



American Express Company

Basel III Standardized Approach Pillar 3 Disclosures

For the Quarterly Period Ended March 31, 2017

AMERICAN EXPRESS COMPANY
BASEL III STANDARDIZED APPROACH PILLAR 3 DISCLOSURES
For the Quarterly Period Ended March 31, 2017

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Introduction

Business Overview

American Express Company (“American Express” or the “Company”) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company’s principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel.

American Express was founded in 1850 as a joint stock association and incorporated in 1965 as a New York corporation. The Company and the Company’s principal operating subsidiary, American Express Travel Related Services Company, Inc., are bank holding companies (“BHC”) under the Bank Holding Company Act of 1956, as amended, subject to supervision and examination by the Board of Governors of the Federal Reserve System (the “Federal Reserve”).

The Company’s range of products and services includes charge card, credit card and other payment and financing products; network services; merchant acquisition and processing, servicing and settlement, point-of-sale, marketing and information products and services for merchants; other fee services, including fraud prevention services and the design and operation of customized customer loyalty programs; expense management products and services; travel-related services; and stored value/prepaid products.

The Company’s various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including online applications, direct mail, in-house teams, third-party vendors and direct response advertising.

Regulatory Capital Standards and Disclosures

Since the late 1980s, the federal banking regulators’ capital adequacy rules have been based on accords agreed to by the Basel Committee on Banking Supervision (the “Basel Committee”). These frameworks include general risk-based capital rules applicable to all banking organizations based on the 1988 Capital Accord, known as Basel I, and risk-based capital rules applicable to banking organizations having \$250 billion or more in total consolidated assets or \$10 billion or more in foreign exposures, known as Advanced approaches institutions, based on the advanced internal ratings-based approach for credit risk and the advanced measurement approach for operational risk in the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee in June 2006, known as Basel II.

In July 2013, US federal banking regulators adopted a final rule substantially revising the general risk-based capital rules previously applicable to banking organizations (Basel I), to make them more risk sensitive while implementing the final framework for strengthening international capital and liquidity regulation, known as Basel III (the “Final Rule”), released by the Basel Committee in December 2010. The Final Rule became effective for all banking organizations as of January 1, 2015 and is currently being phased-in, subject to transition provisions for certain adjustments to the components of capital. The Final Rule also introduced the Standardized approach, a revised measurement of risk-weighted assets effective January 1, 2015, which replaces the Basel I calculation of risk-weighted assets.

As an Advanced approaches institution, American Express is required to comply with the Final Rule, which, among other things, revised capital definitions and minimum capital ratio requirements beginning in 2014. The Company began reporting its Basel III Standardized approach capital adequacy standards and regulatory public disclosures (“Pillar 3”) as of March 31, 2015. The Company also reports its capital adequacy ratios on a parallel basis to federal banking regulators under Basel III requirements for an Advanced approaches institution. This will continue until the Company receives regulatory approval to exit, at which point the Company will begin publicly reporting its regulatory risk-based capital ratios under both the Basel III Standardized and Advanced approaches and Pillar 3

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disclosures under the Basel III Advanced approaches. Refer to the “Pillar 3 Reports and Additional Information” section for information on how to find the Company’s SEC and regulatory public disclosures.

Pillar 3 Reports and Additional Information

This report contains the required Pillar 3 disclosures as of March 31, 2017, in accordance with the Basel III Standardized approach guidelines of the Final Rule. The disclosures in this report are based on the Company’s current understanding of the Final Rule and other factors, which may be subject to change as the Company receives additional clarification and implementation guidance from regulators relating to the Final Rule, and as the interpretation of the Final Rule evolves over time. This report is prepared in accordance with the Pillar 3 disclosure policy approved by the Risk Committee of the Company’s Board of Directors. The disclosure policy addresses internal controls as well as disclosure controls and procedures associated with the preparation of this report. Certain key terms are defined in the “Glossary of Selected Terminology”.

Pillar 3 disclosures should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Annual Report”), the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (“Q1’17 Form 10-Q”), and the Consolidated Financial Statements for Holding Companies – FR Y-9C for the quarter ended March 31, 2017 (the “FR Y-9C”). Some measures of exposures and other amounts disclosed in this report may not be directly comparable to other public disclosures reported by the Company and may not be comparable to similar measures used by other companies. American Express files annual, quarterly and current reports as well as other information with the SEC and the Federal Reserve. SEC filings are made available to the public from the SEC’s website at www.sec.gov and regulatory filings are made available from the Federal Reserve’s website at <http://www.ffiec.gov/nicpubweb/nicweb/NicHome.aspx>.

Pillar 3 disclosures are made available on the Company’s Investor Relations website at <http://ir.americanexpress.com>. To access these materials, click on the “Pillar 3 Disclosures” link under the caption “Financial Information” on the Investor Relations homepage. The Company’s Investor Relations website is also accessible through the main website at www.americanexpress.com by clicking on the “Investor Relations” link, which is located at the bottom of the Company’s homepage.

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Scope of Application

The Final Rule requires Pillar 3 disclosures for top-tier banking organizations domiciled in the United States with \$50 billion or more in total consolidated assets. As a result, this report has been prepared using the consolidated financial statements of American Express Company.

Basis of Consolidation

The basis of consolidation used for regulatory reporting purposes is the same as that used under the accounting principles generally accepted in the United States of America (“GAAP”). For additional information on the Company’s principles of consolidation see the “Principles of Consolidation” section of the 2016 Annual Report.

Capital Surplus of Insurance Underwriting Subsidiaries

The Company’s insurance underwriting subsidiaries maintain minimum capital levels as prescribed by their regulators. The Final Rule requires that the prescribed minimum regulatory capital requirements of these insurance underwriting subsidiaries to be aggregated and deducted from the Company’s Total capital (50 percent of the minimum is deducted from Tier 1 capital and the remaining 50 percent is deducted from Tier 2 capital). The table presented in the “Components of Regulatory Capital” section provides additional information on the amount of minimum regulatory capital for insurance underwriting subsidiaries deducted from Tier 1 and Tier 2 capital as of March 31, 2017. The aggregate amount of capital in excess of minimum capital requirements related to the Company’s insurance underwriting subsidiaries included in Total capital as of March 31, 2017 was \$272 million.

Restrictions on the Transfer of Funds or Regulatory Capital

Certain of the Company’s subsidiaries are subject to regulatory restrictions on the transfer of net assets. Procedures exist to transfer net assets between the Company and its subsidiaries, while ensuring compliance with the various contractual and regulatory constraints. For additional information on restricted net assets of subsidiaries, refer to Note 23 “Regulatory Matters and Capital Adequacy” of the 2016 Annual Report.

Subsidiary Minimum Capital Requirements

As of March 31, 2017, the Company did not have subsidiaries whose regulatory capital was less than the minimum required regulatory capital amount.

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Capital Structure and Capital Adequacy

Beginning March 31, 2015, the Company has reported its regulatory risk-based capital ratios using the Basel III capital definitions, inclusive of transitional provisions, and risk-weighted assets using the Basel III Standardized Approach. The Basel III transitional provisions will be fully phased-in by January 1, 2019.

During 2014, the Company began reporting its capital adequacy ratios on a parallel basis to federal banking regulators using risk-weighted assets calculated under the Basel III Advanced approaches and the requirements for an Advanced approaches institution. During this parallel period, federal banking regulators assess the Company's compliance with the Advanced approaches requirements. The Company continues to make progress in complying with the requirements, including refining the calculations to align the requirements with the Company's asset types. The parallel period will continue until the Company receives regulatory approval to exit parallel reporting, at which point the Company will begin publicly reporting regulatory risk-based capital ratios using risk-weighted assets calculated under both the Advanced approaches and the Standardized approach under the Final Rule, and will be required to use the lower of these ratios in order to determine whether the Company is in compliance with minimum capital requirements. Depending on how the Advanced approaches are ultimately implemented for the Company's asset types, the capital ratios calculated under the Advanced approaches may be lower than under the Standardized approach. The Federal Reserve has indefinitely delayed use of the Advanced approaches in CCAR and, therefore, the Standardized approach will remain the applicable measurement for such purposes.

Regulatory Risk-Based Capital Ratios

Definitions of the Company's regulatory risk-based capital ratios, which are calculated in accordance with the Final Rule, are presented below. For additional information on regulatory risk-based capital ratios, refer to the "Consolidated Capital Resources and Liquidity" sections of the 2016 Annual Report and Q1'17 Form 10-Q.

The following provides definitions of the Company's regulatory risk-based capital ratios, which are calculated as per standard regulatory guidance:

Risk-Weighted Assets — Assets are weighted for risk according to a formula used by the Federal Reserve to conform to capital adequacy guidelines. On- and off-balance sheet items are weighted for risk, with off-balance sheet items converted to balance sheet equivalents, using risk conversion factors, before being allocated a risk-adjusted weight. Off-balance sheet exposures comprise a minimal part of the total risk-weighted assets. For additional information on the Company's risk-weighted assets refer to the "Risk-Weighted Assets" section of this report.

Common Equity Tier 1 Risk-Based Capital Ratio — Calculated as Common Equity Tier 1 ("CET1") capital, divided by risk-weighted assets. CET1 is the sum of common shareholders' equity, adjusted for ineligible goodwill and intangible assets, certain deferred tax assets, as well as certain other comprehensive income items as follows: net unrealized gains/losses on securities and derivatives, and net unrealized pension and other postretirement benefit losses, all net of tax and subject to transition provisions.

Tier 1 Risk-Based Capital Ratio — Calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of CET1 capital, perpetual preferred stock, and third-party non-controlling interests in consolidated subsidiaries, adjusted for capital held by insurance subsidiaries and deferred tax assets from net operating losses not deducted from CET1.

Total Risk-Based Capital Ratio — Calculated as the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets. Tier 2 capital is the sum of the allowance for loan and receivable losses (limited to 1.25 percent of risk-weighted assets), a portion of the unrealized gains on equity securities, and \$600 million of subordinated notes, adjusted for capital held by insurance subsidiaries.

For additional information on the Company's regulatory capital refer to the "Components of Regulatory Capital" section of this report.

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The following table presents transitional Basel III Standardized approach regulatory risk-based capital ratios for American Express, American Express Centurion Bank and American Express Bank, FSB as of March 31, 2017. Additional information on fully-phased in capital ratios are included in the “Consolidated Capital Resources and Liquidity” sections of the 2016 Annual Report and Q1’17 Form 10-Q. The Final Rule establishes new capital adequacy minimums and buffer requirements, which will be fully phased-in by January 1, 2019.

	Basel III Standards 2017 ^(a)	Ratios as of March 31, 2017
Common Equity Tier 1	5.8%	
<i>American Express Company</i>		12.7%
<i>American Express Centurion Bank</i>		17.7
<i>American Express Bank, FSB</i>		14.3
Tier 1	7.3	
<i>American Express Company</i>		13.9
<i>American Express Centurion Bank</i>		17.7
<i>American Express Bank, FSB</i>		14.3
Total	9.3%	
<i>American Express Company</i>		15.6
<i>American Express Centurion Bank</i>		19.0
<i>American Express Bank, FSB</i>		15.6%

(a) Transitional Basel III regulatory minimum capital requirement and the additional capital conservation buffer as defined by the Federal Reserve for calendar year 2017 for Advanced approaches institutions. Refer to the “Capital Conservation Buffer” section of this disclosure for additional information.

Components of Regulatory Capital

American Express maintains a range of capital instruments to meet its regulatory capital requirements and to maintain a strong capital base. These capital instruments include common stock, non-cumulative perpetual preferred stock and subordinated debt. For additional information on the Company’s capital strategy refer to the “Capital Strategy” section of this report and the “Consolidated Capital Resources and Liquidity” sections of the 2016 Annual Report and Q1’17 Form 10-Q.

Common Stock

The Company’s common stock is listed on The New York Stock Exchange under the trading symbol AXP. As of March 31, 2017, common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan shares was \$11.2 billion. Under the Final Rule, the Company’s common stock qualifies as CET1 capital. For additional information on the Company’s common shares refer to Note 17 “Common and Preferred Shares” of the 2016 Annual Report.

Preferred Stock

As of March 31, 2017 the Company had outstanding (i) \$750 million of non-cumulative perpetual preferred shares (the “Series B Preferred Shares”) and (ii) \$850 million of non-cumulative perpetual preferred shares (the “Series C Preferred Shares”). Based upon the Company’s understanding of the Final Rule, the Company’s Series B and Series C Preferred Shares qualify as additional Tier 1 capital. For additional information on the Company’s preferred shares refer to Note 17 “Common and Preferred Shares” of the 2016 Annual Report.

Subordinated Debt

The Company had \$600 million principal of Subordinated Notes outstanding as of March 31, 2017 with a coupon of 3.625 percent and a maturity date of December 5, 2024. Based upon the Company’s understanding of the Final Rule, these Subordinated Notes qualify as Tier 2 capital.

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The following table presents a reconciliation of total common shareholders' equity (included in Total shareholders' equity in the Company's Consolidated Balance Sheets) to regulatory Total capital as of March 31, 2017. Regulatory capital figures presented below are inclusive of Basel III Standardized approach transition provisions.

<i>(Millions)</i>	March 31, 2017
Common stock and related surplus ^(a)	\$ 11,188
Retained earnings ^(b)	10,626
Accumulated other comprehensive income (AOCI)	(2,470)
Total common shareholders' equity	19,344
AOCI adjustment ^(c)	105
Less:	
Goodwill net of associated deferred tax liabilities (DTLs)	2,439
Intangible assets, net of associated DTLs	645
Ineligible deferred tax assets (DTAs)	90
CET1 capital	16,275
Additional Tier 1 capital before deductions ^(d)	1,587
Less: Tier 1 deductions ^(e)	31
Tier 1 capital	17,831
Tier 2 capital before deductions ^(f)	2,210
Less: Tier 2 deductions ^(g)	8
Tier 2 capital	2,202
Total capital	\$ 20,033

(a) Amount is composed of \$12,772 million of Common Stock and related surplus reported in the Company's Consolidated Balance Sheets, less \$1,584 million of Preferred Stock and related surplus, net of issuance costs which is considered as Tier 1 capital under the Final Rule.

(b) Amount is composed of \$10,633 million of Retained earnings reported in the Company's Consolidated Balance Sheets, less \$7 million for an allocated transfer tax reserve required for regulatory reporting purposes only.

(c) The AOCI adjustment reflects the transitional treatment over the phase-out period. Amount before applying transition provision (20 percent transition AOCI adjustment amount to be applied to CET1 Capital for 2017) is composed of \$13 million of net unrealized gains on available-for-sale securities and \$537 million unrealized losses of defined benefit postretirement plans recorded in AOCI.

(d) Amount is composed of \$1,584 million of Preferred Stock including related surplus, net of issuance costs and \$3 million in minority interests of majority owned consolidated subsidiaries.

(e) Amount is composed of \$23 million in DTAs that arise from net operating losses not deducted from CET1 capital and \$8 million capital deduction for 50 percent of the minimum regulatory capital of insurance underwriting subsidiaries.

(f) Amount is composed of \$1,610 million allowance for receivable and loan losses (limited to 1.25 percent of risk-weighted assets) and \$600 million of Subordinated Notes due 2024.

(g) Represents capital deduction for 50 percent of the minimum regulatory capital of insurance underwriting subsidiaries.

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Risk-Weighted Assets

The Company's assets and some of its specified off-balance sheet commitments and obligations are assigned to various risk categories for purposes of calculating the required regulatory risk-based capital ratios. The Final Rule amends and replaces the prior risk-weighting categories used to calculate Basel I risk-weighted assets with a broader array of risk weighting categories that are intended to be more risk sensitive and may result in higher risk weights. The following table presents the Basel III Standardized approach risk-weighted assets by exposure type, as prescribed by the Final Rule and relevant to the Company, as of March 31, 2017.

<i>(Millions)</i>	March 31, 2017
Consumer and small business loans and receivables ^(a)	\$ 95,410
Corporate exposures ^(b)	19,342
Equity exposures ^(c)	2,561
Exposures to depository institutions, foreign banks, and credit unions	1,658
Loans and receivables greater than 90 days past due or in non-accrual status ^(d)	1,133
Exposures to public sector entities ^(e)	839
Exposures to sovereign entities	139
Other ^(f)	7,477
Total risk-weighted assets	\$ 128,559

(a) Composed of loans and receivables due from individual and Global Small Business Services ("GSBS") Card Members.

(b) Primarily composed of Card Member loans and receivables due from the Company's Global Corporate Payments ("GCP") Card Members.

(c) Refer to the "Equities Not Subject to the Market Risk Rule" section for details on the composition of the Company's equity exposures.

(d) Primarily composed of Card Member loans and receivables due from individual and GSBS Card Members that are greater than 90 days past due.

(e) Primarily composed of investments in municipal and state bonds, Community Reinvestment Act ("CRA") investments and loans to GCP Card Members.

(f) Primarily composed of premises and equipment, other receivables, DTAs and prepaid assets.

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Capital Management

The Company is required to comply with the applicable capital adequacy rules established by federal banking regulators. These rules are intended to ensure that bank holding companies and banks (collectively, “banking organizations”) have adequate capital given the level of assets and off-balance sheet obligations, and to minimize disincentives for holding liquid assets.

Capital Strategy

The Company’s objective is to retain sufficient levels of capital generated through earnings and other sources to maintain a solid equity capital base and to provide flexibility to support future business growth. American Express believes capital allocated to growing businesses with a return on risk-adjusted equity in excess of the Company’s costs will generate shareholder value.

The level and composition of the Company’s consolidated capital position are determined through the Internal Capital Adequacy Assessment Process, which takes into account the Company’s business activities, as well as marketplace conditions and requirements or expectations of credit rating agencies, regulators and shareholders, among others. The Company’s consolidated capital position is also influenced by subsidiary capital requirements. As a bank holding company, the Company is also subject to regulatory requirements administered by the U.S. federal banking agencies; and the Federal Reserve has established specific capital adequacy guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items.

The Company seeks to maintain capital levels and ratios in excess of the minimum regulatory requirements and finance such capital in a cost efficient manner; failure to maintain minimum capital levels could affect the Company’s status as a financial holding company and cause the respective regulatory agencies to take actions that could limit the Company’s business operations.

The Company’s primary source of equity capital has been the generation of net income. Historically, capital generated through net income and other sources, such as the exercise of stock options by employees, has exceeded the annual growth in the Company’s capital requirements. To the extent capital has exceeded business, regulatory and rating agency requirements, the Company has historically returned such capital to common shareholders through the regular common share dividend and share repurchase program.

Stress Testing and Capital Planning

The Dodd-Frank Wall Street Reform and Consumer Protection Act imposes heightened prudential requirements on bank holding companies with at least \$50 billion in total consolidated assets, such as the Company, and requires the Federal Reserve to establish prudential standards that are more stringent than those applicable to smaller bank holding companies. Under the Federal Reserve’s regulations, the Company is subject to annual supervisory and semiannual company-run stress testing requirements that are designed to evaluate whether a bank holding company has sufficient capital on a total consolidated basis to absorb losses and support operations under adverse economic conditions.

The results of the Company’s annual stress test are incorporated into the annual capital plan, which must cover a “planning horizon” of at least nine quarters and which the Company is required to submit to the Federal Reserve for review under its Comprehensive Capital Analysis and Review (“CCAR”) process. As part of CCAR, the Federal Reserve evaluates whether the Company has sufficient capital to continue operations under various scenarios of economic and financial market stress (developed by both the Company and the Federal Reserve), including after taking into account planned capital distributions, such as dividend payments and common stock repurchases. Sufficient capital for these purposes is likely to require us to maintain capital ratios appreciably above applicable minimum requirements. The scenarios are designed to stress our risks and vulnerabilities and assess our pro-forma capital position and ratios under hypothetical stress environments.

The Federal Reserve has broad authority to object to the capital plan and to require bank holding companies to revise and resubmit their capital plans. The Company is also subject to an ongoing requirement to revise and

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resubmit its capital plans upon the occurrence of certain events specified by rule. In addition to other limitations, the Company's ability to make any capital distributions (including dividends and share repurchases) is contingent on the Federal Reserve's non-objection to the Company's capital plan.

The Company is required to submit its capital plans and stress testing results to the Federal Reserve on or before April 5 of each year. The Federal Reserve is expected to publish the decisions for all the bank holding companies participating in CCAR 2017, including the reasons for any objection to capital plans, by June 30, 2017. In addition, the Federal Reserve will publish separately the results of its supervisory stress test under both the supervisory severely adverse and adverse scenarios. The information to be released will include, among other things, the Federal Reserve's projection of company-specific information, including post-stress capital ratio information over the planning horizon.

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Capital Conservation Buffer

The capital conservation buffer (“CCB”) requirements were established by the Federal Reserve to improve capital conservation and encourage banking institutions to hold sufficient capital to reduce the risk that their capital levels would fall below regulatory minimums during periods of financial stress.

Capital Conservation Buffer Requirements and Measurement

Effective as of January 1, 2016, the Final Rule requires that the Standardized approach regulatory capital ratios (CET1, Tier 1, and Total) to be in excess of the minimum regulatory capital ratio requirement plus a capital conservation buffer of 1.250 percent to avoid limitations on capital distributions and discretionary bonus payments to executive officers. The CCB will increase each subsequent year by an additional 0.625 percent until it is fully phased in at 2.5 percent on January 1, 2019. The table below presents the Company’s CCB measurement as of March 31, 2017 reflecting that all regulatory capital ratios met the required thresholds with the Total capital ratio being the constraint at 7.6 percent. This is well above CCB requirements and as a result the Company is not subject to restrictions or limitations on its capital distributions or discretionary bonus payments to executive officers as of March 31, 2017.

	Ratios as of March, 31, 2017 ^(a)	Basel III Minimum 2017 ^(b)	CCB Measurement ^(a-b)
CET1	12.7 %	4.5 %	8.2 %
Tier 1	13.9	6.0	7.9
Total	15.6 %	8.0 %	7.6 %

(a) Basel III Standardized approach regulatory risk-based capital ratios.

(b) Basel III Advanced approaches regulatory minimum capital requirement as defined by the Federal Reserve.

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Credit Risk General Disclosures

Credit risk is defined as loss due to obligor or counterparty default or changes in the credit quality of a security. The Company's credit risks are divided into two broad categories: individual and institutional. Individual credit risk arises principally from the consumer and small business charge cards, credit cards, lines of credit and loans. Institutional credit risk arises principally within the Company's Global Corporate Payments ("GCP"), Global Merchant Services ("GMS"), Global Network Services ("GNS") and Foreign Exchange Services businesses, as well as investment and liquidity management activities.

Risk Management

The "Risk Management" section of the 2016 Annual Report includes additional information on the Company's overall risk management policies and objectives. For a discussion on the Company's risk management processes relating to credit risk, counterparty credit risk and interest rate risk refer to the "Governance", "Credit Risk Management Process" and "Market Risk Management Process" sections of the 2016 Annual Report.

- Overall risk management policies and procedures are discussed in the "Governance" section of the 2016 Annual Report. This section includes additional information on the Company's comprehensive Enterprise-wide Risk Management program that identifies, aggregates, monitors, and manages risks and defines the Company's risk appetite, governance, culture and capabilities.
- Credit risks are discussed in the "Credit Risk Management Process" section of the 2016 Annual Report. This section provides additional information on the nature of the Company's credit risks, both individual and institutional, as well as a discussion on the overall risk management structure, objectives and processes relating to these risks.
- Interest rate risks are discussed in the "Market Risk Management Process" section of the 2016 Annual Report. This section provides additional information on the nature of the Company's market risks, as well as a discussion on the overall risk management structure, objectives and processes relating to these risks.

Credit Risk Exposures

The following tables present the Company's significant on- and off-balance sheet credit risk and average credit risk exposures by counterparty, remaining contractual maturity and geographic region. Credit risk exposures are presented using regulatory reporting categories similar to the categories reported in the Company's FR Y-9C, Schedule HC-R (Part II, Risk-Weighted Assets). The following information provides details on the composition of the Company's significant credit risk exposures presented in the tables below and their relationship to the Consolidated Balance Sheets reported in the Q1'17 Form 10-Q:

- Cash and balances due from depository institutions are primarily composed of Cash and cash equivalents as reported in the Company's Consolidated Balance Sheets, less securities purchased under agreements to resell and short-term investment securities.
- Loans and leases, net of unearned income are primarily composed of Card Member receivables, Card Member loans and Other loans as reported in the Company's Consolidated Balance Sheets.
- Securities are primarily composed of available-for-sale investment securities and short-term investment securities reported as Investment securities and Cash and cash equivalents in the Company's Consolidated Balance Sheets.
- Other assets are primarily composed of Other receivables and Investments in joint ventures and other partnerships as reported in the Company's Consolidated Balance Sheets. Other assets reported in the Company's Consolidated Balance Sheets but not presented in the credit risk tables below primarily include premises and equipment, goodwill, DTA, prepaid expenses, intangible assets and restricted cash. These amounts are not presented because they are not considered significant credit risks.
- Derivative contracts in a net asset position are reported in Other assets in the Company's Consolidated Balance Sheets but are presented below as a separate line item to align with regulatory reporting categories.

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Amounts presented represent both the on- and off- balance sheet derivative exposures and include effects of certain credit risk mitigation techniques, such as netting and collateral.

- Off-balance sheet exposures are primarily composed of commitments that are not unconditionally cancellable (including guarantees). Amounts presented represent the exposure that is subject to risk-weighting.

Credit Risk Exposures by Counterparty

The table below presents the Company's significant credit risk exposures by type and counterparty as of March 31, 2017. Counterparty classification is based on the risk of loss or default from the Company's sovereign, bank, corporate and other obligors.

<i>(Millions)</i>	Sovereign	Bank	Corporate	Other	Total
Cash and balances due from depository institutions	\$ 22,994	\$ 4,786	\$ 10	\$ 92	\$ 27,882
Loans and leases, net of unearned income	12	87	16,626	96,225	112,950
Securities	3,013	19	23	1,916	4,971
Other assets	—	462	1,090	3,552	5,104
Derivative contracts in a net asset position	—	229	170	—	399
Off-balance sheet	—	—	174	48	222
Total credit risk exposure	\$ 26,019	\$ 5,583	\$ 18,093	\$ 101,833	\$ 151,528

Credit Risk Exposures by Remaining Contractual Maturity

The table below presents the Company's significant credit risk exposures by type and remaining contractual maturity as of March 31, 2017. Exposures classified as "No Maturity" include investments in common stock (equity securities) and other credit risks that have no contractual maturity.

<i>(Millions)</i>	Within 1 year	1-5 years	After 5 years	No Maturity	Total
Cash and balances due from depository institutions	\$ 27,882	\$ —	\$ —	\$ —	\$ 27,882
Loans and leases, net of unearned income ^(a)	112,165	732	53	—	112,950
Securities	2,446	958	1,343	224	4,971
Other assets	2,852	—	—	2,252	5,104
Derivative contracts in a net asset position	244	146	9	—	399
Off-balance sheet	9	55	151	7	222
Total credit risk exposure	\$ 145,598	\$ 1,891	\$ 1,556	\$ 2,483	\$ 151,528

(a) Loans and leases, net of unearned income is composed of Card Member receivables, Card Member loans and Other loans as reported on the Company's Consolidated Balance Sheets. Card Member receivables have no stated interest rate and are due upon receipt of Card Member statements. As a result, these balances are included as due within one year. Card Member loans have no stated maturity and are included as due within one year. However, many of the Company's Card Members will revolve their balances, which may extend their repayment period beyond one year. Amounts reported as due after one year include installment loans and loans due from modification programs classified as Troubled Debt Restructurings (TDRs).

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Credit Risk Exposures by Geographic Region and Average Credit Risk Exposures

The table below presents the Company's significant credit risk exposures and average credit risk exposures by type and geographic region as of March 31, 2017. Geographic region is classified as U.S. and International (non-U.S.) and is based on the domicile of the card issuer. The quarterly average is measured using a 2-point average for both on-and off-balance sheet exposures.

<i>(Millions)</i>	U.S.	International	Total	Average
Cash and balances due from depository institutions	\$ 26,347	\$ 1,535	\$ 27,882	\$ 25,912
Loans and leases, net of unearned income	92,557	20,393	112,950	113,517
Securities	3,167	1,804	4,971	4,640
Other assets	2,947	2,157	5,104	5,399
Derivative contracts in a net asset position	216	183	399	615
Off-balance sheet	206	16	222	282
Total credit risk exposure	\$ 125,440	\$ 26,088	\$ 151,528	\$ 150,365

Credit Risk: Card Member Loans and Card Member Receivables

The Company's lending and charge payment card products result in the generation of Card Member loans and Card Member receivables, respectively. Credit cards provide Card Members with the flexibility to pay their bill in full each month or carry a monthly balance on their cards to finance the purchase of goods or services. Charge cards are designed primarily as a method of payment with Card Members generally paying the full amount billed each month.

Aging of Card Member Loans and Card Member Receivables

Generally, a Card Member account is considered past due if payment is not received within 30 days after the billing statement date and delinquent if payment is not received within 60 days after the billing statement date. For additional details on the aging of Card Member loans and Card Member receivables and an analysis of the aging of past due loans refer to the "Card Member Loans and Card Member Receivables Aging" and the "Credit Quality Indicators for Card Member Loans and Receivables" sections in Note 3 "Loans and Accounts Receivable" of the Q1'17 Form 10-Q.

Impairment of Card Member Loans and Card Member Receivables

Impaired loans and receivables are defined as individual larger balance or homogeneous pools of smaller balance loans and receivables for which it is probable that the Company will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. The Company considers impaired loans and receivables to include: (i) loans over 120 days after the billing statement date (i.e., 90 days past due) and still accruing interest, (ii) non-accrual loans and (iii) loans and receivables modified as troubled debt restructurings ("TDRs"). For additional information on impaired Card Member loans and receivables and the related policies, refer to the "Impaired Card Member Loans and Receivables" section in Note 3 "Loans and Accounts Receivable" and the "Card Member Loans Evaluated Individually and Collectively for Impairment" and "Card Member Receivables Evaluated Individually and Collectively for Impairment" sections in Note 4 "Reserves for Losses" of the 2016 Annual Report and Q1'17 Form 10-Q.

Write-Off of Card Member Loans and Card Member Receivables

Card Member loan and receivable balances are written off when management considers amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 210 days after the billing statement date (i.e., 180 days past due). Card Member loans and receivables in bankruptcy or owed by deceased individuals are generally written off upon notification, and recoveries are recognized as they are collected. For additional information on the Company's policies around reserve for losses and write-offs, refer to Note 4 "Reserves for Losses" of the 2016 Annual Report. Generally, the Company accrues interest through the date of write-off (typically 210 days after the billing statement date) with exceptions such as accelerated charge-offs due to bankruptcy, deceased and settlements, or TDR programs. The Company's policy is not to resume the accrual of interest on these loans.

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The following table presents the Company's impaired Card Member loans and receivables by significant geographic region (U.S. and International) and by counterparty type (Sovereign, Bank, Corporate and Other) as of March 31, 2017. Impaired Card Member receivables are not significant for International Consumer and Network Services ("ICNS") and are not presented.

<i>(Millions)</i>	Card Member Loans and Receivables						
	Region			Counterparty			
	US	International	Total	Sovereign, Bank & Corporate	Other ^(e)	Total	
Loans over 90 Days Past Due & Accruing Interest ^(a)	\$ 212	\$ 54	\$ 266	\$ —	\$ 266	\$ 266	
Non - Accrual Loans ^(b)	184	—	184	—	184	184	
Loans & Receivables Modified as a TDR ^(c)	405	—	405	—	405	405	
Total Impaired Loans & Receivables	\$ 801	\$ 54	\$ 855	\$ —	\$ 855	\$ 855	
Allowance for TDRs ^(d)	\$ 88	\$ —	\$ 88	\$ —	\$ 88	\$ 88	

(a) The Company's policy is generally to accrue interest through the date of write-off (i.e., at 180 days past due). The Company establishes reserves for interest that the Company believes will not be collected. Amounts presented exclude loans modified as a TDR.

(b) Non-accrual loans not in modification programs include certain Card Member loans placed with outside collection agencies for which the Company has ceased accruing interest. Amounts presented exclude Card Member loans classified as a TDR.

(c) Total loans and receivables modified as a TDR includes \$20 million that are over 90 days past due and accruing interest and \$9 million that are non-accruals as of March 31, 2017. The Company continues to classify Card Member accounts that have exited a modification program as TDR.

(d) Represents the reserve for losses for TDRs, which are evaluated individually for impairment. The Company records a reserve for losses for all impaired loans and receivables. Refer to the "Card Member Loans Evaluated Individually and Collectively for Impairment" and "Card Member Receivables Evaluated Individually and Collectively for Impairment" sections in Note 4 "Reserves for Losses" of the 2016 Annual Report and Q1 '17 Form 10-Q for further disclosure regarding the reserve for losses on loans and receivables over 90 days past due and accruing interest and non-accrual loans, which are evaluated collectively for impairment.

(e) Amounts reported primarily include impaired loans and receivables due from individual and GSBS Card Members.

Allowance for Loan and Lease Losses

Reserves for Card Member losses represent management's best estimate of the probable losses inherent in the Company's outstanding portfolio of Card Member loans and receivables, as of the balance sheet date.

In estimating these losses, the Company uses statistical and analytical models that analyze portfolio performance and reflect management's judgment regarding the quantitative components of the reserve. The models take into account several factors, including delinquency-based loss migration rates, loss emergence periods and average losses over an appropriate historical period, as well as expected future recoveries. The Company also considers whether to adjust the quantitative reserve for certain external and internal qualitative factors that may increase or decrease the reserves for losses on Card Member loans and receivables.

The process of estimating these reserves requires a high degree of judgment. To the extent historical credit experience, updated for any external and internal qualitative factors such as environmental trends, is not indicative of future performance, actual losses could differ significantly from management's judgments and expectations, resulting in either higher or lower future provisions for Card Member losses in any quarter. For additional information on the methodology used to estimate allowance for loan and lease losses and the policy for charging off uncollectible amounts refer to Note 4 "Reserves for Losses" of the 2016 Annual Report.

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The following table presents changes in the Card Member loans and Card Member receivables reserve for losses for the three months ended March 31, 2017. Amounts reported as “Other” primarily relate to the Company’s U.S. Consumer Services (“USCS”), ICNS and GSBS businesses while Card Member loans and receivables classified as “Corporate”, “Sovereign” and “Bank” primarily relate to the Company’s GCP Card Member loans and receivables.

<i>(Millions)</i>	Card Member Loans			Card Member Receivables		
	Sovereign, Bank & Corporate	Other	Total	Sovereign, Bank & Corporate	Other	Total
Balance, January 1, 2017	\$ —	\$ 1,223	\$ 1,223	\$ 106	\$ 361	\$ 467
Provisions ^(a)	—	337	337	46	167	213
Net write-offs ^(b)				(43)	(151)	(194)
Principal	—	(272)	(272)			
Interest and fees	—	(51)	(51)			
Other ^(c)	—	11	11	2	3	5
Balance, March 31, 2017	\$ —	\$ 1,248	\$ 1,248	\$ 111	\$ 380	\$ 491
Loans and Receivables evaluated individually for impairment ^(d)	\$ —	\$ 345	\$ 345	\$ —	\$ 60	\$ 60
Related reserves ^(d)	\$ —	\$ 60	\$ 60	\$ —	\$ 28	\$ 28
Loans and Receivables evaluated collectively for impairment ^(e)	\$ —	\$ 63,223	\$ 63,223	\$ 16,593	\$ 30,992	\$ 47,585
Related reserves ^(e)	\$ —	\$ 1,188	\$ 1,188	\$ 112	\$ 351	\$ 463

(a) Card Member loan amounts represent provisions for principal, interest and fee reserve components. Card Member receivable amounts represent provisions for principal and fee reserve components.

(b) Card Member loan amounts represent principal write-offs, less recoveries, including net write-offs/recoveries from TDRs. Card Member receivable amounts represents principal and fee components, less recoveries, including net write-offs from TDRs.

(c) Includes foreign currency translation adjustments and other adjustments on Card Member loans and receivables and reserves associated with retained Card Member loans reclassified from held for sale to held for investment.

(d) Represents Card Member loans and receivables modified as a TDR and related reserves.

(e) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans. The reserves include the quantitative results of analytical models that are specific to individual pools of loans and receivables, and reserves for internal and external qualitative risk factors that apply to loans and receivables that are collectively evaluated for impairment.

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Counterparty Credit Risk for Derivative Contracts and Securities Purchased Under Agreements to Resell

Counterparty credit risk is the credit risk that the Company assumes when it enters into a financial contract with a counterparty. The risk arises due to non-payment of an amount contractually owed to the Company by the counterparty before the final settlement of the contract. Derivative contracts and securities purchased under agreements to resell are part of the Company's counterparty credit risk exposures.

The Company uses derivative financial instruments to manage exposures to various market risks and not for trading purposes. Derivative contracts and securities purchased under agreements to resell may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company does not have exposure related to margin loan positions or credit derivatives.

Counterparty Credit Risk Limits

Business units taking institutional credit risks are supported by independent Chief Credit Officers (CCO). These officers are guided by the Institutional Risk Management Committee, which is responsible for implementation and enforcement of the Institutional Credit Risk Management Policy and for providing guidance to the credit officers of each business unit with substantial institutional credit risk exposures. CCOs are required to obtain an independent credit risk assessment for all institutional counterparties from the central rating unit and assign limits in accordance with the risk tolerance of the company. For additional information on the Company's credit risk management processes refer to the "Credit Risk Management Process" section of the 2016 Annual Report.

Derivative and Hedging Activities

Derivatives derive their value from an underlying variable or multiple variables, such as interest rate, foreign exchange, and equity index or price. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of the Company's market risk management. Interest rate risk primarily arises through the funding of Card Member receivables and fixed-rate loans with variable-rate borrowings as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR. Foreign exchange risk is generated by Card Member cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. For additional information on derivative and hedging activities refer to Note 14 and Note 9 "Derivatives and Hedging Activities" of the 2016 Annual Report and the Q1'17 Form 10-Q, respectively.

Derivatives and Securities Purchased Under Agreements to Resell

The following table presents the Company's counterparty credit risk exposures to derivative contracts and securities purchased under agreements to resell as of March 31, 2017.

<i>(Millions)</i>	Gross Positive Fair Value ^(a)	Current Credit Exposure ^(b)	Eligible Collateral ^(c)	Net Unsecured Credit Exposure ^(d)	Net Unsecured Credit Exposure Adjusted ^(e)
Derivative contracts	\$ 243	\$ 143	\$ 37	\$ 106	\$ 106
Interest rate swaps	70	64	37	27	27
FX forwards	173	79	—	79	79
Securities purchased under agreements to resell	\$ 74	\$ 74	\$ —	\$ 74	\$ 74

(a) Represents the sum of all positive mark-to-market values of each individual derivative contract.

(b) For a single derivative contract, amount represents the greater of the mark-to-market value of the derivative contract or zero. For multiple derivative contracts subject to a qualifying master netting agreement, amount represents the greater of the net sum of all positive and negative mark-to-market values of the individual derivative contracts or zero.

(c) Represents collateral that secures a single derivative contract or multiple derivative contracts subject to a qualifying master netting agreement. As of March 31, 2017, the Company held \$37 million in cash collateral for interest rate swaps. In addition, the Company also has collateral for its securities purchased under agreements to resell but it is not eligible for netting under the Final Rule.

(d) Credit exposure after benefits from legally enforceable netting agreements and collateral arrangements.

(e) Credit exposure after benefits from legally enforceable netting agreements and collateral arrangements adjusted for price volatility and foreign exchange rate volatility as prescribed by the Final Rule.

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Counterparty Credit Risk Mitigation

The Company manages counterparty credit risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months, considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved by the Company's centralized risk rating unit and rated as investment grade. Counterparty risk exposures are centrally monitored by the Company. Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, the Company has in certain instances entered into master netting agreements with its derivative counterparties, which provide a right of offset for certain exposures between the parties. A majority of the Company's derivative assets and liabilities as of March 31, 2017 are subject to such master netting agreements with its derivative counterparties. To further mitigate bilateral counterparty credit risk, the Company exercises its rights under executed Credit Support Annexes (CSAs) with certain of its derivative counterparties. These agreements require that, in the event the fair value change in the net derivatives position between the two parties exceeds certain dollar thresholds, the party in the net liability position posts collateral to its counterparty. All derivative contracts cleared through a central clearinghouse are collateralized to the full amount of the fair value of the contracts.

Types of Eligible Collateral Held

Eligible collateral held from derivative counterparties is limited to cash in U.S. dollar, U.S. Treasury Securities or other U.S. Government Obligations. Eligible collateral held is subject to applicable standard supervisory market price volatility and foreign exchange rate volatility haircut calculations as prescribed by the Final Rule and is reflected in the table above.

Collateral Management and Valuation

The Company has processes and controls in place to monitor the daily transfer of collateral as stipulated under its CSAs. Eligible non-cash collateral is limited to U.S. Government Obligations and their valuations are readily verified by available market quotes.

Bank's Own Credit Deterioration

Under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of any company specified credit risk-related event.

Credit Reserves

Credit reserves were not required as of March 31, 2017 as there were no derivative contracts or securities purchased under agreements to resell with counterparties in a non-performing status.

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Equities Not Subject to the Market Risk Rule

The Company's equity exposures not subject to the Market Risk Rule are primarily entered into to meet strategic business needs, rather than for generating capital gains. Equity exposures include, but are not limited to, investments in money market funds and mutual funds; in joint ventures and other partnerships; in Community Reinvestment Act investments ("CRA"); and in connection with the Company's Bank Owned Life Insurance ("BOLI") programs.

Accounting and Valuation Methodologies

The Company generally accounts for equity investments that are not subject to the Market Risk Rule using one of the approaches described below.

Equity and Cost Method Investments

Entities in which the Company's voting interest in common equity does not provide it with control, but allows the Company to exert significant influence over the operating and financial decisions, are accounted for under the equity method. All other investments in equity securities, to the extent that they are not considered marketable securities, are accounted for under the cost method.

Available-for-Sale Investments

The Company's available-for-sale investment securities are carried at fair value on the Consolidated Balance Sheets with unrealized gains (losses) recorded in AOCI, net of income taxes. Realized gains and losses are recognized upon disposition of the securities using the specific identification method. For additional information on the Company's investment securities that are available-for-sale and a description of the methodology for determining the fair value of investment securities, refer to Note 5 "Investment Securities" of the Q1'17 Form 10-Q and Note 15 "Fair Values" of the 2016 Annual Report, respectively.

Realized and Unrealized Gains (Losses)

There were no significant unrealized gains (losses) on equity investments or net realized gains (losses) on the sale and liquidation of equity investments for the three months ended March 31, 2017.

Risk-Weighting Approaches

The Company uses two approaches to risk weight equity exposures that are not subject to the Market Risk Rule: Simple Risk Weight Approach ("SRWA") and Alternative Modified Look-Through Approach ("AMLTA").

The Company applies SRWA to CRA, publicly traded and non-publicly traded equity exposures. Under this approach, the adjusted carrying value or exposure amount for each type of equity exposure is multiplied by a prescribed risk weight. The adjusted carrying value of an on-balance sheet equity exposure is the carrying value of the exposure. For an off-balance sheet commitment, the exposure amount is the effective notional amount multiplied by an applicable credit conversion factor which is based upon whether the commitment is conditional or unconditional and the related maturity.

Although the SRWA assigns specific risk weights to different types of equity exposures, the Final Rule allows "non-significant equity exposures" to be risk-weighted at 100 percent. Under the "non-significant equity exposures" treatment, the aggregate adjusted carrying value of the Company's equity exposures that is less than 10 percent of Tier 1 plus Tier 2 capital is risk-weighted at 100 percent, and the remaining portion is then risk-weighted as appropriate under the SRWA. The Company's total non-significant equity exposure is currently below the 10 percent of Tier 1 plus Tier 2 capital threshold.

The Company applies AMLTA for equity exposures to investment funds (money market funds, mutual funds, and BOLI investments). Under the AMLTA, the adjusted carrying value of an equity exposure to an investment fund is assigned on a pro-rata basis to the different risk weight categories based on the investment limits in the fund's prospectus, partnership agreement or similar contract that defines the fund's permissible investments. Under this approach, it is assumed that the fund invests to the maximum extent permitted under its investment limits in the

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exposure type with the highest applicable risk weight and continues to make investments in order of the exposure type with the next highest applicable risk weight, until the maximum total investment is reached.

Nature and Types of Exposures

The following table presents a summary of the Company's equity exposures not subject to the Market Risk Rule as of March 31, 2017.

<i>(Millions)</i>	Cost	Unrealized Gains (Losses)	Estimated Fair Value	RWA	Minimum Capital ^(a)
Non-publicly traded:					
Non-significant equity exposures	\$ 1,086	\$ 1	\$ 1,087	\$ 1,087	\$ 87
Significant investments in unconsolidated financial institutions	319	—	319	319	26
Publicly traded:					
Non-significant equity exposures	1	—	1	1	—
Community Development Equity exposures ^(b)	898	(3)	895	895	72
Investment Funds	377	—	377	259	21
Total equity exposure	\$ 2,681	\$ (2)	\$ 2,679	\$ 2,561	\$ 206

(a) Amount presented represents transitional Basel III regulatory minimum capital of 8 percent of risk-weighted assets.

(b) Amount presented is primarily composed of CRA equity exposures.

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Interest Rate Risk for Non-Trading Activities

The Company is exposed to interest rate risk due to changes in the relationship between interest rates on assets (such as loans, receivables and investment securities) and interest rates on liabilities (such as debt and deposits).

The Company's Asset Liability Management ("ALM") policy establishes the framework that guides and governs interest rate risk management, including quantitative limits and escalation triggers. This policy is approved by the Risk Committee of the Board of Directors.

Interest rate risk is managed by the Market Risk Management Committee. The Market Risk Oversight Officer provides an independent risk assessment and oversight over the policies and exposure management for market risk and ALM activities. Interest rate risk management is also guided and governed by policies covering the use of derivative financial instruments, funding, liquidity and investments.

The Company analyzes a variety of interest rate scenarios to inform them of the potential impacts from interest rate changes on earnings and the value of assets, liabilities and the economic value of equity. Interest rate exposure can vary over time as a result of, among other things, the proportion of the total funding provided by variable- and fixed-rate debt and deposits compared to Card Member loans and receivables. Interest rate swaps are used from time to time to effectively convert debt issuances to (or from) variable-rate, from (or to) fixed-rate.

As of March 31, 2017, a hypothetical, immediate 100 basis point increase in market interest rates would have a detrimental effect on annual net interest income of approximately \$274 million. This measure first projects net interest income over the following twelve-month time horizon considering forecasted business growth and anticipated future market interest rates. The detrimental impact from a rate increase is then measured by instantaneously increasing the anticipated future interest rates by 100 basis points. It is further assumed that interest-rate sensitive assets and liabilities that reprice within the twelve-month horizon reprice by 100 basis points. Actual changes in net interest income will depend on many factors. For example, the interest rate the Company pays on deposit balances within high-yield savings accounts may not change at the same time or to the same degree as market interest rates.

The table below presents a 12 month pretax net interest income sensitivity analysis as of March 31, 2017.

<i>(Millions)</i>	Instantaneous Parallel Rate Shocks			
	+400bps	+100bps	-100bps	-400bps
\$	(1,094)	\$ (274)	\$ 269	\$ 438

Negative value represents a reduction in net interest income.

In addition to parallel rate changes, net interest income is subject to changes in the relationship between market benchmark rates. For example, movements in Prime rate change the yield on a large portion of variable-rate lending receivables (or loans), LIBOR rates determine the effective interest rate on a significant portion of outstanding funding. Differences in the rate of change of these two benchmark indices, commonly referred to as basis risk, would thus impact net interest income. The detrimental effect on net interest income of a hypothetical 10 basis point decrease in the spread between Prime and one-month LIBOR over the next twelve months is estimated to be \$37 million. The Company currently has approximately \$39 billion of Prime-based, variable-rate U.S. lending receivables or loans and \$37 billion of LIBOR-indexed debt, including asset securitizations.

The actual impact of interest rate changes will depend on, among other factors, the timing of rate changes, the extent to which different rates do not move in the same direction or in the same direction to the same degree, and changes in the volume and mix of the businesses.

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Supplementary Leverage Ratio

The supplementary leverage ratio (“SLR”) is calculated by dividing Tier 1 capital by total leverage exposure under Basel III. The total leverage exposure reflects average total consolidated assets with adjustments for Tier 1 capital deductions, average off-balance sheet derivative exposures, securities purchased under agreements to resell and off-balance sheet exposures. The Company’s SLR as of March 31, 2017 was 9.9 percent, which is well above the regulatory minimum requirement of 3 percent (minimum requirement is effective as of March 31, 2018).

Summary Comparison of Accounting Assets and Total Leverage Exposure

Total leverage exposure for supplementary leverage capital purposes was estimated to be \$180.5 billion and \$177.5 billion as of March 31, 2017 and December 31, 2016, respectively. Total leverage exposure is composed of average quarterly on-balance sheet and off-balance sheet exposure amounts. The on-balance sheet quarterly average is primarily derived using a 4-month average and the off-balance sheet quarterly average is primarily derived using a 3-month average. The 4-month average for on-balance sheet exposures is consistent with the Company’s approach for reporting leverage exposures in the FR Y-9C and will be replaced by a daily average as required changes to the Company’s accounting policies, processes, and systems are implemented and validated.

The following table presents a reconciliation of quarter end total consolidated assets as reported on the Company’s Consolidated Balance Sheets to total leverage exposure for the quarters ended March 31, 2017 and December 31, 2016.

<i>(Millions)</i>	March 31, 2017	December 31, 2016
Total consolidated assets ^(a)	\$ 161,385	\$ 158,893
Adjustments:		
Derivative exposures	273	297
Off-balance sheet exposures	25,180	24,353
Tier 1 capital deductions ^(b)	(3,205)	(3,040)
Other adjustments ^(c)	(3,099)	(3,001)
Total leverage exposure	\$ 180,534	\$ 177,502

(a) Total assets as reported on the Company’s Consolidated Balance Sheets in the Q1’17 Form 10-Q.

(b) Tier 1 capital deductions which include goodwill net of associated DTLs, intangible assets, net of associated DTLs, ineligible DTAs and additional tier 1 capital deductions. Refer to the “Components of Regulatory Capital” table of this report for information on the Company’s capital and related deductions.

(c) Represents the difference between Total assets as reported on the Company’s Consolidated Balance Sheets and average on- balance sheet assets reported for Total leverage exposure.

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Supplementary Leverage Ratio

The Company's SLR was 9.9 percent and 10.0 percent as of March 31, 2017 and December 31, 2016, respectively. The change in the SLR was primarily driven by an increase in total leverage exposure as a result of higher average on-balance sheet assets, partially offset by an increase in Tier 1 capital as capital generation exceeded capital distribution. The following table presents additional information on the components of total leverage exposure as well as the calculation of the SLR as of March 31, 2017 and December 31, 2016.

<i>(Millions, except percentages)</i>	March 31, 2017	December 31, 2016
<i>On-balance sheet exposures</i>		
On-balance sheet assets ^(a)	\$ 157,692	\$ 154,973
Less: Amounts deducted from tier 1 capital ^(b)	3,205	3,040
Total on-balance sheet exposures	154,487	151,933
<i>Derivative exposures</i>		
Replacement cost for derivative exposures (net of cash variation margin) ^(a)	469	744
Add-on amounts for potential future exposure (PFE) for derivative exposures	273	297
Total derivative exposures	742	1,041
<i>Repo-style transactions (securities purchased under agreements to resell)</i>		
On-balance sheet assets for securities purchased under agreements to resell ^(a)	125	175
Total exposures for securities purchased under agreements to resell	125	175
<i>Other off-balance sheet exposures</i>		
Off-balance sheet exposures at gross notional amounts	249,783	241,040
Less: Adjustments for conversion to credit equivalent amounts	224,603	216,687
Off-balance sheet exposures	25,180	24,353
<i>Capital and total leverage exposure</i>		
Tier 1 capital	17,831	17,665
Total leverage exposure	\$ 180,534	\$ 177,502
Supplementary leverage ratio	9.9%	10.0%

(a) Average on-balance sheet assets excluding on-balance sheet repo-style transactions (securities purchased under agreements to resell) and derivative exposures. Amount presented as "Replacement cost for derivative exposures" includes cash collateral received in derivative transactions as variation margin.

(b) Tier 1 capital deductions which include goodwill net of associated DTLs, intangible assets, net of associated DTLs, ineligible DTAs and additional Tier 1 capital deductions. Refer to the "Components of Regulatory Capital" table of this report for information on the Company's capital and related deductions.

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Glossary of Selected Terminology

Accounting principles generally accepted in the United States of America (GAAP) – Accounting rules and conventions defining acceptable practices in preparing financial statements in the United States. The FASB is the primary source of accounting rules.

Bank Exposures – Exposures to U.S. depository institutions and foreign banks.

Capital Ratios – Represents the minimum standards established by the regulatory agencies as a measure to determine whether the regulated entity has sufficient capital to absorb on- and off-balance sheet losses beyond current loss accrual estimates.

Card Member – The individual holder of an issued American Express-branded charge, credit and certain prepaid cards.

Card Member Loans – Represents the outstanding amount due from Card Members for charges made on their American Express credit cards, as well as any interest charges and card-related fees. Card Member loans also include revolving balances on certain American Express charge card products.

Card Member Receivables – Represents the outstanding amount due from Card Members for charges made on their American Express charge cards as well as any card-related fees.

Comprehensive Capital Analysis and Review (“CCAR”) – The Federal Reserve’s annual CCAR is an intensive assessment of the capital adequacy of large, complex BHCs and of the practices these BHCs use to assess their capital needs. The Federal Reserve expects these BHCs to have sufficient capital to withstand a highly stressful operating environment and be able to continue operations, maintain ready access to funding, meet obligations to creditors and counterparties, and serve as credit intermediaries.

Corporate Exposure – Corporate exposure means an exposure to a company/counterparty that is not a sovereign, a bank, a government-sponsored entity (“GSE”), a residential mortgage exposure, a residential mortgage exposure, a pre-sold construction loan, a statutory multifamily mortgage, a high volatility commercial real estate (“HVCRE”) exposure, a cleared transaction, a default fund contribution, a securitization exposure, an equity exposure; or an unsettled transaction.

Credit Conversion Factor – Percentage applied to an off-balance sheet amount to convert it to an exposure subject to risk-weighting. The credit conversion factor is set by the Final Rule.

Credit Risk Exposure – The total amount of credit extended to a borrower by a lender. The magnitude of credit exposure indicates the extent to which the lender is exposed to the risk of loss in the event of the borrower’s default.

Final Rule – The Federal Reserve has established risk-based and leverage capital guidelines for bank holding companies, including the Company. On July 2, 2013, the Federal Reserve issued the Final Rule implementing a strengthened set of capital requirements, known as Basel III, in the United States.

Foreign Exchange Services – American Express business that consists of retail and wholesale currency exchange services and the Company’s FX International Payments operation.

FX Forwards – An agreement between two parties to exchange a certain amount of one currency for another currency at a specified exchange rate and at a specified future date. FX Forwards are used to hedge foreign currency risk. Forward contracts are traded between two counterparties over-the-counter (“OTC”).

Global Commercial Services (“GCS”) – GCS includes the proprietary Global Corporate Payments (“GCP”) business, small business services businesses in the United States and internationally (collectively, Global Small Business Services (“GSBS”)), commercial financing products and Foreign Exchange Services.

AMERICAN EXPRESS COMPANY
BASEL III STANDARDIZED APPROACH PILLAR 3 DISCLOSURES
For the Quarterly Period Ended March 31, 2017

Global Merchant Services (“GMS”) – GMS operates a global payments network that processes and settles proprietary and non-proprietary card transactions. GMS acquires merchants and provides multi-channel marketing programs and capabilities, services and data, leveraging the Company’s global closed-loop network. GMS also operates loyalty coalition businesses in certain countries around the world.

International Consumer and Network Services (“ICNS”) – ICNS issues a wide range of proprietary consumer cards outside the United States and enters into partnership agreements with third party card issuers and acquirers, licensing the American Express brand and extending the reach of the global network through the Global Network Services business (“GNS”). It also provides travel services to consumers outside the United States.

Interest Rate Risk – Exposure of a bank’s financial condition to adverse movements in interest rates.

Interest Rate Swaps – Interest rate swaps are primarily used to hedge interest rate exposure. It involves an agreement between two parties to exchange interest cash flows at specified intervals, based on a contractual notional. Most interest rate swaps are executed to swap a fixed rate with a floating rate or vice versa.

London Interbank Offered Rate (“LIBOR”) – A benchmark interest rate at which banks can obtain short-term loans from other banks in the London interbank market. The LIBOR is administered by the ICE Benchmark Administration and is fixed on a daily basis. The primary function of LIBOR is to serve as the benchmark reference rate for various financial products such as debt instruments, including government and corporate bonds, mortgages, student loans and credit cards, as well as derivatives such as currency and interest swaps.

Market Risk Rule – The Market Risk Rule is designed to determine capital requirements for trading assets based on general and specific market risk associated with these assets.

Pillar 3 – Third pillar of the Basel III framework requiring public disclosures designed to provide information on banking institutions’ regulatory capital and risk management practices.

Prime Interest Rate – The interest rate used by banks to set rates on consumer loan products. The prime interest rate is largely determined by the federal funds rate, which is the overnight rate at which banks lend to one another. It is often used as a reference rate, also called the base rate, for many types of loans, including small business and credit card loans.

Public Sector Entities (“PSEs”) – Public sector entity means a state, local authority, or other governmental subdivision below the sovereign level.

Sovereign Exposure – Sovereign means a central government (including the U.S. government) or an agency, department, ministry, or central bank of a central government. Sovereign exposure means a direct exposure to a sovereign or an exposure directly and unconditionally backed by the full faith and credit of a sovereign.

Unconditionally Cancelable – A commitment for which a banking organization may, at any time, with or without cause, refuse to extend credit (to the extent permitted under applicable law).

U.S. Consumer Services (“USCS”) – USCS issues a wide range of proprietary consumer cards and provides services to consumers in the United States, including consumer travel services.