American Express Company

Basel III Standardized Approach Pillar 3 Disclosures

For the Quarterly Period Ended June 30, 2022

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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.

American Express is a globally integrated payments company that provides its customers with access to products, insights and experiences that enrich lives and build business success. Its 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.

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).

For further information on our business, refer to the section “Business” in Part I, Item 1 of the 2021 Annual Report.

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 introduced by the Economic Growth, Regulatory Relief, and Consumer Protection Act. American Express and its depository institution subsidiary, American Express National Bank (AENB) are subject to Category IV standards. 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 June 30, 2022, 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 June 30, 2022 (the Q2'22 Form 10-Q), the Annual Report on Form 10-K for the year ended December 31, 2021 (the 2021 Annual Report) and the Consolidated Financial Statements for Holding Companies – FR Y-9C for the quarter ended June 30, 2022 (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 Securities and Exchange Commission (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 Financial Institutions Examination Council'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 "Financials" 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 2021 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 June 30, 2022. The aggregate amount of capital in excess of minimum capital requirements related to our insurance underwriting subsidiaries included in Total capital as of June 30, 2022 was $239 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 2021 Annual Report.

Minimum Capital Requirements

As implemented in the United States, the Basel III capital rules establish minimum capital adequacy standards for bank holding companies and their insured depository institution subsidiaries. As of June 30, 2022, the regulatory capital of American Express Company and AENB was above these minimum requirements.

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.

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 American Express, the new standards could result in higher capital requirements for us.

Regulatory Risk-Based Capital Ratios

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

	Effective Minimum[(a)]	Ratios as of June 30, 2022
Common Equity Tier 1	7.0 %	
American Express Company		10.3 %
American Express National Bank		11.7
Tier 1	8.5	
American Express Company		11.2
American Express National Bank		11.7
Total	10.5 %	
American Express Company		13.0
American Express National Bank		13.6 %

(a) Represents Basel III minimum risk-based capital ratios, plus applicable regulatory buffers as defined by the federal banking regulators. The effective minimum for American Express Company reflects the inclusion of a stress capital buffer (SCB) of 2.5 percent and the effective minimum for AENB reflects inclusion of a capital conservation buffer (CCB) of 2.5 percent. Refer to the "Regulatory Capital Buffers" section for additional information.

We elected to delay the impact of the adoption of the Current Expected Credit Loss (CECL) methodology on regulatory capital for two years followed by a three-year phase-in period pursuant to rules issued by federal banking regulators (the CECL final rules). We have begun phasing in the $0.7 billion cumulative amount that is not recognized in regulatory capital at 25 percent per year beginning January 1, 2022.

For additional information on regulatory risk-based capital ratios, including definitions, refer to the "Consolidated Capital Resources and Liquidity" sections of the Q2'22 Form 10-Q and the 2021 Annual Report.

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.

Common Stock

Our common stock is listed on The New York Stock Exchange under the trading symbol AXP. As of June 30, 2022, common stock plus related surplus, net of treasury stock and unearned employee stock ownership plan shares was $10.0 billion. Under the Final Rule, our common stock qualifies as Common Equity Tier 1 (CET1) capital. For additional information on our common shares refer to Note 16 "Common and Preferred Shares" of the 2021 Annual Report.

Preferred Stock

As of June 30, 2022, we had outstanding $1.6 billion of non-cumulative perpetual preferred shares (the Series D Preferred Shares). For additional information on our preferred shares refer to Note 16 "Common and Preferred Shares" of the 2021 Annual Report.

Subordinated Debt

We had $990 million of eligible subordinated notes which includes the $750 million subordinated debt issued in May 2022 and the $240 million remaining 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 June 30, 2022.

(Millions)		**June 30, 2022**
Common stock and related surplus [(a)]	$	10,043
Retained earnings		14,751
Accumulated other comprehensive income (loss)		(3,143)
Total common shareholders' equity		**21,651**
Add: CECL Transition[(b)]		492
Less:		
Goodwill net of associated deferred tax liabilities (DTLs)		3,394
Intangible assets, net of associated DTLs		121
Ineligible deferred tax assets (DTAs)		107
CET1 capital		**18,521**
Additional Tier 1 capital before deductions [(c)]		1,641
Less: Tier 1 deductions [(d)]		13
Tier 1 capital		**20,149**
Tier 2 capital before deductions [(e)]		3,232
Less: Tier 2 deductions [(d)]		13
Tier 2 capital		**3,219**
Total capital	**$**	**23,368**

(a) Amount is composed of $11,627 million of Common Stock and related surplus reported on our 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) Effective January 1, 2022, the cumulative $656 million CECL capital benefit recognized as of December 31, 2021 will be phased out at 25% per year over a three-year period. As of June 30, 2022, CET1 capital reflected the remaining 75%, or $492 million, benefit associated with the CECL capital transition provisions.

(c) Amount is composed of $1,584 million of Preferred Stock including related surplus, net of issuance costs and $57 million of Minority Interest.

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

(e) Amount is composed of $2,242 million allowance for loan and lease losses (limited to 1.25 percent of risk-weighted assets) and $990 million of Subordinated Notes recognized in regulatory capital.

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 June 30, 2022.

(Millions)		**June 30, 2022**
Consumer and small business loans and receivables[(a)]	$	138,324
Corporate exposures[(b)]		21,671
Corporate exposures held for sale		4
Equity exposures[(c)]		3,923
Exposures to depository institutions, foreign banks, and credit unions		2,660
Loans and receivables greater than 90 days past due or on non-accrual[(d)]		872
Exposures to sovereign entities		309
Exposures to public sector entities[(e)]		49
Other[(f)]		11,301
Total risk-weighted assets	**$**	**179,113**

(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 receivables and other loans 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

For information on our capital strategy, refer to the "Capital Strategy" section under "Consolidated Capital Resources and Liquidity" section of the 2021 Annual Report.

Stress Testing and Capital Planning

As a Category IV firm, we participated in the Federal Reserve's supervisory stress tests in 2022. On June 23, 2022, the Federal Reserve communicated our preliminary SCB of 2.5 percent, which will result in a minimum CET1 ratio of 7 percent, effective October 1, 2022, subject to confirmation of our final SCB by the Federal Reserve.

For additional information on Stress Testing and Capital Planning, refer to the "Consolidated Capital Resources and Liquidity" section of the Q2'22 Form 10-Q and "Stress Testing and Capital Planning" section under Part 1, Item 1. "Business - Supervision and Regulation" of the 2021 Annual Report.

Regulatory Capital Buffers

The CCB and SCB 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.

Regulatory Capital Buffer Requirements and Measurement

American Express and AENB must each maintain CET1 capital, Tier 1 capital and Total capital ratios of at least 4.5 percent, 6.0 percent and 8.0 percent, respectively. On top of these minimum capital ratios, American Express is subject to the SCB composed entirely of CET1 capital with a floor of 2.5 percent and AENB is subject to a static 2.5 percent CCB. The SCB equals (i) the difference between a bank holding company's starting and minimum projected CET1 capital ratios under the supervisory severely adverse scenario under the Federal Reserve's stress tests described below, plus (ii) one year of planned common stock dividends as a percentage of risk-weighted assets.

A bank holding company's SCB requirement is effective on October 1 of each year and will remain in effect through September 30 of the following year. As a result, the effective minimum ratios for American Express (taking into account the SCB requirement) and AENB (taking into account the CCB requirement) are 7.0 percent, 8.5 percent and 10.5 percent for the CET1 capital, Tier 1 capital and Total capital ratios, respectively. Banking organizations whose ratios of CET1 capital, Tier 1 Capital or Total capital to risk-weighted assets are below these effective minimum ratios face constraints on discretionary distributions such as dividends, repurchases and redemptions of capital securities, and executive compensation.

As of June 30, 2022, all of our 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 June 30, 2022. For details of our minimum ratio requirements as compared to our current regulatory capital ratios refer to 'Regulatory Risk-Based Capital Ratios' within the 'Capital Structure and Capital Adequacy' section.

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) and Global Merchant and Network Services (GMNS) segments, as well as investment and liquidity management activities.

Risk Management

The "Risk Management" section of the 2021 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 2021 Annual Report.

- Overall risk management policies and procedures are discussed in the "Governance" section of the 2021 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 2021 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 Item 3 "Quantitative and Qualitative Disclosures about Market Risk" of the Q2'22 Form 10-Q and "Risk Management - Market Risk Management Process" section of the 2021 Annual Report. These sections provide 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 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 credit risk exposures presented in the tables below and their relationship to the Consolidated Balance Sheets reported in the Q2'22 Form 10-Q and the 2021 Annual Report:

- Cash and balances due from depository institutions are primarily composed of Cash and cash equivalents as reported in our 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 our Consolidated Balance Sheets.
- Debt securities are primarily composed of available for sale fixed income securities and Short-term investment securities reported as Investment securities and Cash and cash equivalents, respectively in our Consolidated Balance Sheets.
- Securities purchased under resale agreements are composed of short-term reverse repurchase agreements that do not constitute a purchase of the underlying securities for accounting purposes and are treated as collateralized financing transactions.
- Other receivables are primarily composed of other credit risk related categories, including network partner, merchant, and tax receivables. 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, and intangible assets. These amounts are not presented as they are not considered 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 credit risk exposures by regulatory reporting category and counterparty as of June 30, 2022. Counterparty classification is based on the risk of loss or default from our government, bank, corporate and other obligors.

(Millions)	Government	Bank	Corporate	Other	Total
Cash and balances due from depository institutions	$ 20,023	$ 5,261	$ 18	$ —	$ 25,302
Loans and leases, net of unearned income [(a)]	82	93	16,529	138,826	155,530
Debt securities	4,052	—	34	—	4,086
Securities purchased under resale agreements	—	293	—	—	293
Other receivables	511	629	1,587	290	3,017
Derivative contracts in a net asset position	—	835	10	—	845
Off-balance sheet	—	—	167	—	167
Total credit risk exposure	**$ 24,668**	**$ 7,111**	**$ 18,345**	**$139,116**	**$ 189,240**

(a) Amounts reported in "Other" primarily include loans and receivables for Global Consumer and GSBS Card Members

Credit Risk Exposures by Remaining Contractual Maturity

The table below presents our credit risk exposures by regulatory reporting category and remaining contractual maturity as of June 30, 2022.

(Millions)	Within 1 year	1-5 years	Over 5 years	Total
Cash and balances due from depository institutions	$ 25,302	$ —	$ —	$ 25,302
Loans and leases, net of unearned income [(a)]	152,119	3,384	27	155,530
Debt securities	1,850	2,144	92	4,086
Securities purchased under resale agreements	293	—	—	293
Other receivables	3,017	—	—	3,017
Derivative contracts in a net asset position	839	6	—	845
Off-balance sheet	20	—	147	167
Total credit risk exposure	**$ 183,440**	**$ 5,534**	**$ 266**	**$ 189,240**

(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 credit risk exposures and average credit risk exposures by regulatory reporting category and geographic region as of June 30, 2022. 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	$ 22,951	$ 2,351	$ 25,302	$ 25,367
Loans and leases, net of unearned income	126,310	29,220	155,530	150,445
Debt securities	3,344	742	4,086	4,058
Securities purchased under resale agreements	—	293	293	385
Other receivables	1,534	1,483	3,017	2,866
Derivative contracts in a net asset position	177	668	845	646
Off-balance sheet	167	—	167	167
Total credit risk exposure	**$ 154,483**	**$ 34,757**	**$ 189,240**	**$ 183,934**

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. 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

For 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 Receivables Aging" and the "Credit Quality Indicators for Card Member Loans and Receivables" sections in Note 2 "Loans and Card Member Receivables" of the Q2'22 Form 10-Q and the 2021 Annual Report.

Impairment of Loans and Receivables

For information on impaired loans and receivables and the related policies, refer to the "Impaired Loans and Receivables" section in Note 2 "Loans and Card Member Receivables" of the Q2'22 Form 10-Q and the 2021 Annual Report.

The following table presents our impaired loans and receivables by significant geographic region (U.S. and Non-U.S.) and by counterparty (Government, Bank, Corporate and Other) as of June 30, 2022.

	Impaired Loans and Receivables					
(Millions)	Region			Counterparty		
	U.S.	Non-U.S.	Total	Government, Bank, and Corporate	Other [d]	Total
Loans over 90 Days Past Due & Accruing Interest [a]	$ 154	$ 47	$ 201	$ —	$ 201	$ 201
Non-Accrual Loans [b]	108	—	108	—	108	108
Loans & Receivables Modified as a TDR [c]	3,090	130	3,220	7	3,213	3,220
Total Impaired Loans & Receivables	**3,352**	**177**	**3,529**	**7**	**3,522**	**3,529**
Reserve for Credit Losses – TDRs	**$ 386**	**$ 18**	**$ 404**	**$ —**	**$ 404**	**$ 404**

(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 loans placed with outside collection agencies for which we have ceased accruing interest. Amounts presented exclude loans classified as a TDR.

(c) Total loans and receivables modified as a TDR includes $43 million that are over 90 days past due and accruing interest and $14 million that are non-accruals as of June 30, 2022. We continue to classify accounts that have exited a modification program as a 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 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" of the Q2'22 Form 10-Q and Note 3 "Reserves for Credit Losses" and "Critical Accounting Estimates" section under Management's Discussion and Analysis of the 2021 Annual Report.

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 "Summary of Significant Accounting Policies" and "Critical Accounting Estimates" section under Management's Discussion and Analysis of the 2021 Annual Report.

Write-Off of Card Member Loans and Card Member Receivables

For information on write-offs of Card Member Loans and Receivables and related policies, refer to Note 3 "Reserves for Credit Losses" of the Q2'22 Form 10-Q and the 2021 Annual Report.

The following table presents changes in the Card Member loans and Card Member receivables reserve for losses for the six months ended June 30, 2022. Amounts reported as "Other" primarily relate to our Global Consumer Services and GSBS businesses while Card Member loans and receivables classified as "Government", "Bank", and "Corporate" primarily relate to our GCP Card Member loans and receivables.

(Millions)	**Card Member Loans**			**Card Member Receivables**		
	Government, Bank, and Corporate	Other	Total	Government, Bank, and Corporate	Other	Total
Beginning Balance, Jan 1, 2022	**$ —**	**$ 3,305**	**$ 3,305**	**$ 13**	**$ 51**	**$ 64**
Provisions [(a)]	—	161	161	34	184	218
Net write-offs [(b)]	—	(462)	(462)	(18)	(144)	(162)
Other [(c)]	—	(7)	(7)	(1)	—	(1)
Ending Balance, Jun 30, 2022	**$ —**	**$ 2,997**	**$ 2,997**	**$ 28**	**$ 91**	**$ 119**

(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

Derivative contracts and securities purchased under agreements to resell may give rise to counterparty credit risk, which is the risk that a counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized exposure. We do not have exposure related to margin loan positions or credit derivatives.

<u>Counterparty Credit Risk Limits</u>

For information on our credit risk management processes refer to the "Credit Risk Management Process" section of the 2021 Annual Report.

<u>Derivative Contracts</u>

We use derivative financial instruments to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates and foreign exchange rates, and are carried at fair value on the Consolidated Balance Sheets. 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. We do not transact in derivatives for trading purposes. For additional information on derivatives refer to Note 8 and Note 13 "Derivatives and Hedging Activities" of the Q2'22 Form 10-Q and the 2021 Annual Report, respectively.

Derivatives and Securities Purchased Under Agreements to Resell

The following table presents our counterparty credit risk exposures to interest rate and foreign exchange derivative contracts and securities purchased under agreements to resell as of June 30, 2022.

(Millions)	Gross Positive Fair Value [(a)]	Current Credit Exposure [(b)]	Eligible Collateral [(c)]	Net Unsecured Credit Exposure [(d)]	Net Unsecured Credit Exposure
Derivative contracts	$ 747	$ 606	$ 28	$ 578	$ 578
Interest rate swaps	—	—	—	—	—
FX forwards	747	606	28	578	578
Securities purchased under resale agreements	$ 293	$ 293	$ —	$ 293	$ 293

(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 credit risk, counterparties are required to be pre-approved by our centralized risk rating unit and rated as investment grade, and counterparty risk exposures are centrally monitored. A majority of our derivative assets and liabilities as of June 30, 2022 are subject to master netting agreements with our derivative counterparties. Accordingly, where appropriate, we have elected to present derivative assets and liabilities with the same counterparty on a net basis in the Consolidated Balance Sheets. To further mitigate counterparty credit risk, we exercise our rights under executed credit support agreements (CSAs) with the respective counterparties for certain derivative contracts. 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 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 executed CSAs.

Credit Deterioration 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 June 30, 2022, these derivatives were not in a material net liability position.

Credit Reserves

Credit reserves were not required as of June 30, 2022 as there were no derivative contracts or securities purchased under agreements to resell with counterparties in a non-performing status.

Equity Exposures Not Subject to the Market Risk Rules

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 consist of both public and non-public companies and may include securities; 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 Exposure Valuation Methodologies

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 where, after being initially recorded at cost, we adjust the carrying amount of our investment each reporting period to recognize our share of earnings/losses as reported by the investee in our Consolidated Statements of Income, net of other than temporary impairment, if applicable. These primarily include our investments in joint ventures and our CRA investments, including both tax credit investments and CRA venture funds. For additional information on tax credit investment valuation methodologies, refer to Note 1 “Summary of Significant Accounting Policies” of the 2021 Annual Report.

We also have investments in equity securities for both public and non-public companies where our voting interest is below the level of significant influence. Investments in non-public companies are initially recorded at cost and adjusted to fair value through earnings for observable price changes in orderly transactions for identical or similar transactions of the same company or if they are determined to be impaired. Public company investments are recorded at fair value. Our money market funds and investments with the Federal Reserve Bank are carried at cost, BOLI investments are recorded at cash surrender value while a small proportion of our equity investments are recorded at cost and are evaluated for impairment quarterly. For additional information on equity investment valuation methodologies, refer to Note 4 “Investment Securities” of the Q2'22 Form 10-Q and the 2021 Annual Report, and Note 9 and Note 14 “Fair Values” of the Q2'22 Form 10-Q and the 2021 Annual Report, respectively.

Realized Gains (Losses)

Net realized gains arising from the sale and liquidation of equity investments were $6 million for the three months ended June 30, 2022.

Unrealized Gains (Losses)

Unrealized gains on publicly traded equity investments accounted for under the equity method, that have not been recognized on the Consolidated Balance Sheets or through the Consolidated Statements of Income, were $513 million for the three months ended June 30, 2022.

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 that 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 June 30, 2022.

(Millions)	Carrying Value [(a)]	Exposure [(b)]	RWA	Effective RWA %
Publicly traded	$ 662	$ 662	$ 172	26 %
Non-publicly traded	3,713	3,816	3,751	98
Total equity exposure	**$ 4,375**	**$ 4,478**	**$ 3,923**	88 %

(a) Refer to "Equity Exposure Valuation Methodologies" for more details

(b) Includes off-balance sheet Equity exposures of $103 million

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 is approved by the Asset Liability Committee. Additionally, all ALM quantitative limits and escalation triggers are approved by the Enterprise Risk Management Committee and 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. The table below shows the impacts of hypothetical, immediate 100 and 400 basis point changes in market interest rates, assuming rates remain at or above zero percent, on our annual net interest income as of June 30, 2022. This measure first projects net interest income over a twelve-month time horizon considering forecasted business growth and anticipated future market interest rates. The impacts from rate changes are then measured by instantaneously increasing or decreasing the anticipated future interest rates by 100 and 400 basis points. Our estimated repricing risk assumes that our interest-rate sensitive assets and liabilities reprice within the twelve-month horizon generally reprice by the same magnitude as benchmark rate changes. It is further assumed that, within our interest-rate sensitive liabilities, certain deposits reprice at lower magnitudes than benchmark rate movements and the magnitude of this repricing in turn depends on, among other factors, the direction of rate movements. These assumptions are 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 market interest rate risk. For additional information on Interest Rate Risk see Item 3 "Quantitative and Qualitative Disclosures about Market Risk" of the Q2'22 Form 10-Q and Item 1A. "Risk Factors" of the 2021 Annual Report.

Rate Shock Sensitivity Analysis

The table below presents a sensitivity analysis of interest rate changes on our annual net interest income as of June 30, 2022.

	Instantaneous Parallel Rate Shocks			
(Millions)	+400bps	+100bps	-100bps	-400bps
	$ (740)	$ (183)	$ 46	$ 73

Negative value represents a reduction in net interest income.

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 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. Refer to the Capital Strategy section under "Consolidated Capital Resources and Liquidity" of the 2021 Annual Report for further related definitions under Basel III.

Card Member – The individual holder of an issued American Express-branded card.

Card Member Loans – Represents revolve-eligible transactions on our card products, as well as any interest charges and associated card-related fees.

Card Member Receivables – Represents transactions on our card products and card related fees that need to be paid in full on or before the Card Member's payment due date.

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 government, a bank, a government-sponsored entity (GSE), 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 globally. GCS also provides payment, expense management and financing solutions to businesses.

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.

Government Exposure – Includes exposures to sovereigns and public sector entities (PSEs).

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.

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.

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).