

## **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 2015. 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 DBOD.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 meet 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.

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 Banks business plans for the purpose of capital planning in the ICAAP.

**Quantitative Disclosure:**

As at December 31, 2015	(Amount Rs.'000)	
	RWA*	Min. Cap. Req.*
Credit Risk		
- Portfolio subject to Standardised Approach	35,303,129	3,177,282
Market Risk		
- Interest Rate Risk	283,522	25,517
- Foreign Exchange Risk	701,306	63,118
Operational Risk		
- Basic Indicator Approach	11,778,073	1,060,027
<b>Total</b>	<b>48,066,030</b>	<b>4,325,944</b>

\* RWA = Risk Weighted Assets

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

Capital Adequacy Ratio	December 31, 2015
Common Equity Tier I Ratio	12.76%
Tier I Ratio	12.76%
Total Capital Ratio	22.64%

**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 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.

### Quantitative Disclosure:

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

As at December 31, 2015	(Amount Rs.'000)		
	Fund Based	Non- fund Based	Total
<b>Domestic</b>			
Inter – Bank	1,114,243		1,114,243
Investments	-	-	-
Advances -			
- Card Receivables	27,452,507	-	27,452,507
- Others	136	-	136
<b>Overseas</b>	0	-	0
<b>Total</b>	<b>28,563,886</b>		<b>28,563,886</b>

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

As at December 31, 2015

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances	Fixed Assets	Other Assets	Total
1 - 14 days	331,521	1,114,043	4,208,791	10,622,251	0	748,165	17,024,771
15 - 28 days	59,652	0	683,383	10,622,251	0	314,948	11,680,234
29 days - 3 months	281,329	0	1,858,977	2,979,220	0	242,396	5,361,922
3 months - 6 months	113,171	0	783,761	991,675	0	0	1,888,607
6 months - 1 year	10,702	0	53,769	585,076	0	3,088	652,635
1 year - 3 years	50,593	200	246,604	1233293	0	179,695	1,710,385
3 years - 5 years	308	0	1,504	170,646	0	0	172,458
Over 5 years	203,421	0	991,668	0	309,998	0	1,505,087
<b>TOTAL</b>	<b>1,050,697</b>	<b>1,114,243</b>	<b>8,828,457</b>	<b>27,204,412</b>	<b>309,998</b>	<b>1,488,292</b>	<b>39,996,099</b>

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) - Total:**

As at December 31, 2015

(Amount Rs.'000)

Category	
Sub standard	418,740
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
<b>Total</b>	<b>418,740</b>

**(d) Net NPAs**

As at December 31, 2015

(Amount Rs.'000)

Category	
Sub Standard	170,509
<b>Total</b>	<b>170,509</b>

**(e) NPA Ratios:**

As at December 31, 2015		(Amount Rs.'000)
Gross NPA as a ratio to gross advances		1.53%
Net NPAs to net advances		0.63%

**(f) Movement of NPAs (Gross)**

As at December 31, 2015		(Amount Rs.'000)
Particulars	Movement of NPAs (Gross)	
Opening Balance (1-April-2014)		202,268
Additions during the period		1,190,454
Reductions during the period		973,982
Closing Balance		<b>418,740</b>

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

As at December 31, 2015		(Amount Rs.'000)
Particulars	Movement of provisions for NPAs	
Opening balance (01-April-2014)		50,567
Provisions made during the period		297,614
Write-off		99,950
Write-back of excess provisions		-
Closing balance		<b>248,231</b>

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

For the period ended December 31, 2015		(Amount Rs.'000)
Particulars		
Write offs		754,936
Recoveries		188,683

**(i) Amount of Non-Performing Investments: NIL**

**(j) Amount of Provision held for Non-Performing Investments: NIL**

**(k) Movement of Provision held for depreciation on Investments: NIL**

**4. Credit Risk: Disclosures for Portfolios Subject to Standardised Approach.**

The Bank's 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 the bank’s outstanding by risk weight are as follows:

As at December 31, 2015

(Amount Rs.’000)

<b>Risk Weight Applied</b>	<b>Book Value of Asset*</b>
Below 100 % risk weight	2,171,423
100 % risk weight	1,944,754
More than 100 % risk weight	26,508,399
Deducted (in computation of Net Owned Funds)	-

\* Net of provisions and collaterals

**5. Disclosures on Main Features of Regulatory Capital Instruments and Full Terms and Conditions.**

<b>Sl. No.</b>	<b>Items</b>	<b>I</b>	<b>II</b>
1	Issuer	American Express Banking Corp. - India Branch	American Express Banking Corp. - India Branch
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	Not Applicable
3	Governing law(s) of the instrument	Applicable Indian statutes and regulatory requirements	Applicable Indian statutes and regulatory requirements
	<b>Regulatory treatment</b>		
4	Transitional Basel III rules	Tier 2	Tier 2
5	Post-transitional Basel III rules	Tier 2	Tier 2
6	Eligible at solo/group/group & solo	Solo	Solo
7	Instrument type	Tier 2 Debt instrument - Head Office Borrowings	Tier 2 Debt instrument - Head Office Borrowings
8	Amount recognized in regulatory capital (Rs. in million, as of most recent reporting date)	INR 1250 million.	INR 3300 million.
9	Par value of instrument	INR 1250 million.	INR 3300 million.
10	Accounting classification	Liability - Borrowings Outside India - Subordinated Debt.	Liability - Borrowings Outside India - Subordinated Debt.
11	Original date of issuance	1-Nov-13	27-Nov-15
12	Perpetual or dated	Dated	Dated

Sl. No.	Items	I	II
13	Original maturity date	1-Nov-23	27-Nov-25
14	Issuer call subject to prior supervisory approval	Yes (as per current guidelines RBI approval is required)	Yes (as per current guidelines RBI approval is required)
15	Optional call date, contingent call dates and redemption amount	After completion of 5 years from the Issuance date (i.e 1-Nov-18), with a prior notice of 120 days to the Lender. The Bank has decided not to exercise the prepayment option. Tax/Regulatory call event - Not applicable Redemption Price : At par	After completion of 5 years from the Issuance date (i.e 01-Apr-22), with a prior notice of 120 days to the Lender. Tax/Regulatory call event - Not applicable Redemption Price : At par
16	Subsequent call dates, if applicable	Not Applicable	Not Applicable
	<b>Coupons / dividends</b>		
17	Fixed or floating dividend/coupon	Interest Free	Interest Free
18	Coupon rate and any related index	Not Applicable	Not Applicable
19	Existence of a dividend stopper	Not Applicable	Not Applicable
20	Fully discretionary, partially discretionary or mandatory	Not Applicable	Not Applicable
21	Existence of step up or other incentive to redeem	Not Applicable	Not Applicable
22	Noncumulative or cumulative	Not Applicable	Not Applicable
23	Convertible or non-convertible	Not Applicable	Not Applicable
24	If convertible, conversion trigger(s)	Not Applicable	Not Applicable
25	If convertible, fully or partially	Not Applicable	Not Applicable
26	If convertible, conversion rate	Not Applicable	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable

<b>Sl. No.</b>	<b>Items</b>	<b>I</b>	<b>II</b>
30	Write-down feature	Not Applicable	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable	Not Applicable
32	If write-down, full or partial	Not Applicable	Not Applicable
33	If write-down, permanent or temporary	Not Applicable	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to the claims of all depositors and general creditors.	Subordinate to the claims of all depositors and general creditors.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable

**6. Leverage Ratio**

As at December 31, 2015

(Amount Rs.'000)

<b>Leverage ratio common disclosure template</b>	
<b>Total Exposure</b>	
<b>A. On-balance sheet exposures</b>	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	39,996,099
2. (Asset amounts deducted in determining Basel III Tier 1 capital)	-
3. Total on-balance sheet exposures (excluding derivatives and SFTs)	39,996,099
<b>B. Derivative exposures</b>	
1. Total derivative exposures	-
<b>C. Securities financing transaction exposures</b>	
1. Total securities financing transaction exposures	-
<b>D. Other off-balance sheet exposures</b>	
1. Off-balance sheet items	3,135,192
<b>Total exposures (A) + (B) + (C) + (D)</b>	<b>43,131,291</b>
<b>Capital</b>	
<b>Tier 1 capital</b>	<b>6,133,732</b>
<b>Leverage ratio</b>	<b>14.22%</b>