

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 June 30, 2020. 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)

Particulars	As at June 30, 2020	
	RWA*	Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardised Approach	42,646,743	4,637,833
Market Risk		
- Interest Rate Risk	1,074,041	116,802
- Foreign Exchange Risk	1,687,500	183,516
Operational Risk		
- Basic Indicator Approach	32,734,489	3,559,876
Total	78,142,773	8,498,027

* RWA = Risk Weighted Assets.

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

Capital Adequacy Ratio	As at June 30, 2020
Common Equity Tier I Ratio	18.56%
Tier I Ratio	18.56%
Total Capital Ratio	40.07%

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. The Bank holds provisions as at 30th June 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

Quantitative Disclosure:**(a) Total credit exposure by industry and geographic distribution of exposure****(Amount Rs.'000)**

	As at June 30, 2020		
	Fund Based	Non- fund Based	Total
Domestic			
Investments	-	-	-
Advances:	-	-	-
Mining and Quarrying	189,573	-	189,573
Coal	5,000	-	5,000
Others	184,573	-	184,573
Food Processing	523,892	-	523,892
Sugar	4,050	-	4,050
Edible Oils and Vanaspati	16,073	-	16,073
Tea	2,291	-	2,291
Coffee	20,000	-	20,000
Others	481,478	-	481,478
Beverages (excluding Tea & Coffee) and Tobacco	91,132	-	91,132
Tobacco and tobacco products	1,462	-	1,462
Others	89,670	-	89,670
Textiles	475,281	-	475,281
Cotton	178,226	-	178,226
Jute	7,040	-	7,040
Man-made	3,300	-	3,300
Others	286,715	-	286,715
Leather and Leather products	71,478	-	71,478
Leather and Leather products	71,478	-	71,478
Wood and Wood Products	57,109	-	57,109
Wood and Wood Products	57,109	-	57,109
Paper and Paper Products	65,418	-	65,418
Paper and Paper Products	65,418	-	65,418
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	42,748	-	42,748
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	42,748	-	42,748
Chemicals and Chemical Products (Dyes, Paints, etc.)	2,012,082	-	2,012,082
Fertilizers	92,545	-	92,545
Drugs and Pharmaceuticals	811,370	-	811,370
Petro-chemicals (excluding under Infrastructure)	1,512	-	1,512
Others	1,106,655	-	1,106,655
Rubber, Plastic and their Products	221,339	-	221,339

Rubber, Plastic and their Products	221,339	-	221,339
Glass & Glassware	62,606	-	62,606
Glass & Glassware	62,606	-	62,606
Cement and Cement Products	124,093	-	124,093
Cement and Cement Products	124,093	-	124,093
Basic Metal and Metal Products	309,454	-	309,454
Iron and Steel	152,571	-	152,571
Other Metal and Metal Products	156,883	-	156,883
All Engineering	1,779,858	-	1,779,858
Electronics	644,437	-	644,437
Others	1,135,421	-	1,135,421
Vehicles, Vehicle Parts and Transport Equipments	500,192	-	500,192
Vehicles, Vehicle Parts and Transport Equipments	500,192	-	500,192
Gems and Jewellery	20,590	-	20,590
Gems and Jewellery	20,590	-	20,590
Construction	452,331	-	452,331
Construction	452,331	-	452,331
Infrastructure	40,724	-	40,724
Energy	35,513	-	35,513
Gas Pipelines	0	-	0
Water supply pipelines	5,211	-	5,211
Other Industries	1,244,076	-	1,244,076
Other Industries	1,244,076	-	1,244,076
Service	13,961,430	-	13,961,430
Transport Operators	138,180	-	138,180
Computer Software	3,968,969	-	3,968,969
Tourism, Hotel and Restaurants	2,006,809	-	2,006,809
Professional Services	2,390,259	-	2,390,259
Commercial Real Estate	35,940	-	35,940
NBFCs	191,186	-	191,186
Bank's	1,583,505	-	1,583,505
Other Services	3,646,582	-	3,646,582
Trade	3,326,041	-	3,326,041
Wholesale Trade (other than Food Procurement)	468,161	-	468,161
Retail Trade	2,857,880	-	2,857,880
Personal Loans	208,609,479	-	208,609,479
Credit Card and Staff Loan	208,609,479	-	208,609,479
Total	234,180,926	-	234,180,926

(b) Maturity pattern of total assets:

As at June 30, 2020

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	522,853	1,444,881	23,958,740	5,762,720	-	564,248	32,253,442
15 – 30 days	151,354	10,914	745,858	6,585,966	-	417,641	7,911,733
31 days – 2 months	73,742	5,318	363,391	2,030,055	-	97,684	2,570,190
2 months – 3 months	44,834	3,233	220,939	1,236,384	-	348,468	1,853,858
3 months – 6 months	133,992	9,662	660,300	3,716,853	-	-	4,520,807
6 months – 1 year	140,468	10,129	692,211	1,872,983	-	-	2,715,791
1 year – 3 years	183,842	13,257	905,952	4,206,572	-	483,681	5,793,304
3 years – 5 years	186,232	13,429	917,731	4,288,165	-	-	5,405,557
Over 5 years	418,380	30,169	2,061,725	920,160	328,909	409,351	4,168,694
TOTAL	1,855,697	1,540,992	30,526,847	30,619,858	328,909	2,321,073	67,193,376

(c) Amount of NPAs (Gross) - Total

(Amount Rs.'000)

Nonperforming asset category	As at June 30, 2020
Sub standard	809,475
Doubtful	84,405
Loss	-
Total	893,880

(d) Net NPAs

(Amount Rs.'000)

Net Nonperforming asset category	As at June 30, 2020
Sub- Standard	401,358
Doubtful	-
Loss	-
Total	401,358

(e) NPA Ratios

(Amount Rs.'000)

Particulars	As at June 30, 2020
Gross NPA as a ratio to gross advances	2.87%
Net NPAs to net advances	1.31%

(f) Movement of NPAs Gross

(Amount Rs.'000)

Particulars	For the Quarter ended June 30, 2020
Opening Balance (As at April 1, 2020)	801,169
Additions during the period	839,912
Reductions during the period	747,201
Closing Balance (As at June 30, 2020)	893,880

(g) Movement of Provisions for NPAs

(Amount Rs.'000)

Particulars	For the Quarter ended June 30, 2020
Opening balance (As at April 1, 2020)	432,433
Provisions made during the period	488,737
Reductions made during the period due to write-off, upgradation and recoveries	428,648
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance (As at June 30, 2020)	492,522

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

(Amount Rs.'000)

Particulars	For the Quarter ended June 30, 2020
Write offs	553,324
Recoveries	77,692

(i) Movement of Provisions for Standard Assets*

(Amount Rs.'000)

Particulars	For the Quarter ended June 30, 2020
Opening balance (As at April 1, 2020)	826,112
Provisions made during the period	128,666
Write-back of excess provisions	-
Closing balance (As at June 30, 2020)	954,778

* 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 June 30, 2020

(Amount Rs. '000)

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Mining and Quarrying	304	163	10	475
Coal	-	-	-	59
Others	304	163	10	416
Food Processing	11	6	6,832	4,055
Sugar	-	-	-	-
Edible Oils and Vanaspati	2	1	-	12
Tea	-	-	6,820	5
Coffee	-	-	-	-
Others	9	5	12	4,038
Beverages (excluding Tea & Coffee) and Tobacco	53	28	53	112
Tobacco and tobacco products	-	-	-	-
Others	53	28	53	112
Textiles	461	248	474	933
Cotton	16	9	-	348
Jute	-	-	335	32
Man-made	-	-	-	-
Others	445	239	139	553
Leather and Leather products	5	3	21	69
Leather and Leather products	5	3	21	69
Wood and Wood Products	-	-	-	78
Wood and Wood Products	-	-	-	78
Paper and Paper Products	580	311	-	62
Paper and Paper Products	580	311	-	62
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5	3	-	30
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5	3	-	30
Chemicals and Chemical Products (Dyes, Paints, etc.)	2,828	1,791	836	2,494
Fertilizers	9	5	-	279
Drugs and Pharmaceuticals	2,332	1,525	799	910
Petro-chemicals (excluding under Infrastructure)	-	-	-	5
Others	487	261	37	1,300
Rubber, Plastic and their Products	10	5	490	300
Rubber, Plastic and their Products	10	5	490	300

Glass & Glassware	466	250	7,676	268
Glass & Glassware	466	250	7,676	268
Cement and Cement Products	-	-	2	30
Cement and Cement Products	-	-	2	30
Basic Metal and Metal Products	317	170	-	574
Iron and Steel	317	170	-	331
Other Metal and Metal Products	-	-	-	243
All Engineering	7,612	4,514	8,768	3,682
Electronics	4,253	2,694	3,664	1,912
Others	3,359	1,820	5,104	1,770
Vehicles, Vehicle Parts and Transport Equipments	151	81	143	592
Vehicles, Vehicle Parts and Transport Equipments	151	81	143	592
Gems and Jewellery	13	7	-	19
Gems and Jewellery	13	7	-	19
Construction	34,810	18,670	12,406	1,377
Construction	34,810	18,670	12,406	1,377
Infrastructure	3,169	1,672	-	90
Energy	1,079	551	-	69
Gas Pipelines	-	-	-	-
Water supply pipelines	2,090	1,121	-	21
Other Industries	1,089	611	618	1,403
Other Industries	1,089	611	618	1,403
Services	86,574	48,456	21,247	25,002
Transport Operators	417	224	44	361
Computer Software	23,119	12,949	6,649	4,979
Tourism, Hotel and Restaurants	37,582	21,440	5,664	5,957
Professional Services	7,158	3,905	3,985	3,509
Commercial Real Estate	-	-	-	1,344
NBFCs	45	24	-	10
Banks	2	-	-	30
Other Services	18,251	9,914	4,905	8,812
Trade	2,233	1,198	3,739	228,337
Wholesale Trade (other than Food Procurement)	734	394	709	1,351
Retail Trade	1,499	804	3,030	226,986
Personal Loans	753,189	414,335	490,009	101,760
Personal Loans	753,189	414,335	490,009	101,760
Total	893,880	492,522	553,324	371,742

* 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 June 30, 2020
Below 100 % risk weight	34,458,199
100 % risk weight	2,516,596
More than 100 % risk weight	29,751,511
Deducted (in computation of Net Owned Funds)	-

* Net of provisions and collaterals

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

As at June 30, 2020

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	70,780,498
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)	20,348,128
7	Other adjustments (Debit balance in Profit & Loss Account)	(3,587,122)
8	Leverage ratio exposure	87,541,504

Leverage Ratio as at June 30, 2020

(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)	70,780,498
2	Asset amounts deducted in determining Basel III Tier 1 capital	(3,587,122)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1, 2 and 2A)	67,193,376
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	203,481,283
18	(Adjustments for conversion to credit equivalent amounts)	-183,133,155
19	Off-balance sheet items (sum of lines 17 and 18)	20,348,128
Capital and total exposures		
20	Tier 1 capital	14,503,234
21	Total exposures (sum of lines 3, 11, 16 and 19)	87,541,504
Leverage ratio		
22	Basel III leverage ratio	16.57%