American Express Company

Dodd-Frank Act Stress Test Results

Supervisory Severely Adverse Scenario

March 14, 2013

Regulation YY Disclosure – Dodd-Frank Act Stress Test Results

In accordance with the Federal Reserve Board's Regulation YY, "Supervisory and Company-Run Stress Test Requirements for Covered Companies", American Express Company (the "Company"), as a covered company, must perform certain stress tests required under Section 252.144 of the rule, and disclose a summary of the results of one of those stress tests.

On November 15, 2012, the Federal Reserve published several macroeconomic scenarios under the publication "2013 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule". The stress test results disclosed herein are the Company's estimates of operating results and capital levels under the Supervisory Severely Adverse Scenario ("severe stress scenario") published by the Federal Reserve, applying conditions and assumptions required by the Federal Reserve. The scenario portrays a hypothetical, severely adverse macroeconomic environment, featuring a substantial weakening in global economic activity. In addition, the scenario includes a significant weakening in the U.S. housing market and recessions in the euro area, the U.K. and Japan, and below-trend growth in some other markets in Asia.

<u>Risk Types</u>

In the stress test, the Company intends to capture its material exposures, activities and risks through estimates of operating performance and capital positions under a hypothetical severe stress scenario prescribed by the Federal Reserve. The types of risks included in the stress test under such a macroeconomic scenario include, but are not limited to, the following:

- declines in business volumes;
- increases in credit losses in loan and receivable portfolios;
- changes in the values and/or the impairment of available-for-sale securities;
- changes in funding costs due to changes in market interest rates and credit spreads;
- increases in liquidity risks associated with potential dislocations in capital markets; and
- losses related to operational risk events such as external fraud.

<u>Methodology</u>

Based on the macroeconomic indicators published under the severe stress scenario, the Company uses proprietary forecasting models to estimate certain elements identified by the Federal Reserve of its income statement, balance sheet and off-balance sheet exposures for the nine-quarter period ("planning horizon") beginning Q4 2012. These proprietary forecasting models incorporate multiple factors, such as the Company's historical results and correlations, to generate estimates of business metrics, such as billed business volumes, loan balances, credit losses and losses related to operational risk events, and the Company's results for the planning horizon. The Company utilizes the output from these models to estimate its capital strength over the planning horizon. These estimates are used to evaluate the Company's capital adequacy under such a hypothetical severe stress scenario.

<u>Company-Run Stress Test Results</u>

The Company's results of the stress test on our capital ratios and certain financial metrics appear in the tables below. These results are determined using the following capital action assumptions provided within the Dodd-Frank Act Stress Testing ("DFAST") rules:

- Capital actions (i.e. common stock dividends and share repurchases) for Q4 2012 were the actual capital actions taken in that quarter.
- Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the Company paid in the previous year (that is, the first quarter of the planning horizon and the preceding three calendar quarters). This figure was $0.20 per share per quarter based on the Company's actual common stock dividends in 2012.
- Payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter.
- An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio.

These assumptions may not represent the actual capital actions that would be taken should severely adverse conditions develop, are required to be assumed by the Federal Reserve and are used for the sole purpose of conducting the required stress tests.

The Company's stress test results represent estimates under a hypothetical macroeconomic scenario that is more adverse than the current and economist consensus forecasted macroeconomic environments. Thus, these estimates are not forecasts of expected losses, revenues, net income before taxes or capital ratios and are not necessarily indicative of future performance under a severe stress scenario. Actual results could differ materially. In addition, the stress test results below differ from the stress test results produced by the Federal Reserve on March 7, 2013, based on the Federal Reserve's own analysis, due to differences in methodologies and assumptions used. The Federal Reserve does not disclose details of its models and methodologies. Therefore, the Company may not be able to explain certain variances between the Federal Reserve's results and the Company's stress test results below. The minimum capital ratios presented below are for the period Q4 2012 to Q4 2014.

Hypothetical Capital Ratios through Q4 2014 under the Supervisory Severely Adverse Scenario

	Actual	**Stressed Capital Ratios**	
	Q3 2012	**Q4 2014**	**Minimum**
Tier 1 Common Ratio (%)	12.7	16.1	11.9
Tier 1 Capital Ratio (%)	12.7	16.1	11.9
Total Risk-based Capital Ratio (%)	14.7	18.2	13.8
Tier 1 Leverage Ratio (%)	10.7	13.6	9.6

Hypothetical Losses, Revenue and Net Income Before Taxes through Q4 2014 under the Supervisory Severely Adverse Scenario

	Billions of Dollars	**Percent of Average Assets**
Pre-Provision Net Revenue[1]	17.2	12.6
Other Revenue[2]		
Less		
Provisions	11.1	
Realized (Gains)/Losses on Securities (AFS/HTM)	0.0	
Trading and Counterparty Losses[3]		
Other Losses/(Gains)[4]	0.4	
Equals		
Net Income Before Taxes	5.7	4.1

1 Pre-provision net revenue includes losses from operational risk events.
2 Other revenue includes one-time income/(expense) items not included in pre-provision net revenue.
3 Trading and counterparty includes mark-to-market losses, changes in credit valuation adjustments and incremental default losses.
4 Other losses/(gains) include losses from our GNMS business.

Hypothetical Loan Losses by Type of Loans for Q4 2012 through Q4 2014 under the Supervisory Severely Adverse Scenario

	Billions of Dollars	**Portfolio Loss Rate (%)**
Loan Losses[1]	9.1	9.6
First Lien Mortgages, Domestic		
Junior Liens and HELOCs, Domestic		
Commercial and Industrial[1]	2.1	7.5
Commercial Real Estate		
Credit Cards[2]	7.0	10.6
Other Consumer		
Other Loans		

1 Commercial and industrial loan losses include corporate cards and OPEN charge and lending.
2 Credit card losses include USCS consumer and ICSS consumer charge and lending.

Changes in Capital Positions

The Company estimates that the severe stress scenario would cause pre-tax earnings to decline from Q4 2012 levels, driven by, among other factors, estimated declines in business volumes, increases in provisions and credit losses of loan and receivables portfolios. However, the Company estimates that it would remain cumulatively profitable over the planning horizon due to estimated declines in expenses related to business volumes, such as rewards expenses, as well as in declines in other expenses, such as marketing and promotion and operating expenses, which would partially offset estimated declines in revenue.

The Company estimates that lowered billed business volumes would also lead to lower balances in accounts receivables and loans as consumers, small businesses and corporations reduce spending under a severe macroeconomic downturn. These estimates are consistent with the Company's historical experiences, including the 2008-09 economic downturn. The reduced level of asset balances causes the expected level of average assets and risk-weighted assets over the planning horizon to be smaller than current levels.

The Company's capital ratios over the planning horizon thus reflect the combined impact from reductions from current levels of capital generation from net income, asset balances and the amount of capital distributed to shareholders assumed under the DFAST rules. The Company estimates that these would contribute to a general increase in its capital positions over the planning horizon.

American Express Bank, FSB and American Express Centurion Bank will be subject to the separate stress test requirements of the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), respectively. Neither is required to report the results of its stress tests until the stress test cycle to be disclosed in 2015.

Additional information on the Supervisory Severely Adverse Scenario and the DFAST rules is available on the Federal Reserve's website at http://www.federalreserve.gov.

Please refer to the Company's 2012 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission for a description of the Company's capital planning and risk management processes and certain risks that could affect the Company and its operations.