

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 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)		
	June 30, 2017	
	RWA*	Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardized Approach	49,177,454	4,425,971
Market Risk		
- Interest Rate Risk	812,037	73,083
- Foreign Exchange Risk	513,516	46,216
Operational Risk		
- Basic Indicator Approach	17,620,256	1,585,823
Total	68,123,263	6,131,093

* RWA = Risk Weighted Assets.

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

Capital Adequacy Ratio	June 30, 2017
Common Equity Tier I Ratio	11.89%
Tier I Ratio	11.89%
Total Capital Ratio	18.92%

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)

	June 30, 2017		
	Fund Based	Non- fund Based	Total
Domestic			
Inter – Bank	949,354	-	949,354
Investments	-	-	-
Advances -			
Services	12,886,518		12,886,518
Transport Operators	721,205	-	721,205
Computer Software	3,121,494	-	3,121,494
Tourism, Hotels & Restaurants	2,050,867	-	2,050,867
Shipping	2,599	-	2,599
Professional Services	1,596,101	-	1,596,101
Trade	1,689,440	-	1,689,440
Wholesale Trade (other than food procurement)	242,816	-	242,816
Retail Trade	1,446,624	-	1,446,624
Non-Banking Financial Companies (NBFCs)	5,480	-	5,480
Other Services	3,699,332	-	3,699,332
Personal Loans	20,878,794		20,878,794
Credit Card	20,878,794	-	20,878,794
Mining & Quarrying (incl. Coal)	10,010		10,010
Food Processing	908,494		908,494
Sugar	21	-	21
Edible Oils & Vanaspati	31,323	-	31,323
Tea	262	-	262
Others	876,888	-	876,888
Beverage & Tobacco	8,820		8,820
Textiles	10,489		10,489
Leather & Leather Products	502		502
Wood & Wood Products	1,263		1,263
Paper & Paper Products	2,073		2,073
Petroleum, Coal Products & Nuclear Fuels	55,459		55,459
Chemicals & Chemical Products	1,029,591		1,029,591
Fertilizer	1,397	-	1,397
Drugs & Pharmaceuticals	871,682	-	871,682
Petro Chemicals	50	-	50
Others	156,462	-	156,462
Rubber, Plastic & their	2,983		2,983

	June 30, 2017		
	Fund Based	Non- fund Based	Total
Products			
Glass & Glassware	2	-	2
Cement & Cement Products	1,319	-	1,319
Basic Metal & Metal Product	54,764	-	54,764
Iron & Steel	51,797	-	51,797
Other Metal & Metal Product	2,967	-	2,967
All Engineering	369,797	-	369,797
Vehicles, Vehicle Parts & Transport Equipment	13,093	-	13,093
Gems & Jewellery	8,747	-	8,747
Construction	421,582	-	421,582
Infrastructure	67,796	-	67,796
Power	2,483	-	2,483
Other Infrastructure	65,313	-	65,313
Other Industries	1,875,222	-	1,875,222
Overseas	-	-	-
Total	39,556,672	-	39,556,672

(b) Maturity pattern of total assets:

As at June 30, 2017

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 - 14 days	346,869	359,399	12,269,714	14,661,562	-	1,291,800	28,929,344
15 - 30 days	58,566	43,833	308,879	16,756,071	-	105,124	17,272,473
31 days - 2 months	213,676	130,435	919,151	1,732,637	-	3,245	2,999,144
2 months - 3 months	103,571	57,773	407,118	450,134	-	231,690	1,250,286
3 months - 6 months	175,010	197,363	1,390,777	1,305,040	-	-	3,068,190
6 months - 1 year	96,432	53,814	379,220	900,526	-	-	1,429,992
1 year - 3 years	139	-	-	2,274,175	-	148,183	2,422,497
3 years - 5 years	325	89	629	248,367	-	-	249,411
Over 5 years	191,109	106,648	751,520	-	295,117	273,492	1,617,885
TOTAL	1,185,697	949,354	16,427,008	38,328,512	295,117	2,053,534	59,239,222

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)

Nonperforming asset category	(Amount Rs.'000)
Sub standard	June 30, 2017
Doubtful 1	477,820
Doubtful 2	-
Doubtful 3	-
Loss	49,243
Total	527,063

(d) Net NPAs

Nonperforming asset category	(Amount Rs.'000)
Net NPAs	June 30, 2017
Total	248,257

(e) NPA Ratios

Particulars	(Amount Rs.'000)
Gross NPA as a ratio to gross advances	June 30, 2017
Net NPAs to net advances	1.37%

(f) Movement of NPAs Gross

Particulars	(Amount Rs.'000)
Opening Balance	June 30, 2017
Additions during the period	475,093
Reductions during the period	600,237
Closing Balance	548,267
	527,063

(g) Movement of Provisions for NPAs

Particulars	(Amount Rs.'000)
Opening balance	June 30, 2017
Provisions made during the period	275,988
Reductions made during the period due to write-off, upgradation and recoveries	321,188
Any other Adjustments, including transfer between provisions	318,370
Write-back of excess provisions	-
Closing balance	278,806

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

Particulars	(Amount Rs.'000)
	June 30, 2017
Write offs	242,633
Recoveries	126,315

(i) Movement of Provisions for Standard Assets

Particulars	(Amount Rs.'000)
	June 30, 2017
Opening balance	155,569
Provisions made during the period	-
Write-back of excess provisions	3248
Closing balance	152,321

(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 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:

Risk Weight Applied*	(Amount Rs.'000)
	June 30, 2017
Below 100 % risk weight	2,191,474
100 % risk weight	2,513,713
More than 100 % risk weight	37,179,079
Deducted (in computation of Net Owned Funds)	-

* Net of provisions and collaterals

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

As at 30th June, 2017

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	62,812,337
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)	10,316,912
7	Other adjustments (Debit Balance in Profit and Loss Account)	(3,573,115)
8	Leverage ratio exposure	69,556,134

6. Leverage Ratio as at June 30, 2017

S No.	Particulars	(Amount Rs.'000)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	62,812,337
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)	59,239,222

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	103,169,118
18	(Adjustments for conversion to credit equivalent amounts)	(92,852,206)
19	Off-balance sheet items (sum of lines 17 and 18)	10,316,912
Capital and total exposures		
20	Tier 1 capital	8,101,153
21	Total exposures (sum of lines 3, 11, 16 and 19)	69,556,134
Leverage ratio		
22	Basel III leverage ratio	11.65%