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 30th June 2016. 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)

	June 30, 2016	
	RWA*	**Min. Cap. Req.****
Credit Risk		
- Portfolio subject to Standardized Approach	42,125,862	3,791,328
Market Risk		
- Interest Rate Risk	658,945	59,305
- Foreign Exchange Risk	501,860	45,167
Operational Risk		
- Basic Indicator Approach	14,094,510	1,268,506
Total	**57,381,177**	**5,164,306**

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

Capital Adequacy Ratio	**June 30, 2016**
Common Equity Tier I Ratio	10.64%
Tier I Ratio	10.64%
Total Capital Ratio	18.95%

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 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 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 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. 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)

	June 30, 2016		
	Fund Based	**Non- fund Based**	**Total**
Domestic			
Inter - Bank	599,426	-	599,426
Investments	-	-	-
Advances -			
- Card Receivables	32,659,784	-	32,659,784
- Others	128	-	128
Overseas	-	-	-
Total	**33,259,338**	-	**33,259,338**

(b) Maturity pattern of total assets:

As at June 30, 2016 **(Amount Rs.'000)**

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	413,808	599,226	10,719,236	12,489,786	-	1,098,821	25,320,877
15 – 30 days	97,639	-	604,992	14,274,041	-	396,764	15,373,436
31 days – 2 months	95,314	-	458,697	1,645,641	-	116,600	2,316,252
2 months – 3 months	70,040	-	339,895	399,795	-	260,332	1,070,062
3 months – 6 months	181,186	-	977,383	1,160,151	-	0	2,318,720
6 months – 1 year	15,513	-	73,694	690,226	-	61,200	840,633
1 year – 3 years	56,830	200	273,495	1,497,896	-	343,651	2,172,072
3 years – 5 years	320	-	1,499	252,106	-	0	253,925
Over 5 years	190,047	-	914,604	0	279,987	0	1,384,638
TOTAL	**1,120,697**	**599,426**	**14,363,495**	**32,409,642**	**279,987**	**2,277,368**	**51,050,615**

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	**June 30, 2016**
Sub standard	496,523
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	5,725
Total	**502,248**

(d) Net NPAs

(Amount Rs.'000)

Nonperforming asset category	**June 30, 2016**
Net NPAs (Sub standard)	251,978
Total	**251,978**

(e) NPA Ratios

(Amount Rs.'000)

Particulars	**June 30, 2016**
Gross NPA as a ratio to gross advances	1.54%
Net NPAs to net advances	0.78%

(f) Movement of NPAs Gross

(Amount Rs.'000)

Particulars	**June 30, 2016**
Opening Balance	**496,326**
Additions during the period	509,979
Reductions during the period	504,057
Closing Balance	**502,248**

(g) Movement of Provisions for NPAs

(Amount Rs.'000)

Particulars	**June 30, 2016**
Opening balance	**248,505**
Provisions made during the period	243,991
Write-off	242,226
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance	**250,270**

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

(Amount Rs.'000)

Particulars	**June 30, 2016**
Write offs	311,146
Recoveries	103,001

(i) Movement of Provisions for Standard Assets

(Amount Rs.'000)

Particulars	**June 30, 2016**
Opening balance	**118,585**
Provisions made during the period	10,046
Write-back of excess provisions	-
Closing balance	**128,631**

(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

Banks' advances are only to retail industry as these are only in the nature of credit card receivables and loan to staff in India.

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

(Amount Rs.'000)

Risk Weight Applied*	**June 30, 2016**
Below 100 % risk weight	1,726,523
100 % risk weight	2,774,485
More than 100 % risk weight	31,385,173
Deducted (in computation of Net Owned Funds)	-

* Net of provisions and collaterals

5. **Leverage Ratio as at June 30, 2016**

(Amount Rs.'000)

	June 30, 2016
Tier 1 capital	6,105,616
Exposure measure	54,627,304
Leverage ratio	**11.18%**