

## **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 31st December 2017. 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 Prudential Guidelines on Implementation of New Capital Adequacy Framework vide their Circular DBR.No.BP.BC.4/21.06.001/2015-16 dated July 1, 2015 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 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 Bank's business plans for the purpose of capital planning in the ICAAP.

### Quantitative Disclosure:

(Amount Rs.'000)

	December 31, 2017	
	RWA*	Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardized Approach	66,529,108	5,987,620
Market Risk		
- Interest Rate Risk	1,045,888	94,130
- Foreign Exchange Risk	1,223,075	110,077
Operational Risk	17,620,256	1,585,823
- Basic Indicator Approach		
<b>Total</b>	<b>86,418,327</b>	<b>7,777,650</b>

\* RWA = Risk Weighted Assets.

\*\* Min. Cap. Req. = Minimum Capital Requirement at 9% of RWA.

Capital Adequacy Ratio	December 31, 2017
Common Equity Tier I Ratio	12.57%
Tier I Ratio	12.57%
Total Capital Ratio	18.34%

### 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 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 identifies all card accounts with delinquencies and writes off in the books of accounts those 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 and Standard Assets 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.

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

	December 31, 2017		
	Fund Based	Non- fund Based	Total
<b>Domestic</b>			
Investments	-	-	-
Advances -			0
<b>Services</b>	<b>33,444,895</b>		<b>33,444,895</b>
Transport Operators	1,623,713	-	1,623,713
Computer Software	5,175,091	-	5,175,091
Tourism, Hotels & Restaurants	6,376,317	-	6,376,317
Shipping		-	0
Professional Services	5,673,462	-	5,673,462
<b>Trade</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Wholesale Trade (other than food procurement)</b>	<b>1,565,299</b>	<b>-</b>	<b>1,565,299</b>
<b>Retail Trade</b>	<b>2,805,185</b>	<b>-</b>	<b>2,805,185</b>
<b>Non-Banking Financial Companies (NBFCs)</b>	<b>184,273</b>	<b>-</b>	<b>184,273</b>
<b>Other Services</b>	<b>10,041,555</b>	<b>-</b>	<b>10,041,555</b>
<b>Personal Loans</b>	<b>114,938,882</b>	<b>-</b>	<b>114,938,882</b>
<b>Mining &amp; Quarrying (incl. Coal)</b>	<b>349,193</b>	<b>-</b>	<b>349,193</b>
<b>Food Processing</b>	<b>2,058,509</b>	<b>-</b>	<b>2,058,509</b>
Sugar	5077	-	5077
Edible Oils & Vanaspati	20,673	-	20,673
Tea	8,465	-	8,465
Coffee	632	-	632
Others	2,023,662	-	2,023,662
<b>Beverage &amp; Tobacco</b>	<b>243,951</b>	<b>-</b>	<b>243,951</b>
<b>Textiles</b>	<b>1,197,890</b>	<b>-</b>	<b>1,197,890</b>
<b>Leather &amp; Leather Products</b>	<b>158,503</b>	<b>-</b>	<b>158,503</b>
<b>Wood &amp; Wood Products</b>	<b>25,894</b>	<b>-</b>	<b>25,894</b>
<b>Paper &amp; Paper Products</b>	<b>190,097</b>	<b>-</b>	<b>190,097</b>
<b>Petroleum, Coal Products &amp; Nuclear Fuels</b>	<b>114,702</b>	<b>-</b>	<b>114,702</b>
<b>Chemicals &amp; Chemical Products</b>	<b>2,809,512</b>	<b>-</b>	<b>2,809,512</b>
Fertilizer	44,062	-	44,062
Drugs & Pharmaceuticals	814,471	-	814,471
Petro Chemicals	24,175	-	24,175
Others	1,926,804	-	1,926,804
<b>Rubber, Plastic &amp; their Products</b>	<b>583,840</b>	<b>-</b>	<b>583,840</b>
<b>Glass &amp; Glassware</b>	<b>275,979</b>	<b>-</b>	<b>275,979</b>

	Fund Based	Non- fund Based	Total
<b>Cement &amp; Cement Products</b>	160,056	-	160,056
<b>Basic Metal &amp; Metal Product</b>	1,083,156	-	1,083,156
Iron & Steel	691,575	-	691,575
Other Metal & Metal Product	391,581	-	391,581
<b>All Engineering</b>	4,101,764	-	4,101,764
<b>Vehicles, Vehicle Parts &amp; Transport Equipment</b>	1,010,084	-	1,010,084
<b>Gems &amp; Jewellery</b>	46,598	-	46,598
<b>Construction</b>	2,389,645	-	2,389,645
<b>Infrastructure</b>	1,768,297	-	1,768,297
Gas Pipelines	1,851	-	1,851
Water supply pipelines	5,544	-	5,544
Other Infrastructure	1,760,902	-	1,760,902
<b>Other Industries</b>	6,791,277	-	6,791,277
<b>Overseas</b>	-	-	-
<b>Total</b>	173,742,724	-	173,742,724

**(b) Maturity pattern of total assets:**

As at December 31, 2017

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	403,502	114,984	13,672,306	15,540,300	0	1,314,618	31,045,710
15 – 30 days	58,314	6,967	246,797	17,760,342	0	236,783	18,309,203
31 days – 2 months	223,934	31,193	1,105,044	3,095,141	0	65,951	4,521,263
2 months – 3 months	126,885	15,207	538,712	759,637	0	297,416	1,737,857
3 months – 6 months	238,014	28,479	1,008,905	2,258,986	0	0	3,534,384
6 months – 1 year	112,810	40,046	1,418,674	1,305,737	0	0	2,877,267
1 year – 3 years	351	0	0	3,187,880	0	165,445	3,353,676
3 years – 5 years	327	39	1,387	351,700	0	0	353,453
Over 5 years	191,560	22,875	810,387	0	295,626	364,714	1,685,162
<b>TOTAL</b>	1,355,697	259,790	18,802,212	44,259,723	295,626	2,444,927	67,417,975

The maturity pattern of assets is based on the methodology used for reporting positions to RBI on asset-liability management.

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

	(Amount Rs.'000)
Nonperforming asset category	December 31, 2017
Sub standard	579,757
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
<b>Total</b>	<b>579,757</b>

**(d) Net NPAs**

	(Amount Rs.'000)
Nonperforming asset category	December 31, 2017
Net NPAs	212,448
<b>Total</b>	<b>212,448</b>

**(e) NPA Ratios**

	(Amount Rs.'000)
Particulars	December 31, 2017
Gross NPA as a ratio to gross advances	1.30%
Net NPAs to net advances	0.48%

**(f) Movement of NPAs Gross**

	(Amount Rs.'000)
Particulars	December 31, 2017
Opening Balance as on April 1,2017	475,093
Additions during the period	1,880,366
Reductions during the period	1,775,702
Closing Balance as on December 31,2017	579,757

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

	(Amount Rs.'000)
Particulars	December 31, 2017
Opening balance as on April 1,2017	275,988
Provisions made during the period	1,168,865
Reductions made during the period due to write-off, upgradation and recoveries	1,077,544
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance December 31,2017	367,309

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

(Amount Rs.'000)

Particulars	December 31, 2017
Write offs	859,053
Recoveries	356,440

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

(Amount Rs.'000)

Particulars	December 31, 2017
Opening balance as on April 1,2017	155,569
Provisions made during the period	191,823
Write-back of excess provisions	-
Closing balance as on Dec 31,2017*	347,392

\*Includes Provision on Unhedged Foreign Currency Exposure INR 171,202 ('000)

**(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**

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Transport Operators	26,919	16,041	703	6,170
Computer Software	18,706	11,345	8,351	25,746
Tourism, Hotels & Restaurants	4,076	2,429	4,693	27,834
Professional Services	6,605	4,093	15,182	30,450
<b>Trade</b>	<b>33,742</b>	<b>23,617</b>	<b>1,743</b>	<b>23,809</b>
Wholesale Trade (other than food procurement)	2,861	1,753	1,729	7,088
Retail Trade	30,881	21,864	14	16,721
Non-Banking Financial Companies (NBFCs)	146	115	1	258
Other Services	18,899	11,604	13,754	41,884

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Personal Loans	406,958	260,066	543,049	88,714
<b>Mining &amp; Quarrying</b>	<b>1,192</b>	<b>710</b>	<b>38</b>	<b>1,856</b>
Coal	0	0	0	16
Others	1,192	710	38	1,840
<b>Food Processing</b>	<b>46,259</b>	<b>27,566</b>	<b>232</b>	<b>15,029</b>
Sugar	0	0	0	5
Edible Oils & Vanaspati	0	0	0	38
Tea	0	0	10	31
Coffee	0	0	0	1
Others	46,259	27,566	222	14,954
<b>Beverage &amp; Tobacco</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>1,239</b>
Tobacco	0	0	0	1
Others	0	0	30	1,239
<b>Textiles</b>	<b>604</b>	<b>360</b>	<b>110</b>	<b>5,250</b>
Cotton	172	102	108	3,551
Jute	0	0	0	48
Man-made	0	0	0	19
Others	432	258	2	1,632
Leather & Leather Products	204	122	10	874
Wood & Wood Products	0	0	0	106
Paper & Paper Products	0	0	0	229
Petroleum, Coal Products & Nuclear Fuels	161	96	43	425
<b>Chemicals &amp; Chemical Products</b>	<b>1,958</b>	<b>1,171</b>	<b>716</b>	<b>10,660</b>
Fertilizers	0	0	0	17
Drug & Pharmaceuticals	903	542	658	1,821
Petro Chemicals	0	0	0	172
Others	1,055	629	58	8,650
Rubber, Plastic & their Products	173	103	732	1,297
Glass & Glassware	0	0	106	1,349



Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Cement & Cement Products	0	0	181	179
<b>Basic Metal &amp; Metal Product</b>	<b>398</b>	<b>238</b>	<b>549</b>	<b>4,054</b>
Iron & Steel	194	116	0	1,515
Other Metal & Metal Product	204	122	549	2,539
<b>All Engineering</b>	<b>6,062</b>	<b>3,620</b>	<b>55,821</b>	<b>18,442</b>
Electronics	5,272	3,145	54,081	13,767
Others	790	475	1,740	4,675
Vehicles, Vehicle Parts & Transport Equipment	307	186	6,084	4,302
Gems & Jewellery	0	0	391	65
Construction	6,221	3,707	1,334	16,476
Infrastructure	0	0	2,672	18,072
Electricity Generation	0	0	0	17,957
Electricity Distribution	0	0	2,672	94
Gas Pipelines	0	0	0	1
Water supply pipelines	0	0	0	21
Other Industries	167	120	39,422	2,623
Overseas	0	0	0	0
<b>Total</b>	<b>579,757</b>	<b>367,309</b>	<b>692,597</b>	<b>347,392</b>

\*Includes Provision on Unhedged Foreign Currency Exposure INR 171,202 ('000)

#### 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:

<b>(Amount Rs.'000)</b>	
<b>Risk Weight Applied*</b>	<b>December 31, 2017</b>
Below 100 % risk weight	1,674,008
100 % risk weight	2,801,783
More than 100 % risk weight	42,823,021
Deducted (in computation of Net Owned Funds)	-

\* Net of provisions and collaterals

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

As at 31<sup>st</sup> December, 2017

<b>Summary comparison of accounting assets vs. leverage ratio exposure measure</b>		
<b>S No.</b>	<b>Particulars</b>	<b>Amount in Rs. '000</b>
1	Total consolidated assets as per published financial statements	70,991,092
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)	12,911,569
7	Other adjustments (Debit Balance in Profit and Loss Account)	(3,573,115)
8	<b>Leverage ratio exposure</b>	<b>80,329,546</b>

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## 6. Leverage Ratio as at December 31, 2017

(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)	70,991,092
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(3,573,115)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	67,417,977
<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	129,115,691
18	(Adjustments for conversion to credit equivalent amounts)	(116,204,122)
19	Off-balance sheet items (sum of lines 17 and 18)	12,911,569
<b>Capital and total exposures</b>		
20	Tier 1 capital	10,865,193
21	Total exposures (sum of lines 3, 11, 16 and 19)	80,329,546
<b>Leverage ratio</b>		
22	Basel III leverage ratio	13.53%