American Express Company

Basel III Standardized Approach Pillar 3 Disclosures

For the Quarterly Period Ended March 31, 2020

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Introduction

Business Overview

Throughout this report the terms “American Express,” “we,” “our” or “us,” refer to American Express Company and its subsidiaries on a consolidated basis, unless stated or the context implies otherwise.

We are a globally integrated payments company that provides customers with access to products, insights and experiences that enrich lives and build business success. Our principal products and services are credit and charge card products, along with travel and lifestyle related services, offered to consumers and businesses around the world.

Our 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 mobile and online applications, affiliate marketing, customer referral programs, third-party vendors and business partners, direct mail, telephone, in-house sales teams, and direct response advertising. Business travel-related services are offered through our non-consolidated joint venture, American Express Global Business Travel (the GBT JV).

We compete in the global payments industry with card networks, issuers and acquirers, paper-based transactions (e.g., cash and checks), bank transfer models (e.g., wire transfers and Automated Clearing House (ACH)), as well as evolving and growing alternative payment and financing providers. As the payments industry continues to evolve, we face increasing competition from non-traditional players that leverage new technologies, business models and customer relationships to create payment or financing solutions.

We were founded in 1850 as a joint stock association and were incorporated in 1965 as a New York corporation. American Express Company and its principal operating subsidiary, American Express Travel Related Services Company, Inc., are bank holding companies 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).

Regulatory Capital Standards and Disclosures

Since the late 1980s, 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, 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 has been fully phased-in as of January 1, 2019. 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. We began reporting our Basel III Standardized approach capital adequacy standards and regulatory public disclosures (“Pillar 3”) as of March 31, 2015

In October 2019, the U.S. federal bank regulatory agencies finalized rules that tailor the application of the enhanced prudential standards to bank holding companies and depository institutions (the Tailoring Rules) pursuant to the amendments to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd Frank) introduced by the Economic Growth, Regulatory Relief, and Consumer Protection Act. The Tailoring Rules assign each U.S. bank holding company with $100 billion or more in total consolidated assets, as well as its bank subsidiaries, to one of four categories based on its status as a U.S. global systemically important banking organization and five other risk-based indicators: (i) size, (ii) cross-jurisdictional activity, (iii) non-bank assets, (iv) off-balance sheet exposure, and (v) weighted short-term wholesale funding.

Under the Tailoring Rules, American Express (and, pursuant to the Tailoring Rules, its depository institution subsidiary, American Express National Bank) is subject to Category IV standards. As a Category IV firm, American Express is, among other things, (i) no longer subject to the advanced approaches capital requirements, (ii) no longer subject to the supplementary leverage ratio ("SLR"), (iii) no longer subject to the countercyclical capital buffer, (iv) no longer subject to company-run stress testing requirements, (v) subject to supervisory stress testing on an every-other-year basis rather than an annual basis, and (vi) no longer subject to the requirement to prepare and submit a holding company-level resolution plan. In addition, as a Category IV firm with less than $50 billion in weighted short-term wholesale funding, American Express is no longer subject to the liquidity coverage ratio ("LCR").

Because a firm's categorization under the Tailoring Rules is determined by, and can change over time dependent upon, how the firm measures against the risk-based indicator thresholds, we are required to monitor and periodically report these risk-based indicators and there can be no assurance that we will continue to be a Category IV firm in the future.

Pillar 3 Reports and Additional Information

This report contains the required Pillar 3 disclosures as of March 31, 2020, in accordance with the Basel III Standardized approach guidelines of the Final Rule. The disclosures in this report are based on our current understanding of the Final Rule and other factors, which may be subject to change as we receive 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 our Board of Directors. The disclosure policy addresses 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "Q1'20 Form 10-Q"), the Annual Report on Form 10-K for the year ended December 31, 2019 (the "2019 Annual Report") and the Consolidated Financial Statements for Holding Companies – FR Y-9C for the quarter ended March 31, 2020 (the "FR Y-9C"). Some measures of exposures and other amounts disclosed in this report may not be directly comparable to our other public disclosures and may not be comparable to similar measures used by other companies. We file 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 our 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. Our 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 our homepage.

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 our principles of consolidation see the "Principles of Consolidation" section of the 2019 Annual Report.

Capital Surplus of Insurance Underwriting Subsidiaries

Our 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 our 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, 2020. The aggregate amount of capital in excess of minimum capital requirements related to our insurance underwriting subsidiaries included in Total capital as of March 31, 2020 was $258 million.

Restrictions on the Transfer of Funds or Regulatory Capital

Certain of our subsidiaries are subject to regulatory restrictions on the transfer of net assets. Procedures exist to transfer net assets between American Express 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 22 “Regulatory Matters and Capital Adequacy” of the 2019 Annual Report.

Subsidiary Minimum Capital Requirements

As of March 31, 2020, we did not have subsidiaries whose regulatory capital was less than the minimum required regulatory capital amount.

Capital Structure and Capital Adequacy

We report our capital ratios using the Basel III capital definitions and the Basel III Standardized approach for calculating risk-weighted assets. The Basel III minimum requirements and the buffers were fully phased in as of January 1, 2019.

In December 2017, the Basel Committee published standards that, among other things, revise the Standardized approach for credit risk (including by recalibrating risk weights and introducing additional capital requirements for certain “unconditionally cancellable commitments” such as unused credit card lines of credit) and provide a new standardized calculation for operational risk capital requirements. If adopted in the United States as issued by the Basel Committee and applicable to the Company, the new standards could result in higher capital requirements for us.

Regulatory Risk-Based Capital Ratios

Definitions of our regulatory risk-based capital ratios, which are calculated in accordance with the Final Rule, are presented below. We elected to adopt simplifying changes to the capital rule issued in July 2019, beginning on January 1, 2020. Additionally we elected not to opt-out of the Accumulated Other Comprehensive Income (AOCI) capital impact under the Tailoring Rules. For additional information on regulatory risk-based capital ratios, refer to the “Consolidated Capital Resources and Liquidity” sections of the Q1'20 Form 10-Q and the 2019 Annual Report.

The following provides definitions of our 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 our 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 capital (CET1), 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, foreign currency translation adjustments and net unrealized pension and other postretirement benefit/losses, all net of tax. Beginning in the first quarter of 2020, CET1 is also adjusted for the Current Expected Credit Loss (CECL) interim final rule. For more details on the "CECL interim final rule" refer to the discussion within "Stress Testing and Capital Planning" under "Capital Management" below.

Tier 1 Risk-Based Capital Ratio — Calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of CET1, our perpetual preferred stock and third-party non-controlling interests in consolidated subsidiaries, adjusted for capital held by insurance subsidiaries.

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) and $480 million of eligible subordinated notes, adjusted for capital held by insurance subsidiaries. The $480 million of eligible subordinated notes reflect a 20 percent, or $120 million, reduction of Tier 2 capital credit for the $600 million subordinated debt issued in December 2014.

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

The following table presents Basel III Standardized approach regulatory risk-based capital ratios for American Express and American Express National Bank.

	Basel III Standards[(a)]	Ratios as of March 31, 2020
Common Equity Tier 1	7.0 %	
American Express Company[(b)]		11.9 %
American Express National Bank		14.7 %
Tier 1	8.5	
American Express Company[(b)]		13.0 %
American Express National Bank		14.7 %
Total	10.5	
American Express Company[(b)]		14.6 %
American Express National Bank		16.8 %

(a) Refer to the "Capital Conservation Buffer" section of this disclosure for additional information.

(b) The American Express Company capital ratios as of March 31, 2020 were updated from the Q1'20 Form 10-Q, as the Company continued its' analysis of the impacts of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020.

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 our capital strategy refer to the "Capital Strategy" section of this report and the "Consolidated Capital Resources and Liquidity" sections of the Q1'20 Form 10-Q and the 2019 Annual Report.

Common Stock

Our common stock is listed on The New York Stock Exchange under the trading symbol AXP. As of March 31, 2020, common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan shares was $10.3 billion. Under the Final Rule, our common stock qualifies as CET1 capital. For additional information on our common shares refer to Note 16 "Common and Preferred Shares" of the 2019 Annual Report.

Preferred Stock

As of March 31, 2020, we 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 our understanding of the Final Rule, our Series B and Series C Preferred Shares qualify as additional Tier 1 capital. For additional information on our preferred shares refer to Note 16 "Common and Preferred Shares" of the 2019 Annual Report.

Subordinated Debt

We had $600 million principal of Subordinated Notes outstanding as of March 31, 2020 with a coupon of 3.625 percent and a maturity date of December 5, 2024. The $480 million of eligible subordinated notes reflect a 20 percent, or $120 million, reduction of Tier 2 capital credit for the $600 million subordinated debt issued in December 2014.

The following table presents a reconciliation of total common shareholders' equity (included in Total shareholders' equity in our Consolidated Balance Sheets) to regulatory Total capital as of March 31, 2020.

(Millions)		**March 31, 2020**
Common stock and related surplus [a]	$	10,257
Retained earnings [b]		12,155
Accumulated other comprehensive loss/ income (AOCI)		(2,996)
Total common shareholders' equity		**19,416**
Add: CECL Transition[c]		1,285
Less:		
Goodwill net of associated deferred tax liabilities (DTLs)		2,937
Intangible assets, net of associated DTLs		225
Ineligible deferred tax assets (DTAs)		211
CET1 capital		**17,328**
Additional Tier 1 capital before deductions [d]		1,642
Less: Tier 1 deductions [e]		13
Tier 1 capital		**18,957**
Tier 2 capital before deductions [f]		2,339
Less: Tier 2 deductions [e]		13
Tier 2 capital		**2,326**
Total capital	$	**21,283**

(a) Amount is composed of $11,841 million of Common Shares and related surplus reported on our Consolidated Balance Sheets, less $1,584 million of Preferred Shares and related surplus, net of issuance costs which is considered Tier 1 capital under the Final Rule.

(b) Amount is composed of $12,161 million of Retained Earnings reported in our Consolidated Balance Sheets, less $6 million for an allocated transfer tax reserve required for regulatory reporting purposes only.

(c) Includes $882 million of CECL Day 1 impact and $403 million which represents 25% of the $1,611 million increase in reserves for credit losses in Q1'20. For more details on the "CECL interim final rule" refer to the discussion within "Stress Testing and Capital Planning" under "Capital Management" below.

(d) Amount is composed of $1,584 million of Preferred Shares and related surplus, net of issuance costs and $58 million in minority interests of majority owned consolidated subsidiaries.

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

(f) Amount is composed of $1,859 million allowance for receivable and loan losses (limited to 1.25 percent of risk-weighted assets) and $480 million of Subordinated Notes due 2024.

Risk-Weighted Assets

Our assets and some of our 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 us, as of March 31, 2020.

(Millions)		**March 31, 2020**
Consumer and small business loans and receivables[(a)]	$	112,803
Corporate exposures[(b)]		18,404
Equity exposures[(c)]		3,556
Exposures to depository institutions, foreign banks, and credit unions		2,587
Loans and receivables greater than 90 days past due or on non-accrual[(d)]		1,823
Exposures to sovereign entities		273
Exposures to public sector entities[(e)]		132
Other[(f)]		6,631
Total risk-weighted assets	**$**	**146,209**

(a) Composed of loans and receivables due from Global Consumer Card Members and Global Small Business Services (“GSBS”) Card Members.

(b) Primarily composed of Card Member loans and receivables due from our 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 our 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.

Capital Management

We are 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

Our 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 our costs will generate shareholder value.

The level and composition of our consolidated capital position are determined through the Internal Capital Adequacy Assessment Process, which takes into account our business activities, as well as marketplace conditions and requirements or expectations of credit rating agencies, regulators and shareholders, among others. Our consolidated capital position is also influenced by subsidiary capital requirements. As a bank holding company, we are 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.

We seek 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 our status as a financial holding company and cause the respective regulatory agencies to take actions that could limit our business operations.

Our primary source of capital has been the generation of net income. Capital generated through net income and other sources, such as the exercise of stock options by employees, is used to maintain a strong balance sheet, support asset growth and engage in acquisitions, with excess available for distribution to shareholders through dividends and share repurchases.

We maintain certain flexibility to shift capital across its businesses as appropriate. For example, we may infuse additional capital into subsidiaries to maintain capital at targeted levels in consideration of debt ratings and regulatory requirements. These infused amounts can affect the capital profile and liquidity levels at the American Express parent company level. Refer to Note 22 "Regulatory Matters and Capital Adequacy" of the 2019 Annual Report.

Stress Testing and Capital Planning

Under the current Federal Reserve's regulations, we are subject to supervisory 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.

As a Category IV firm, we are subject to the Federal Reserve's supervisory stress tests every other year, beginning in 2020, rather than on an annual cycle.

We remain subject to the requirement to develop and submit to the Federal Reserve an annual capital plan. The Federal Reserve has stated it plans to propose changes, which would include providing firms subject to Category IV standards additional flexibility to develop their capital plans. As part of the Comprehensive Capital Analysis and Review (CCAR), the Federal Reserve evaluates whether we have sufficient capital to continue operations by assessing our pro-forma capital position and ratios under a scenario of economic and financial market stress. Sufficient capital for these purposes is likely to require us to maintain capital ratios appreciably above applicable minimum requirements and buffers.

We submitted our capital plan by April 6, 2020, as required by the Federal Reserve. The Federal Reserve is expected to publish the results of its supervisory stress tests for all banking organizations participating in CCAR, which should indicate the size of each firm's stress capital buffer, by June 30, 2020.

In December 2018, federal banking regulators issued a final rule that provides an optional three-year phase-in period for the adverse regulatory capital effects of adopting the CECL methodology pursuant to new accounting guidance for the recognition of credit losses on certain financial instruments, effective January 1, 2020. In March 2020, the federal banking regulators issued an interim final rule that provides banking organizations with an alternative option to temporarily delay for two years the estimated impact of the adoption of the CECL methodology on regulatory capital, followed by the three-year phase-in period. The cumulative amount that is not recognized in regulatory capital will be phased in at 25 percent per year beginning January 1, 2022. We have elected to adopt the March 2020 interim final rule. As of March 31, 2020, our reported regulatory capital excluded the $0.9 billion impact to retained earnings upon the adoption of the CECL methodology and 25 percent of the impact of the $1.6 billion increase in reserves for credit losses for the quarter.

Capital Conservation Buffer

The capital conservation buffer ("CCB") requirements were established by the federal banking regulators 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 CCB of 0.625 percent, increasing each subsequent year by an additional 0.625 percent to avoid limitations on capital distributions and discretionary bonus payments to executive officers. Effective January 1, 2019, the CCB has been fully phased in at 2.5 percent. On March 4, 2020, the Federal Reserve issued a final rule to replace the 2.5 percent capital conservation buffer with a dynamic "stress capital buffer," which has a floor of 2.5 percent. Under the rule, the stress capital buffer equals (i) the difference between a banking organization's starting and minimum projected Common Equity Tier 1 capital ratios under the supervisory severely adverse stress testing scenario, plus (ii) one year of planned common stock dividends as a percentage of risk-weighted assets, and will be reset each year based on the banking organization's annual stress testing results. The rule's changes to the capital conservation buffer will take effect October 1, 2020, following the 2020 CCAR.

The table below presents our CCB measurement as of March 31, 2020, reflecting that all regulatory capital ratios were above the required thresholds and as a result we are not subject to restrictions or limitations on capital distributions and discretionary bonus payments to executive officers as of March 31, 2020.

	Ratios as of March 31, 2020 [(a)]	Basel III Minimum	CCB Measurement
CET1	11.9 %	4.5 %	7.4 %
Tier 1	13.0 %	6.0 %	7.0 %
Total	14.6 %	8.0 %	6.6 %

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

Credit Risk General Disclosures

Credit risk is defined as loss due to obligor or counterparty default or changes in the credit quality of a counterparty or security. Our credit risks are divided into two broad categories: individual and institutional. Individual credit risk arises from the consumer charge cards, credit cards, lines of credit and term loans. Institutional credit risk arises principally within our Global Commercial Services ("GCS"), Global Merchant Services, Global Network Services and Foreign Exchange Services businesses, as well as investment and liquidity management activities.

Risk Management

The "Risk Management" section of the 2019 Annual Report includes additional information on our overall risk management policies and objectives. For a discussion on our 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 2019 Annual Report.

- Overall risk management policies and procedures are discussed in the "Governance" section of the 2019 Annual Report. This section includes additional information on our comprehensive Enterprise-wide Risk Management program that identifies, aggregates, monitors, and manages risks and defines our risk appetite, governance, culture and capabilities.
- Credit risks are discussed in the "Credit Risk Management Process" section of the 2019 Annual Report. This section provides additional information on the nature of our 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 2019 Annual Report. This section provides additional information on the nature of our 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 our 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 our FR Y-9C, Schedule HC-R (Part II, Risk-Weighted Assets). The following information provides details on the composition of our significant credit risk exposures presented in the tables below and their relationship to the Consolidated Balance Sheets reported in the Q1'20 Form 10-Q and the 2019 Annual Report:

- Cash and balances due from depository institutions are primarily composed of Cash and cash equivalents as reported in our Consolidated Balance Sheets, restricted cash, 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 our 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 our Consolidated Balance Sheets.
- Other assets are primarily composed of Other receivables and Investments in joint ventures and other partnerships as reported in our Consolidated Balance Sheets. Other assets reported in our Consolidated Balance Sheets but not presented in the credit risk tables below primarily include premises and equipment, goodwill, DTA, prepaid expenses, intangible assets. These amounts are not presented as they are not considered significant credit risks.
- Derivative contracts in a net asset position are reported in Other assets in our Consolidated Balance Sheets but are presented below as a separate line item to align with regulatory reporting categories. 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 our significant credit risk exposures by regulatory reporting category and counterparty as of March 31, 2020. Counterparty classification is based on the risk of loss or default from our sovereign, bank, corporate and other obligors.

(Millions)	Sovereign	Bank	Corporate	Other	Total
Cash and balances due from depository institutions	$ 30,863	5,296	58	2,014	$ 38,231
Loans and leases, net of unearned income	7	135	13,798	113,749	127,689
Securities	4,874	15	8	282	5,179
Other assets	—	518	1,298	3,948	5,764
Derivative contracts in a net asset position	—	1,616	10	—	1,626
Off-balance sheet	—	—	677	14	691
Total credit risk exposure	**$ 35,744**	**$ 7,580**	**$ 15,849**	**$ 120,007**	**$ 179,180**

Credit Risk Exposures by Remaining Contractual Maturity

The table below presents our significant credit risk exposures by regulatory reporting category and remaining contractual maturity as of March 31, 2020. Exposures classified as "No Maturity" include investments in common stocks (equity securities) and other credit risks that have no contractual maturity.

(Millions)	Within 1 year	1-5 years	After 5 years	No Maturity	Total
Cash and balances due from depository institutions	$ 38,231	—	—	—	$ 38,231
Loans and leases, net of unearned income [(a)]	123,985	3,622	82	—	127,689
Securities	2,872	1,868	364	75	5,179
Other assets	2,903	—	—	2,861	5,764
Derivative contracts in a net asset position	1,571	55	—	—	1,626
Off-balance sheet	1	34	656	—	691
Total credit risk exposure	**$ 169,563**	**$ 5,579**	**$ 1,102**	**$ 2,936**	**$ 179,180**

(a) Loans and leases, net of unearned income is composed of Card Member receivables, Card Member loans and Other loans as reported on our 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 our 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).

Credit Risk Exposures by Geographic Region and Average Credit Risk Exposures

The table below presents our significant credit risk exposures and average credit risk exposures by regulatory reporting category and geographic region as of March 31, 2020. Geographic region is classified as U.S. and non-U.S. and is based on the domicile of the counterparty. The quarterly average is measured using a 2-point average for both on-and off-balance sheet exposures.

(Millions)	U.S	Non-U.S.	Total	Average
Cash and balances due from depository institutions	$ 35,097	3,134	$ 38,231	$ 30,969
Loans and leases, net of unearned income	106,618	21,071	127,689	138,665
Securities	4,433	746	5,179	6,862
Other assets	3,184	2,580	5,764	5,933
Derivative contracts in a net asset position	514	1,112	1,626	971
Off-balance sheet	685	6	691	753
Total credit risk exposure	**$ 150,531**	**$ 28,649**	**$ 179,180**	**$ 184,153**

Credit Risk: Card Member Loans and Card Member Receivables

Our 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. 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 2 "Loans and Card Member Receivables" and "Loans and Accounts Receivable" of the Q1'20 Form 10-Q and the 2019 Annual Report, respectively.

Impairment of Card Member Loans and Card Member Receivables
Impaired loans and receivables are individual larger balance or homogeneous pools of smaller balance loans and receivables for which it is probable that we will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. In certain cases, these Card Member loans and receivables are included in one of our various Troubled Debt Restructuring (TDR) modification programs. 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 2 "Loans and Card Member Receivables" and "Loans and Accounts Receivable" of the Q1'20 Form 10-Q and the 2019 Annual Report, respectively.

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), for pay in full or revolving loans and 120 days past due for term loans. Card Member loans and receivables in bankruptcy or owed by deceased individuals are generally written off upon notification. For additional information on our policies around reserve for losses and write-offs, refer to Note 3 "Reserves for Losses" of the 2019 Annual Report.

The following table presents our impaired Card Member loans and receivables by significant geographic region (U.S. and Non-U.S.) and by counterparty (Sovereign, Bank, Corporate and Other) as of March 31, 2020. Impaired Card Member loans and receivables outside the U.S. are not significant as of March 31, 2020; therefore, such loans and receivables are not included in the following table, unless otherwise noted.

	Card Member Loans and Receivables					
(Millions)	Region			Counterparty		
	U.S.	Non-U.S.	Total	Sovereign, Bank & Corporate	Other[(d)]	Total
Loans over 90 Days Past Due & Accruing Interest [(a)]	$ 325	82	$ 407	$ —	407	$ 407
Non - Accrual Loans [(b)]	324	—	324	—	324	324
Loans & Receivables Modified as a TDR[(c)]	1,129	—	1,129	—	1,129	1,129
Total Impaired Loans & Receivables	**$ 1,778**	**$ 82**	**$ 1,860**	**$ —**	**$ 1,860**	**$ 1,860**
Reserve for Credit Losses – TDRs	**$ 326**	**$ —**	**$ 326**	**$ —**	**$ 326**	**$ 326**

(a) Our policy is generally to accrue interest through the date of write-off (i.e., at 180 days past due). We establish reserves for interest that we believe 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 we have ceased accruing interest. Amounts presented exclude Card Member loans classified as a TDR.

(c) Total loans and receivables modified as a TDR includes $27 million that are over 90 days past due and accruing interest and $11 million that are non-accruals as of March 31, 2020. We continue to classify Card Member accounts that have exited a modification program as TDR.

(d) Amounts reported primarily include impaired loans and receivables due from Global Consumer and GSBS Card Members.

Allowance for Loan and Lease Losses

Reserves for credit losses represent our best estimate of the expected credit losses in our outstanding portfolio of Card Member loans and receivables as of the balance sheet date.

The CECL methodology, which became effective January 1, 2020, requires us to estimate lifetime expected credit losses by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period (R&S Period) beyond the balance sheet date. We make various judgments combined with historical loss experience to calculate a reserve rate that is applied to the outstanding loan or receivable balance to produce a reserve for expected credit losses.

The process of estimating these reserves requires a high degree of judgment. To the extent our expected credit loss models are not indicative of future performance, actual losses could differ significantly from our judgments and expectations, resulting in either higher or lower future provisions for credit losses in any period.

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 3 "Reserves for Credit Losses" and "Critical Accounting Estimates" section of the Q1'20 Form 10-Q.

For information on the implementation and impact of the new accounting guidance for the recognition of credit losses on financial instruments, effective January 1, 2020, and the CECL methodology, refer to the "Recently Issued and Adopted Accounting Standards" section in Note 1 "Basis of Presentation" of the Q1'20 Form 10-Q.

The following table presents changes in the Card Member loans and Card Member receivables reserve for losses for the three months ended March 31, 2020. Amounts reported as "Other" primarily relate to the our Global Consumer Services and GSBS businesses while Card Member loans and receivables classified as "Corporate", "Sovereign" and "Bank" primarily relate to our GCP Card Member loans and receivables.

	Card Member Loans			**Card Member Receivables**		
(Millions)	Sovereign Bank & Corporate	Other	Total	Sovereign Bank & Corporate	Other	Total
Balance, January 1, 2020	**$ —**	**4,027**	**$ 4,027**	**$ 44**	**$ 82**	**$ 126**
Provisions [a]	—	1,876	1,876	256	341	597
Net write-offs [b]			—	(43)	(215)	(258)
Principal	—	(518)	(518)	—	—	—
Interest and fees	—	(107)	(107)	—	—	—
Other [c]	—	(42)	(42)	(2)	(4)	(6)
Balance, March 31, 2020	**$ —**	**$ 5,236**	**$ 5,236**	**$ 255**	**$ 204**	**$ 459**

(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.

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

Counterparty credit risk is the credit risk that we assume when we enter into a financial contract with a counterparty. The risk arises due to non-payment of an amount contractually owed to us by the counterparty before the final settlement of the contract. Derivative contracts and securities purchased under agreements to resell are part of our counterparty credit risk exposures.

We use 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. We do not have exposure related to margin loan positions or credit derivatives.

Counterparty Credit Risk Limits

Business units taking institutional credit risks are supported by 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 credit risk assessment for all institutional counterparties from the central rating unit and assign limits in accordance with our risk tolerance. For additional information on our credit risk management processes refer to the "Credit Risk Management Process" section of the 2019 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 our market risk management. Interest rate risk arises primarily due to changes in the relationship between interest rates on our assets (such as loans, receivables and investment securities) and interest rates on our liabilities (such as debt and deposits). Foreign exchange risk is related to transactions, funding, investments and earnings in currencies other than the U.S. dollar. For additional information on derivative and hedging activities refer to Note 8 and Note 13 "Derivatives and Hedging Activities" of the Q1'20 Form 10-Q and the 2019 Annual Report, respectively.

Derivatives and Securities Purchased Under Agreements to Resell

The following table presents our counterparty credit risk exposures to derivative contracts and securities purchased under agreements to resell as of March 31, 2020.

(Millions)	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	$ 2,206	$ 1,940	$ 629	$ 1,311	$ 1,311
Interest rate swaps	617	617	617	—	—
FX forwards	1,589	1,323	12	1,311	1,311
Securities purchased under agreements to resell	$ 230	$ 230	$ —	$ 230	$ 230

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

(b) For a single derivative contract, amounts represent 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, amounts represent the greater of the net sum of all positive and negative mark-to-market values of the individual derivative contracts or zero.

(c) Represents cash collateral, that secures a single derivative contract or multiple derivative contracts subject to a qualifying master netting agreement.

(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.

Counterparty Credit Risk Mitigation

We manage 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 our centralized risk rating unit and rated as investment grade. We centrally monitored counterparty risk exposures. Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, we have 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 our derivative assets and liabilities as of March 31, 2020 are subject to such master netting agreements with its derivative counterparties. To further mitigate bilateral counterparty credit risk, we exercise our 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 clearing house are generally collateralized to the full amount of the fair value of the contracts. For centrally cleared derivatives, variation margin is legally characterized as settlement payments as opposed to collateral. Accordingly, amounts disclosed for centrally cleared derivatives are based on gross assets and gross liabilities, net of variation margin.

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

We have processes and controls in place to monitor the daily transfer of collateral as stipulated under its CSAs.

Credit Deterioration Risk

In relation to our credit risk, certain of our bilateral derivative agreements include provisions that allow our counterparties to terminate the agreement in the event of a downgrade of our debt credit rating below investment grade and settle the outstanding net liability position. As of March 31, 2020, these derivatives were not in a material net liability position.

Credit Reserves

Credit reserves were not required as of March 31, 2020 as there were no derivative contracts or securities purchased under agreements to resell with counterparties in a non-performing status.

Equities Not Subject to the Market Risk Rule

Our equity exposures not subject to the Market Risk Rule are primarily 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 CRA; and in connection with our Bank Owned Life Insurance ("BOLI") programs.

Equity and Fair Value Accounting and Valuation Methodologies

We generally account for equity investments that are not subject to the Market Risk Rule using either the equity or fair value methods.

Entities in which our voting interest in common equity does not provide us with control, but allows us to exert significant influence over the operating and financial decisions, are accounted for and valued under the equity method. All other investments in equity securities are accounted for and valued at fair value.

Realized and Unrealized Gains (Losses)

There were no significant net realized gains (losses) on the sale and liquidation of equity investments for the three months ended March 31, 2020. Unrealized gains (losses) on equity investments are disclosed in the following table (Nature and Types of Exposure) below.

Risk-Weighting Approaches

We use 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").

We apply SRWA to CRA, publicly traded and non-publicly traded equity exposures. Under this approach, the adjusted carrying value or exposure amount for each 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 our 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. Our total non-significant equity exposure is currently below the 10 percent of Tier 1 plus Tier 2 capital threshold.

We apply 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 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 our equity exposures not subject to the Market Risk Rule as of March 31, 2020.

(Millions)	Cost	Unrealized Gains (Losses)	Estimated Fair Value	RWA	Minimum Capital [(a)]
Non-publicly traded:					
Non-significant equity exposures	$ 1,401	$ 15	$ 1,416	$ 1,416	$ 149
Significant investments in unconsolidated financial	290	—	290	290	30
Publicly traded:					
Non-significant equity exposures	1	—	1	1	—
Community Development Equity exposures[(b)]	1,229	—	1,229	1,229	129
Investment Funds	2,165	—	2,165	620	65
Total equity exposure	**$ 5,086**	**$ 15**	**$ 5,101**	**$ 3,556**	**$ 373**

(a) Amount presented represents 10.5 percent of RWA, comprised of the Basel III regulatory minimum total capital of 8 percent (or $284 million of total equity exposure), plus the fully phased in CCB of 2.5 percent (or $89 million of total equity exposure)

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

Interest Rate Risk for Non-Trading Activities

We are 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).

Our Asset Liability Management (“ALM”) policy establishes the framework that guides and governs interest rate risk management. This policy and related limits are approved by the Asset Liability Committee. Additionally, all ALM quantitative limits and escalation triggers are approved by the Risk Committee of our 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.

We analyze a variety of interest rate scenarios in response to changes in balance sheet composition, market conditions, and other factors. A hypothetical, immediate 100 basis point increase in market interest rates would have a detrimental effect of approximately $23 million on our annual net interest income, based on the balance sheet as of March 31, 2020. This measure, which is calculated using a static asset liability gapping model, is primarily determined by the volume of variable rate funding of charge card and fixed-rate lending products. The detrimental impact from a rate increase is measured by instantaneously increasing the anticipated future interest rates by 100 basis points. It is further assumed that our interest-rate sensitive assets and the majority of our liabilities that reprice within the twelve-month horizon generally reprice by the same magnitude as benchmark rate changes. Our estimated repricing risk assumes that certain deposit liabilities reprice at a lower magnitude than benchmark rate movements consistent with historical deposit repricing experience in the industry and within our own portfolio. Actual changes in our net interest income will depend on many factors, and therefore may differ from our estimated risk to changes in market interest rates.

The table below presents a sensitivity analysis of interest rate changes on our annual net interest income, based on the balance sheet as of March 31, 2020. This measure is calculated using a static asset liability gapping model and assumes benchmark interest rates do not fall below 0% in all scenarios:

	Instantaneous Parallel Rate Shocks			
(Millions)	+400bps	+100bps	-100bps	-400bps
	$ (98)	$ (23)	$ 6	$ 4

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 U.S lending receivables and loans, while 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 LIBOR over the next twelve months is estimated to be $17 million. As of March 31, 2020, we had approximately $50 billion of Prime-based, variable-rate U.S. lending receivables and loans and $17 billion of LIBOR-indexed debt, including asset securitizations. For additional information on LIBOR transition, refer to “LIBOR Transition” under the “Risk Management” section in the 2019 Annual Report.

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.

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 card.

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, other than revolving balances on certain American Express charge cards with Pay Over Time features. Such revolving balances are included within Card Member loans.

Comprehensive Capital Analysis and Review ("CCAR") – The Federal Reserve's 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 –Represents 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 American Express. 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 – Our business that consists of retail and wholesale currency exchange services and our FX International Payments operation.

FX Forwards – Agreements 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) – Primarily issues a wide range of proprietary corporate and small business cards and provides payment and expense management services globally. In addition, GCS provides commercial financing products.

Global Merchant and Network Services (GMNS) – Operates a global payments network that processes and settles card transactions, acquires merchants and provides multi-channel marketing programs and capabilities, services and data analytics, leveraging our global integrated network. GMNS manages our partnership relationships with third-party card issuers, merchant acquirers and a prepaid reloadable and gift card program manager, licensing the American Express brand and extending the reach of the global network. GMNS also manages loyalty coalition businesses in certain countries.

Interest Rate Risk – Our financial exposure to adverse movements in interest rates.

Interest Rate Swaps – Agreements to exchange interest cash flows at specified intervals, based on a contractual notional, primarily used to hedge interest rate exposure. 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 – 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") –Represents a state, local authority, or other governmental subdivision below the sovereign level.

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

Unconditionally Cancellable Commitment – An obligation for which we may, at any time, with or without cause, refuse to extend credit (to the extent permitted under applicable law).