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 October 1, 2014 – December 31, 2014. American Express Banking Corporation (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. 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.2/21.06.201/2014-15 dated July 1, 2014 and the amendments thereto issued from time to time. As per the RBI guidelines, the Basel III Capital Regulations are effective April 1, 2013.

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 Bank's operations are confined to three business areas viz. card operations (including prepaid cards), distribution of travelers' 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 meets the Bank's 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.

The India Country ALCO is the management's oversight committee on all matters pertaining to investment management, capital management, market risk management, liquidity risk management etc.

India Country ALCO comprises of the AEBC India Chief Executive Officer, AEBC India Treasurer, AEBC India Chief Financial Officer, AEBC India Financial Controller, AEBC India Branch Manager, AEBC India Head Risk Management, AEBC India Compliance Officer and AEBC India Director - Technical Delivery.

In addition, to the India Country ALCO, the Bank has another risk management committee referred to as India Risk Management Committee which is responsible for evaluating and monitoring the overall risks faced by AEBC India including liquidity risk. It is an oversight committee of the AEBC India Board on all matters pertaining to management of Liquidity Risk, Market Risk, Credit Risk and Operational Risk

As prescribed in the prudential guidelines issued by the Reserve Bank of India, for computing capital requirement, the Bank has adopted :

(a) Standardized Approach (SA) for credit risk,
(b) Standardized Duration Approach (SDA) for market risk, and
(c) Basic Indicator Approach (BIA) for operational risk.

Quantitative Disclosure:

As at December 31, 2014 **(Amount Rs.'000)**

	RWA*	**Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardised Approach	29,836,734	2,685,306
Market Risk		
- Interest Rate Risk	339,868	30,588
Operational Risk		
- Basic Indicator Approach	9,178,942	826,105
Total	**39,355,544**	**3,541,999**

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

Capital Adequacy Ratio	**December 31, 2014**
Common Equity Tier I Ratio	15.72%
Tier I Ratio	15.72%
Total Capital Ratio	19.34%

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 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.

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. In addition, accelerated write off is effected where it is evident that the outstanding is unlikely to be recovered.

Provision for Non Performing Assets and Standard Assets are made in compliance with the prudential norms prescribed by Reserve Bank of India.

Quantitative Disclosure:

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

As at December 31, 2014 **(Amount Rs.'000)**

	Fund Based	Non- fund Based	Total
Domestic			
Inter – Bank	1,532,691	-	1,532,691
Investments	-	-	-
Advances -			
- Card Receivables	22,003,717	-	22,003,717
- Others	151	-	151
Overseas	-	-	-
Total	**23,536,559**	-	**23,536,559**

(b) Residual maturity breakdown of total assets:

As at December 31, 2014 **(Amount Rs.'000)**

	Cash and Balances with RBI	Balances with Banks	Investments	Advances	Fixed Assets	Other Assets	Total
1 – 14 days	356,144	1,532,491	2,230,113	8,533,290	-	355,886	13,007,924
15 – 28 days	41,179	-	546,702	8,533,290	-	254,625	9,375,796
29 days – 3 months	247,969	-	1,493,629	3,127,674	-	814,281	5,683,554
3 months – 6 months	139,972	-	769,847	478,920	-	-	1,388,740
6 months – 1 year	57,239	-	325,868	331,022	-	-	714,128
1 year – 3 years	51,278	200	281,985	813,365	-	277,003	1,423,831
3 years – 5 years	266	-	1,464	139,615	-	-	141,345
Over 5 years	56,650	-	311,573	151	423,098	-	791,471
TOTAL	**950,697**	**1,532,691**	**5,961,181**	**21,957,327**	**423,098**	**1,701,795**	**32,526,789**

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

As at December 31, 2014 **(Amount Rs.'000)**

Nonperforming asset category	
Sub standard	186,156
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Total	**186,156**

(d) Net NPAs

As at December 31, 2014 **(Amount Rs.'000)**

Nonperforming asset category	
Net NPAs (Sub standard)	139,615
Total	**139,615**

(e) NPA Ratios:

As at December 31, 2014 **(Amount Rs.'000)**

Gross NPA as a ratio to gross advances	0.85%
Net NPAs to net advances	0.64%

(f) Movement of NPAs Gross

As at December 31, 2014 **(Amount Rs.'000)**

Particulars	**Movement of NPAs (Gross)**
Opening Balance (1-April-2014)	195,153
Additions during the period	594,561
Reductions during the period	603,558
Closing Balance (31-December-2014)	186,156

(g) Movement of Provisions for NPAs

As at December 31, 2014 **(Amount Rs.'000)**

Particulars	**Movement of provisions for NPAs**
Opening balance (01-April-2014)	84,675
Provisions made during the period	148,640
Write-off	186,774
Write-back of excess provisions	-
Closing balance (31-December -2014)	**46,541**

(h) Amount of Non-Performing Investments: NIL

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

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

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 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.

Quantitative Disclosure:

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

As at December 31, 2014 **(Amount Rs.'000)**

Risk Weight Applied	**Book Value of Asset**
Below 100 % risk weight	2,489,851
100 % risk weight	2,258,195
More than 100 % risk weight	21,817,562
Deducted (in computation of Net Owned Funds)	-