

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 2018. 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 Master Circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 on Basel III Capital Regulations 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, 2018	
	RWA*	Min. Cap. Req.**
Credit Risk		
- Portfolio subject to Standardized Approach	76,331,234	8,301,022
Market Risk		
- Interest Rate Risk	1,338,110	145,519
- Foreign Exchange Risk	1,500,000	163,125
Operational Risk	22,220,224	2,416,449
- Basic Indicator Approach		
Total	101,389,568	11,026,115

* RWA = Risk Weighted Assets.

** Min. Cap. Req. = Minimum Capital Requirement (including capital conservation buffer) at 10.875% of RWA.

Capital Adequacy Ratio	June 30, 2018
Common Equity Tier I Ratio	13.09%
Tier I Ratio	13.09%
Total Capital Ratio	22.91%

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, Standard Assets and Unhedged Foreign Currency Exposure 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. Accounts classified as doubtful are provided at 100% till written off.

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

Particulars	As at June 30, 2018		
	Fund Based	Non-fund Based	Total
Domestic			
Investments	-	-	-
Advances:			
Mining and Quarrying	480,992	-	480,992
Coal	7,222	-	7,222
Others	473,770	-	473,770
Food Processing	1,965,954	-	1,965,954
Sugar	8,590	-	8,590
Edible Oils and Vanaspati	22,939	-	22,939
Tea	6,644	-	6,644
Coffee	9,736	-	9,736
Others	1,918,045	-	1,918,045
Beverages (excluding Tea & Coffee) and Tobacco	270,853	-	270,853
Tobacco and tobacco products	79,869	-	79,869
Others	190,984	-	190,984
Textiles	1,418,967	-	1,418,967
Cotton	692,551	-	692,551
Jute	15,972	-	15,972
Man-made	23,968	-	23,968
Others	686,476	-	686,476
Leather and Leather products	146,701	-	146,701
Leather and Leather products	146,701	-	146,701
Wood and Wood Products	18,651	-	18,651
Wood and Wood Products	18,651	-	18,651
Paper and Paper Products	205,918	-	205,918
Paper and Paper Products	205,918	-	205,918
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	38,487	-	38,487
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	38,487	-	38,487
Chemicals and Chemical Products (Dyes, Paints, etc.)	2,881,797	-	2,881,797
Fertilizers	296,999	-	296,999
Drugs and Pharmaceuticals	984,049	-	984,049
Petro-chemicals (excluding under Infrastructure)	9,675	-	9,675
Others	1,591,074	-	1,591,074
Rubber, Plastic and their Products	992,289	-	992,289
Rubber, Plastic and their Products	992,289	-	992,289

Particulars	Fund Based	Non-Fund Based	Total
Glass & Glassware	609,031	-	609,031
Glass & Glassware	609,031	-	609,031
Cement and Cement Products	565,012	-	565,012
Cement and Cement Products	565,012	-	565,012
Basic Metal and Metal Products	1,049,371	-	1,049,371
Iron and Steel	615,786	-	615,786
Other Metal and Metal Products	433,585	-	433,585
All Engineering	4,845,302	-	4,845,302
Electronics	2,313,180	-	2,313,180
Others	2,532,122	-	2,532,122
Vehicles, Vehicle Parts and Transport Equipments	1,106,291	-	1,106,291
Vehicles, Vehicle Parts and Transport Equipments	1,106,291	-	1,106,291
Gems and Jewellery	40,178	-	40,178
Gems and Jewellery	40,178	-	40,178
Construction	2,657,608	-	2,657,608
Construction	2,657,608	-	2,657,608
Infrastructure	1,605,480	-	1,605,480
Private Sector	1,572,187	-	1,572,187
Gas Pipelines	1,002	-	1,002
Water supply pipelines	32,291	-	32,291
Other Industries	7,090,672	-	7,090,672
Other Industries	7,090,672	-	7,090,672
Service	28,328,550	-	28,328,550
Transport Operators	773,409	-	773,409
Computer Software	6,070,680	-	6,070,680
Tourism, Hotel and Restaurants	8,837,925	-	8,837,925
Professional Services	4,506,579	-	4,506,579
Commercial Real Estate	130,623	-	130,623
NBFCs	226,806	-	226,806
Other Services	7,782,528	-	7,782,528
Trade	5,635,575	-	5,635,575
Wholesale Trade (other than Food Procurement)	1,867,081	-	1,867,081
Retail Trade	3,768,494	-	3,768,494
Personal Loans	140,759,075	-	140,759,075
Credit Card and Staff loan	140,759,075	-	140,759,075
Total	202,712,754	-	202,712,754

(b) Maturity pattern of total assets:

As at June 30, 2018

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances (Net)	Fixed Assets	Other Assets	Total
1 – 14 days	413,134	64,213	16,446,103	18,184,945	-	1,168,744	36,277,139
15 – 30 days	93,503	270	410,026	20,782,793	-	147,292	21,433,884
31 days – 2 months	289,150	834	1,264,056	3,699,591	-	53,657	5,307,288
2 months – 3 months	77,229	430	652,374	1,139,132	-	327,014	2,196,179
3 months – 6 months	174,724	734	1,112,557	2,693,821	-	-	3,981,836
6 months – 1 year	132,087	381	577,396	1,685,228	-	-	2,395,092
1 year – 3 years	6,069	13	20,413	3,329,891	-	282,059	3,638,445
3 years – 5 years	330	1	1,441	363,404	-	-	365,176
Over 5 years	389,471	1,123	1,702,614	129,430	261,599	305,627	2,789,864
TOTAL	1,575,697	67,999	22,186,980	52,008,235	261,599	2,284,393	78,384,903

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, 2018
Sub standard	680,638
Doubtful 1	104,549
Doubtful 2	-
Doubtful 3	-
Loss	425,854
Total	1,211,041

(d) Net NPAs

(Amount Rs.'000)

Nonperforming asset category	June 30, 2018
Net NPAs	363,315
Total	363,315

(e) NPA Ratios

(Amount Rs.'000)

Particulars	June 30, 2018
Gross NPA as a ratio to gross advances	2.29%
Net NPAs to net advances	0.70%

(f) Movement of NPAs Gross**(Amount Rs.'000)**

Particulars	June 30, 2018
Opening Balance as on April 01,2018	848,490
Additions during the period	1,225,565
Reductions during the period	863,014
Closing Balance as on June 30,2018	1,211,041

(g) Movement of Provisions for NPAs**(Amount Rs.'000)**

Particulars	June 30, 2018
Opening balance as on April 01,2018	463,018
Provisions made during the period	852,188
Reductions made during the period due to write-off, upgradation and recoveries	467,480
Any other Adjustments, including transfer between provisions	-
Write-back of excess provisions	-
Closing balance June 30,2018	847,726

(h) Details of write offs and recoveries booked directly to the Income Statement**(Amount Rs.'000)**

Particulars	June 30, 2018
Write offs	304,335
Recoveries	216,391

(i) Movement of Provisions for Standard Assets**(Amount Rs.'000)**

Particulars	June 30, 2018
Opening balance as on April 01,2018	318,167
Provisions made during the period	57,323
Write-back of excess provisions	-
Closing balance as on June 30,2018*	375,490

*Includes Provision on Unhedged Foreign Currency Exposure and Willful Defaulters.

(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*
Mining and Quarrying	196	164	10,482	2,493
Others	196	164	10,482	1,165
Coal	-	-	-	1,328
Food Processing	13	6	-	15,178
Sugar	-	-	-	3
Coffee	-	-	-	91
Edible Oils and Vanaspati	-	-	-	47
Tea	-	-	-	14
Others	13	6	-	15,023
Beverages (excluding Tea & Coffee) and Tobacco	4	2	3	712
Tobacco and tobacco products	-	-	-	1
Others	4	2	3	711
Textiles	1,423	711	231	5,497
Jute	-	-	-	831
Man-made	-	-	-	36
Cotton	-	-	4	1,586
Others	1,423	711	227	3,045
Leather and Leather products	162	92	-	745
Leather and Leather products	162	92	-	745
Wood and Wood Products	-	-	-	47
Wood and Wood Products	-	-	-	47
Paper and Paper Products	-	-	-	421
Paper and Paper Products	-	-	-	421
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	349
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	349
Chemicals and Chemical Products (Dyes, Paints, etc.)	5,833	3,016	317	15,164
Drugs and Pharmaceuticals	1,243	749	237	3,920
Others	4,590	2,267	80	6,087
Fertilizers	-	-	-	5,116
Petro-chemicals (excluding under Infrastructure)	-	-	-	40
Rubber, Plastic and their Products	55	55	-	836
Rubber, Plastic and their Products	55	55	-	836

Particulars	Gross NPA	Provision towards NPA	NPA Write offs	Provision for Standard Assets*
Glass & Glassware	-	-	-	794
Glass & Glassware	-	-	-	794
Cement and Cement Products	3,386	1,672	-	176
Cement and Cement Products	3,386	1,672	-	176
Basic Metal and Metal Products	38	19	-	3,343
Iron and Steel	1	-	-	1,618
Other Metal and Metal Products	37	19	-	1,725
All Engineering	14,196	7,454	3,559	21,245
Electronics	8,809	4,638	2,977	10,249
Others	5,387	2,816	582	10,995
Vehicles, Vehicle Parts and Transport Equipments	1,377	680	676	4,207
Vehicles, Vehicle Parts and Transport Equipments	1,377	680	676	4,207
Gems and Jewellery	6	3	120	110
Gems and Jewellery	6	3	120	110
Construction	426,708	426,357	273	16,517
Construction	426,708	426,357	273	16,517
Infrastructure	-	-	15	19,602
Private Sector	-	-	15	19,351
Gas Pipelines	-	-	-	3
Water supply pipelines	-	-	-	248
Other Industries	3,949	2,026	139	3,310
Other	3,949	2,026	139	3,310
Service	111,692	59,600	28,254	138,030
Transport Operators	4,352	2,149	-	1,735
Computer Software	40,448	20,709	16,658	40,658
Tourism, Hotel and Restaurants	34,899	17,273	2,488	40,038
Professional Services	16,925	10,380	2,933	25,937
NBFCs	391	218	-	329
Other Services	14,677	8,871	6,175	28,504
Commercial Real Estate	-	-	-	828
Trade	22,609	12,691	24,088	23,178
Wholesale Trade (other than Food Procurement)	15,009	7,701	21,032	8,872
Retail Trade	7,600	4,990	3,056	14,305
Personal Loans	619,394	333,178	182,871	103,538
Credit Card	619,394	333,178	182,871	103,538
Total	1,211,041	847,726	251,028	375,490

*Includes Provision on Unhedged Foreign Currency Exposure and Willful Defaulters.

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:

(Amount Rs.'000)

Risk Weight Applied*	June 30, 2018
Below 100 % risk weight	1,803,933
100 % risk weight	2,722,276
More than 100 % risk weight	50,235,054
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, 2018

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	81,406,987
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)	15,234,790
7	Other adjustments (Debit Balance in Profit and Loss Account)	(3,022,084)
8	Leverage ratio exposure	93,619,693

6. Leverage Ratio as at June 30, 2018

(Amount Rs.'000)

S No.	Particulars	Leverage ratio framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	81,406,987
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(3,022,084)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	78,384,903
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	152,347,901
18	(Adjustments for conversion to credit equivalent amounts)	(137,113,111)
19	Off-balance sheet items (sum of lines 17 and 18)	15,234,790
Capital and total exposures		
20	Tier 1 capital	13,268,250
21	Total exposures (sum of lines 3, 11, 16 and 19)	93,619,693
Leverage ratio		
22	Basel III leverage ratio	14.17%