b>Engineering</b>	<b>16,715</b>	<b>10,092</b>	<b>313,723</b>	<b>17,318</b>
Electronics	10,271	6,044	7,647	8,366
Others	6,444	4,048	306,076	8,952
<b>Vehicles, Vehicle Parts and Transport Equipments</b>	<b>1,524</b>	<b>924</b>	<b>127</b>	<b>1,667</b>
Vehicles, Vehicle Parts and Transport Equipments	1,524	924	127	1,667
<b>Gems and Jewellery</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>
Gems and Jewellery	-	-	-	45
<b>Construction</b>	<b>1,315</b>	<b>755</b>	<b>258</b>	<b>17,146</b>
Construction	1,315	755	258	17,146
<b>Infrastructure</b>	<b>2</b>	<b>2</b>	<b>18,449</b>	<b>988</b>
Electricity generation and distribution	2	2	18,449	970
Gas Pipelines	-	-	-	-
Water supply pipelines	-	-	-	18
<b>Other Industries</b>	<b>1,607</b>	<b>1,071</b>	<b>164</b>	<b>2,402</b>
Other Industries	1,607	1,071	164	2,402
<b>Services</b>	<b>306,738</b>	<b>180,612</b>	<b>94,075</b>	<b>112,265</b>
Transport Operators	480	262	2	1,058
Computer Software	70,308	43,259	7,857	34,287
Tourism, Hotel and Restaurants	182,065	102,766	57,892	31,038
Professional Services	24,953	16,197	10,066	22,616
Commercial Real Estate	-	-	1	405
NBFCs	108	92	4	314
Banks	92	70	-	684
Other Services	28,732	17,966	18,253	21,863
<b>Trade</b>	<b>23,472</b>	<b>13,013</b>	<b>39,224</b>	<b>31,957</b>
Wholesale Trade (other than Food Procurement)	20,290	11,242	38,957	3,078
Retail Trade	3,182	1,771	267	28,879
<b>Personal Loans</b>	<b>1,284,185</b>	<b>773,144</b>	<b>759,584</b>	<b>137,692</b>
<b>Personal Loans</b>	<b>1,284,185</b>	<b>773,144</b>	<b>759,584</b>	<b>137,692</b>
<b>Total</b>	<b>1,708,621</b>	<b>1,022,682</b>	<b>1,320,359</b>	<b>344,720</b>

\* 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)	
<b>Risk Weight Applied*</b>	<b>As at December 31, 2019</b>
Below 100 % risk weight	29,531,361
100 % risk weight	3,647,555
More than 100 % risk weight	50,548,696
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, 2019

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	87,354,680
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)	20,320,587
7	Other adjustments (Debit balance in Profit & Loss Account)	(2,780,717)
8	<b>Leverage ratio exposure</b>	<b>104,894,550</b>

**Leverage Ratio as at December 31, 2019**

(Amount Rs.'000)		
S No.	Particulars	Leverage ratio framework
<b>On-balance sheet exposures</b>		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	87,354,680
2	Asset amounts deducted in determining Basel III Tier 1 capital	(2,752,497)
2A	Deficit for the period ended December 31, 2019	(28,220)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1, 2 and 2A)	84,573,963
<b>Derivative exposures</b>		
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)	-
<b>Securities financing transaction exposures</b>		
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)	-
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	203,205,866
18	(Adjustments for conversion to credit equivalent amounts)	-182,885,279
19	Off-balance sheet items (sum of lines 17 and 18)	20,320,587
<b>Capital and total exposures</b>		
20	Tier 1 capital	15,295,563
21	Total exposures (sum of lines 3, 11, 16 and 19)	104,894,550
<b>Leverage ratio</b>		
22	Basel III leverage ratio	14.58%