BASEL - PILLAR 3 DISCLOSURES, AS AT SEPTEMBER 30, 2013

1. Scope of Application

The Basel - Pillar 3 disclosures contained herein relate to American Express Banking Corp. – India Branch, herein after referred to as "the Bank" for the period ended September 30, 2013. American Express Banking Corporation (AEBC) is a New York State Investment Company chartered under Article XII of the New York State Banking Law. AEBC is a wholly owned subsidiary of American Express Company, and conducts business through a branch office in India. AEBC is governed under an Agreement of Supervision between American Express Company, AEBC, and the New York State Banking Department (NYSBD). 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.2/21.06.201/2013-14 dated July 1, 2013 and the amendments thereto issued from time to time.

The Bank does not have any subsidiaries, nor does it hold any significant stake/interest in any companies. Further, the Bank is not required to prepare consolidated financial statements.

2. Capital Adequacy

The Bank's operations are confined to three business areas viz. card operations (including prepaid cards), distribution of travellers' 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 it 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.

As prescribed in the prudential guidelines issued by the Reserve Bank of India, for computing capital requirement, the Bank has adopted: (a) Standardised Approach (SA) for credit risk, (b) Standardised Duration Approach (SDA) for market risk, and (c) Basic Indicator Approach (BIA) for operational risk.

Quantitative Disclosure:

As at September 30, 2013 **(Amount Rs.'000)**

	RWA*	**Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardised Approach	25,543,140	2,298,883
Market Risk		
- Interest Rate Risk	199,923	17,993
Operational Risk		
- Basic Indicator Approach	8,016,875	721,519
Total	**33,759,938**	**3,038,395**

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

Capital Adequacy Ratio	**September 30, 2013**
Tier I Ratio	13.85%
Total Capital Ratio	14.36%

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 so as 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. In addition to the above, the Bank also maintains a general provision to cover credit losses, which are inherent in any loan portfolio.

Quantitative Disclosure:

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

As at September 30, 2013 **(Amount Rs.'000)**

	Fund Based	Non- fund Based	Total
Domestic			
Inter - Bank	626,908	-	626,908
Investments	-	-	-
Advances -			
- Card Receivables	19,137,324	-	19,137,324
- Others	1,647	-	1,647
Overseas	-	-	-
Total	**19,765,879**	-	**19,765,879**

(b) Residual maturity breakdown of total assets:

As at September 30, 2013 **(Amount Rs.'000)**

	Cash and Balances with RBI	Balances with Banks	Investments	Advances	Fixed Assets	Other Assets	Total
1 – 14 days	138,600	553,366	1,062,039	7,435,712	-	533,364	9,723,081
15 – 28 days	86,311	15,316	611,366	7,435,713	-	333,005	8,481,711
29 days – 3 months	79,423	11,432	456,323	2,661,539	-	419,075	3,627,792
3 months – 6 months	106,645	15,363	613,245	203,309	-	-	938,562
6 months – 1 year	77,729	23,738	947,558	536,058	-	-	1,585,083
1 year – 3 years	34,064	5,107	195,873	465,924	-	33,030	733,998
3 years – 5 years	197	28	1,131	299,302	-	-	300,658
Over 5 years	17,728	2,558	102,088	1,647	410,700	317,770	852,491
TOTAL	**540,697**	**626,908**	**3,989,623**	**19,039,204**	**410,700**	**1,636,244**	**26,243,376**

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

As at September 30, 2013 **(Amount Rs.'000)**

Nonperforming asset category	
Sub standard	399,069
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Total	**399,069**

(d) Net NPAs

As at September 30, 2013 **(Amount Rs.'000)**

Nonperforming asset category	
Net NPAs (Sub standard)	299,302
Total	**299,302**

(e) NPA Ratios:

As at September 30, 2013 **(Amount Rs.'000)**

Gross NPA as a ratio to gross advances	2.09%
Net NPAs to net advances	1.57%

(f) Movement of NPAs Gross

As at September 30, 2013 **(Amount Rs.'000)**

Particulars	**Movement of NPAs (Gross)**
Opening Balance (01-April-2013)	446,115
Additions during the period	1,012,954
Reductions during the period	1,060,000
Closing Balance (30-September-2013)	**399,069**

(g) Movement of Provisions for NPAs

As at September 30, 2013 **(Amount Rs.'000)**

Particulars	**Movement of provisions for NPAs**
Opening balance (01-April-2013)	126,814
Provisions made during the period	389,149
Write-off	416,196
Write-back of excess provisions	-
Closing balance (30-September-2013)	99,767

(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 September 30, 2013 **(Amount Rs.'000)**

Risk Weight Applied	Book Value of Asset
Below 100 % risk weight	1,202,282
100 % risk weight	2,094,353
More than 100 % risk weight	18,738,256
Deducted (in computation of Net Owned Funds)	318,630

5. Credit Risk Mitigation: Disclosures for Standardised Approach

The Bank's advances arise from its card operations and there are normally no collaterals for these lending. The Bank does not use any Credit Risk Mitigation tools as outlined in the RBI guidelines on Implementation of New Capital Adequacy Framework.

6. Securitisation: Disclosure for Standardised Approach

The Bank does not have any securitization exposure.

7. Market Risk in Trading Book

Market Risk is the risk to earnings or value resulting from movements in market prices. The Bank's trading book comprises of securities held under the Available For Sale (AFS) category. The Bank invests only in Government Treasury Bills to meet the Statutory Liquidity Ratio (SLR) requirements and these investments are held under the Available For Sale category. These instruments do not carry any credit risk. The general market risk charge towards interest rate risk on these instruments is provided as per the extant RBI guidelines, using the Standardised Duration Approach.

Capital Requirements

As at September 30, 2013 **(Amount Rs.'000)**

Interest rate Risk	17,993
Equity position risk; and	-
Foreign exchange risk.	-

8. Operational Risk

Operational Risk is defined as the risk of not achieving business objective due to inadequate or failed processes, people or information systems, or to the external environment, including failures to comply with laws and regulations. It includes legal risk, but does not include strategic and reputation risks.

The Bank has in place an Operational Risk Management Policy framework that defines the key elements of Operational Risk Management. The Operational Risk Management framework defines governance principles, globally accepted risk assessment methodologies and processes for capturing and analyzing Operational Risk events and exposures. Internal and external drivers shape the framework, including regulatory requirements and market pressures. The framework and its supporting programs are designed to be adaptable to address emerging risks and external influences as they develop.

The Bank has adopted the Basic Indicator Approach (BIA) for operation risk.

9. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book represents the risk that a movement in interest rates will have an adverse effect on the interest rate sensitive assets and liabilities held by the Bank in the banking book. Interest Rate risk is primarily generated by funding card member charges and investments with different tenure borrowings and deposits. These assets and liabilities generally do not create naturally off-setting positions with respect to basis, re-pricing or maturity characteristics.

The Bank's objective is to identify and manage interest rate risk exposures in the context of its overall business model while supporting sustainable earnings growth. This is accomplished by identifying, measuring and reporting such exposures on a monthly basis and managing the same within predefined limits.

Interest Rate Risk is managed and monitored by the Asset – Liability Management Committee (ALCO) of the Bank in accordance with Board approved policies and limits. The Risk Management Committee of the Bank also oversees and monitors interest rate risk as part of its enterprise wide risk related responsibilities.

General principles and the overall framework for managing market risk, including the interest rate risk are defined in the Bank's Treasury Policy. The Bank measures interest rate risk from two separate, but complimentary perspectives i.e risk that earnings decline (EaR) and risk that economic value of the Bank declines (EVE).

EaR measures the adverse potential impact on the projected 12 month pre-tax income of the Bank due to a 100 bps parallel shift in the yield curve on the assets and liabilities of the Bank.

EVE measures the risk of decline in the economic value of equity of the Bank as a result of changes in market factors i.e 200 bps parallel shift in yield curve.

Quantitative Disclosure

Impact on earnings and economic value of capital :

	Earnings perspective	**Economic value perspective**
Interest Rate Shock	100 basis points	200 basis points
Amount (Rs. In '000)	87,523	71,226

10. General Disclosure for Exposures Related to Counterparty Credit Risk : Not Applicable

11. Composition of Capital

As at September 30, 2013 **(Amount Rs.'000)**

Composition of Capital			**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)/Head office funds	7,527,444		
2	Retained earnings	76,809		
3	Accumulated other comprehensive income (and other reserves)	(2,610,276)		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		
	Public sector capital injections grandfathered until January 1, 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-		
6	**Common Equity Tier 1 capital before regulatory adjustments**	4,993,977		

Composition of Capital			**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
Common Equity Tier 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	-		
8	Goodwill (net of related tax liability)	-		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	860		
10	Deferred tax assets	317,770		
11	Cash-flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-		
15	Defined-benefit pension fund net assets	-		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-		
17	Reciprocal cross-holdings in common equity	-		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		
20	Mortgage servicing rights (amount above 10% threshold)	-		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold	-		
23	of which: significant investments in the common stock of financial entities	-		
24	of which: mortgage servicing rights	-		
25	of which: deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments (26a+26b+26c+26d)	-		
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-		
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-		

Composition of Capital			Amounts Subject to Pre-Basel III Treatment	Ref No.
26d	of which: Unamortised pension funds expenditures	-		
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
	For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	-		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-		
28	**Total regulatory adjustments to Common equity Tier 1**	318,630		
29	**Common Equity Tier 1 capital (CET1)**	4,675,347		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	of which: instruments	-		
36	**Additional Tier 1 capital before regulatory adjustments**	-		
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
41	National specific regulatory adjustments (41a+41b)	-		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		

Composition of Capital			Amounts Subject to Pre-Basel III Treatment	Ref No.
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	Total regulatory adjustments to Additional Tier 1 capital	-		
44	Additional Tier 1 capital (AT1)	-		
44a	Additional Tier 1 capital reckoned for capital adequacy	-		
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	4,675,347		
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
47	Directly issued capital instruments subject to phase out from Tier 2	-		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-		
49	of which: instruments issued by subsidiaries subject to phase out	-		
50	Provisions	173,828		
51	51 Tier 2 capital before regulatory adjustments	173,828		
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 instruments	-		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-		
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56	National specific regulatory adjustments (56a+56b)	-		
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-		
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the	-		

Composition of Capital			**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
	bank			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-		
57	**Total regulatory adjustments to Tier 2 capital**	-		
58	**Tier 2 capital (T2)**	173,828		
58a	**Tier 2 capital reckoned for capital adequacy**	173,828		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	-		
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	173,828		
59	**Total capital (TC = T1 + T2) (45 + 58c)**	4,849,175		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	-		
60	Total risk weighted assets (60a + 60b + 60c)	**33,759,938**		
60a	of which: total credit risk weighted assets	25,543,140		
60b	of which: total market risk weighted assets	199,923		
60c	of which: total operational risk weighted assets	8,016,875		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.85%		
62	Tier 1 (as a percentage of risk weighted assets)	13.85%		
63	Total capital (as a percentage of risk weighted assets)	14.36%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	-		
65	of which: capital conservation buffer requirement	-		
66	of which: bank specific countercyclical buffer requirement	-		
67	of which: G-SIB buffer requirement	-		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-		
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities	-		

Composition of Capital			**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
73	Significant investments in the common stock of financial entities	-		
74	Mortgage servicing rights (net of related tax liability)	-		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-		
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	173,828		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	319,289		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
82	Current cap on AT1 instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on T2 instruments subject to phase out arrangements	-		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		

12. Composition of Capital – Reconciliation requirements: Not Applicable

13. Main Features of Regulatory Capital Instruments: Not Applicable

14. Full Terms and Conditions of Regulatory Capital Instruments: Not Applicable

15. Disclosure requirements for Remuneration: Annual Disclosure