



American Express Bank, FSB

2018 CIDI Resolution Plan

Public Section



## Public Section

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### **Disclosure**

This document contains forward-looking statements about the American Express Bank, FSB (“FSB”) resolution strategies, which are based on FSB’s current expectations, assumptions and projections regarding the implementation of those strategies and the effectiveness of FSB’s resolution planning efforts, which are subject to risks and uncertainties. In addition, FSB’s expectations and projections regarding the implementation and effectiveness of its resolution strategies are based on scenarios and assumptions that are hypothetical and may not reflect events to which FSB is or may become subject and are not binding upon FSB’s resolution authority. Actual results may differ materially from those set forth in the forward-looking statements due to a variety of factors, including those described in American Express Company’s Annual Report on Form 10-K for the year ended December 31, 2017, Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and other reports on file with the U.S. Securities and Exchange Commission (“SEC”). Forward-looking statements speak only as of the date made and FSB does not undertake to update them to reflect changes or events that occur after that date. Solely for convenience, our trademarks and trade names referred to in this report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.



## 1. Introduction

### Resolution Planning

Pursuant to 12 CFR Section 360.10 (“IDI Rule”), the Federal Deposit Insurance Corporation (“FDIC”) requires an insured depository institution (“IDI”) with \$50 billion or more in total assets (as calculated pursuant to the IDI Rule) to periodically submit a resolution plan (“Resolution Plan” or “Plan”) for the IDI, detailing the resolution of the IDI in the event of its failure. American Express Company (“AXP” and together with its consolidated subsidiaries, “American Express”) had two subsidiaries that were IDIs as of December 31, 2017: FSB and American Express Centurion Bank (“AECB”). Based on asset size, FSB was required to submit its first IDI Resolution Plan by July 1, 2018; AECB was not required to submit a separate plan under the IDI Rule.

The FSB Resolution Plan serves as a guide for the FDIC to use in the event of material financial distress of FSB to facilitate a rapid and orderly resolution. The Resolution Plan provides a detailed analysis of how FSB’s material operations could be resolved in a rapid and orderly manner, ensuring that depositors have timely access to their insured deposits, the net present value returns from the sale or disposition of its assets are maximized and the amount of any loss realized by its creditors are minimized. The information contained within the Plan is designed to facilitate expedited and informed decision-making by the FDIC, in coordination with FSB personnel where applicable, in a resolution scenario. Unless otherwise indicated, information contained herein is provided as of December 31, 2017.

FSB’s 2018 Plan also takes into account any additional guidance FSB received from the FDIC, such as FDIC’s *Guidance for Covered Insured Depository Institutions Resolution Plan Submissions* issued by the FDIC in December 2014 as well as specific guidance issued to FSB for preparation of the FSB Resolution Plan.

#### Subsequent Bank Combination

On August 31, 2017, applications were made to the Office of the Comptroller of the Currency for consent to convert AECB into a national bank and subsequently to merge FSB into the successor national bank (the “Bank Combination”). The applications were approved on December 4, 2017 and the Bank Combination was consummated on April 1, 2018, through the conversion of AECB to a national bank charter and the merger of FSB with and into that national bank. The resulting entity is named American Express National Bank (“AENB”). While FSB ceased to exist as a separate legal entity effective April 1, 2018, the business of FSB has continued through its incorporation into AENB. Accordingly and notwithstanding the intervening Bank Combination, completing and filing an IDI resolution plan by July 1, 2018 for FSB was determined to be appropriate. As noted above, information in this Plan and in this document – including descriptions of FSB and AECB – is provided as of December 31, 2017, and does not reflect the impact of the Bank Combination.



### **American Express**

American Express is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. American Express' principal products and services are charge and credit card products and travel-related services offered to consumers and businesses around the world.

American Express was founded in 1850 as a joint stock association and was incorporated in 1965 as a New York corporation. American Express and its principal subsidiary, American Express Travel Related Services Company, Inc. ("TRS"), are bank holding companies ("BHCs"), subject to supervision and examination by the Federal Reserve.

American Express' general purpose card network, card-issuing and merchant-acquiring and processing businesses are global in scope. American Express is a world leader in providing charge and credit cards to consumers, small businesses and corporations. These cards, issued by American Express, as well as cards issued by third-party banks and other institutions, are accepted by merchants on the American Express network. American Express cards permit Card Members to charge purchases of goods and services, in most countries around the world, at the millions of merchants that accept cards bearing the American Express logo. As of December 31, 2017, American Express had total worldwide cards-in-force of 112.8 million (including cards issued by third parties). In 2017, American Express' worldwide billed business (spending on American Express cards, including cards issued by third parties) was \$1 trillion.

American Express' range of products and services includes:

- Charge card, credit card and other payment and financing products;
- Merchant acquisition and processing, servicing and settlement, and point-of-sale, marketing and information products and services for merchants;
- Network services;
- Other fee services, including fraud prevention services and the design of customized customer loyalty programs;
- Expense management products and services;
- Travel-related services; and
- Stored value/pre-paid products.



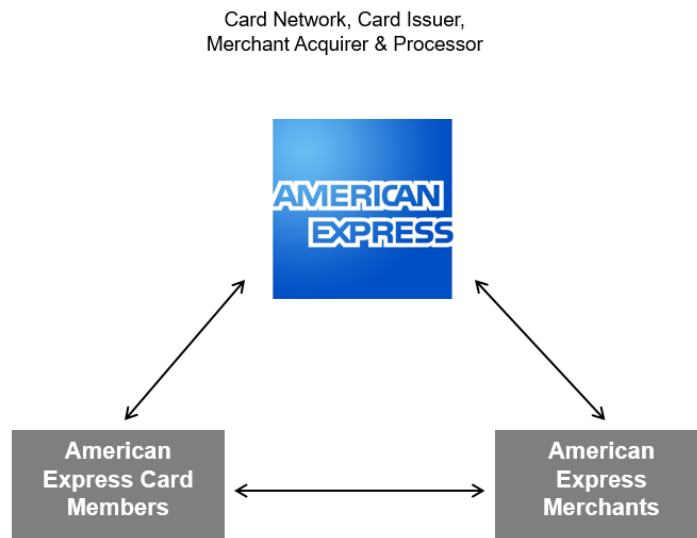
American Express is committed to maintaining strong capital, funding and liquidity levels that meet or exceed all regulatory requirements. Its balance sheet management objectives are to maintain: (i) a solid and flexible equity capital profile; (ii) a broad, deep and diverse set of funding sources to finance its assets and meet operating requirements; and (iii) liquidity programs that enable American Express to continuously meet expected future financing obligations and business requirements for at least a 12 month period, even in the event it is unable to continue to raise new funds under its traditional funding programs during a substantial weakening in economic conditions.

### **Integrated Network**

Wherever American Express manages both the card-issuing activities of the business and the acquiring relationship with merchants, there is a “closed loop,” in that American Express has access to information at both ends of the card transaction, which distinguishes American Express’ integrated network from the bankcard networks. American Express maintains direct relationships with both Card Members (as a card issuer) and merchants (as an acquirer), and handles all key aspects of those relationships. Through contractual relationships, American Express also obtains data from third-party card issuers, merchant acquirers and processors with whom American Express does business. The integrated network allows American Express to analyze information on Card Member spending and build algorithms and other analytical tools that are used to underwrite risk, reduce fraud and provide targeted marketing and other information services for merchants and special offers and services to Card Members through a variety of channels, all while respecting Card Member preferences and protecting Card Member and merchant data in compliance with applicable policies and legal requirements.



Figure 1: American Express Integrated Network



The following sections provide an overview of the key components of the FSB Resolution Plan.



## 2. Material Entities

FSB is one of two American Express IDIs that issues charge and credit products in the United States. FSB is the “covered company” for the purposes of the IDI Rule. For resolution planning purposes, FSB has identified three “material entities” (“MEs”) based on the criteria set forth in the IDI Rule. The below table and following sections provide an overview of FSB and the other MEs.

**Table 1: Material Entities Overview as of December 31, 2017**

Name	Jurisdiction	Type of Entity	Description
American Express Bank, FSB	U.S.	Covered Company	FSB is one of American Express’ IDIs and it issues charge and credit products
American Express Travel Related Services Company, Inc.	U.S.	Operating Entity and Service Entity	TRS is American Express’ principal operating subsidiary and as the immediate parent of American Express’ IDIs, also a BHC
American Express Centurion Bank	U.S.	Operating Entity	AECB is one of American Express’ IDIs and it issues charge and credit products

### 2.1 American Express Bank, FSB

FSB is a wholly owned subsidiary of TRS headquartered in Salt Lake City, Utah. FSB operates under a Federal Savings Bank charter and is regulated by the Office of the Comptroller of the Currency (“OCC”). FSB is also subject to supervision, examination and enforcement by the Consumer Financial Protection Bureau (“CFPB”) with respect to marketing and sale of consumer financial products and compliance with federal consumer financial laws.

In the normal course of business, FSB issues certain credit and charge card products that are marketed on behalf of FSB by the U.S. Consumer Services (“USCS”) and American Express OPEN (“OPEN”) businesses. In addition, FSB provides commercial loans to qualified merchants that accept the American Express cards. FSB conducts deposit-taking activities directly with consumers and with third-party brokerage networks. FSB’s retail deposit program, Personal Savings from American Express, offers CDs and high-yield savings account products directly to consumers. A portion of FSB’s outstanding U.S. retail deposits have also been raised through third-party brokerage networks.

FSB wholly owns American Express Receivable Financing Corporation IV LLC (“RFC IV”), a Delaware Limited Liability Company. RFC IV is a special purpose entity that facilitates certain American Express securitization activities. Immediately following the Bank Combination, RFC IV, previously a wholly-owned subsidiary of FSB, merged with and into RFC III, previously a wholly-owned subsidiary of AECB.





2.2 American Express Travel Related Services Company, Inc.

TRS is the direct parent of both FSB and AECB, and is a wholly owned subsidiary of AXP, the top-tier BHC of American Express. Like AXP, TRS is a BHC and it has elected to be treated as a financial holding company under the BHC Act. Therefore, it is subject to supervision and examination by the Federal Reserve.

TRS is American Express' principal operating subsidiary and it supports FSB's business activities through its provision of personnel, facilities, systems and other operational resources. TRS directly or indirectly owns the majority of American Express' legal entities.

TRS' main source of revenue is discount revenue. Discount revenue represents an amount earned on transactions occurring at merchants with which TRS, or its partners, has entered into card acceptance agreements for facilitating transactions between the merchants and American Express Card Members. Other forms of revenue for TRS include net card fees, travel commissions and fees, and other commissions and fees, including foreign currency conversion fees and delinquency fees, together with affiliate service fees.

2.3 American Express Centurion Bank

AECB is a wholly owned subsidiary of TRS headquartered in Salt Lake City, Utah and is a sister bank of FSB. AECB is a Utah-chartered industrial bank regulated, supervised and regularly examined by the Utah Department of Financial Institutions and the FDIC. AECB is also subject to supervision, examination and enforcement by the CFPB with respect to marketing and sale of consumer financial products and compliance with federal consumer financial laws.

In the normal course of business, AECB issues credit and charge card products that are marketed on behalf of AECB by the USCS business. AECB also offers certain depository products, including brokered sweep deposits and retail certificates of deposits ("CDs") that are obtained largely through third-party brokerage channels.



### 3. Core Business Lines

FSB has identified three “core business lines” (“CBLs”), as the term is defined in the IDI Rule. For purposes of the Resolution Plan, the FSB CBLs are U.S. Consumer Services, OPEN, and Personal Savings. CBLs have been identified solely for resolution planning purposes, and may differ from the operating segments that American Express uses for management reporting in its periodic reports filed with the SEC.

#### 3.1 U.S. Consumer Services

The USCS business, on behalf of AECB and FSB, operates and manages American Express’ branded and cobranded card-issuing business in the U.S., through which AECB and FSB issue a wide range of charge, lending and cobrand card products to consumers. The USCS business also provides Card Members with access to a variety of special services and programs, such as the Membership Rewards program.

#### 3.2 American Express OPEN

The OPEN business is dedicated exclusively to small business owners and their companies in the U.S., providing an enhanced set of products, tools, services and savings designed to help them meet their evolving payment and business needs. Small business charge, credit and cobrand card products issued by FSB are marketed by OPEN.

#### 3.3 Personal Savings

Personal Savings is a direct retail deposit program which is FSB’s primary deposit product channel. Personal Savings makes FDIC-insured certificates of deposits (CDs) and high-yield savings account (HYSA) products available directly to consumers. The purpose of Personal Savings is to provide a stable, and cost-effective source of funding to meet, in conjunction with other sources of funding, FSB’s funding needs.



#### 4. Consolidated Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

##### Summary Information Regarding Assets, Liabilities, Capital and Major Funding Sources

#### 4.1 Balance Sheet

The following table presents consolidated balance sheet data for FSB as of December 31, 2017. The data presented is from FSB's Consolidated Report of Condition and Income as of December 31, 2017.

Table 2: FSB Consolidated Report of Condition as of December 31, 2017 (a)

<i>2017 (\$, millions)</i>	
<b>Assets</b>	
Cash and balances due from depository institutions	\$ 12,053
Securities	365
Loans and lease financing receivables	41,905
Investments in unconsolidated subsidiaries and associated companies	3
Premises and fixed assets	0
Direct and indirect investments in real estate ventures	498
Intangibles	-
Other assets	620
<b>Total assets</b>	<b>55,444</b>
<b>Liabilities and Shareholder's Equity</b>	
<b>Liabilities</b>	
Deposits, bank notes and other borrowings	43,127
Borrowings with a remaining maturity of one year or less	3,953
Borrowings with a remaining maturity of more than one year	-
Other liabilities	2,244
Balances due to subsidiaries and related institutions	-
<b>Total liabilities</b>	<b>49,324</b>
<b>Shareholder's Equity</b>	
Common stock	0
Capital surplus	3,496
Other comprehensive Income	1
Retained Earnings	2,623
<b>Total shareholder's equity</b>	<b>6,120</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 55,444</b>

(a) Reflects FSB's consolidated report of condition and income for a bank with domestic offices only (FFIEC-041) as of December 31, 2017.



4.2 Capital

FSB’s capital 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. FSB believes that capital allocated to growing businesses with a return on risk-adjusted equity in excess of its costs will generate shareholder value.

The following table represents the regulatory risk-based capital ratios and leverage ratio for FSB as of December 31, 2017.

Table 3: FSB Regulatory Risk-Based Capital Ratios and Leverage Ratio as of December 31, 2017

	<i>Ratios as of December 31, 2017</i>	<i>Minimum to be well-capitalized (a)</i>
<b>Risk-Based Capital</b>		
Common Equity Tier 1	12.9%	6.5%
Tier 1	12.9%	8.0%
Total	14.2%	10.0%
<b>Tier 1 Leverage</b>	11.7%	5.0%

(a) Minimum well-capitalized ratios are as defined by the regulations issued by the Federal Reserve, OCC and FDIC for the year ended December 31, 2017

4.3 Major Funding Sources

FSB meets its funding needs through a variety of sources, including retail deposits, asset securitizations and inter-company borrowings.

FSB’s funding strategy and activities are integrated into its asset-liability management activities. FSB has a funding policy in place to cover these activities.



**5. Description of Derivative and Hedging Activities**

FSB does not engage in capital markets activities such as proprietary trading, underwriting, or making markets in securities or derivatives. FSB's market risk exposure is primarily generated by interest rate risk in its card businesses and investment portfolios. Interest rate risk is centrally monitored by American Express.



**6. Memberships in Material Payment, Clearing and Settlement Systems**

AECB holds payment systems memberships required for both AECB's and FSB's business activities. These memberships include Fedwire, Fed Image Exchange, Fed Automated Clearing House ("ACH"), the National Automated Clearing House Association ("NACHA"), Western Payment Alliance ("WESPAY") and Viewpointe. FSB accesses these payments systems under a Service Level Agreement with AECB.

In addition, TRS maintains accounts with various agent banks around the world to support its normal course of business, which allows TRS to receive and transmit funds to and from third parties in a variety of different currencies. These agent banks themselves may hold memberships in other payment, clearing or settlement services, or other financial market utilities. TRS generally has direct agreements with the agent banks based on its overall business needs.



**7. Description of Foreign Operations**

FSB does not maintain any foreign operations, nor does it have any foreign branches.



**8. Material Supervisory Authorities**

**8.1 U.S. Federal Regulators**

FSB is primarily regulated by the OCC. FSB is also subject to supervision, examination and enforcement by the CFPB with respect to marketing and the sale of consumer financial products and compliance with certain federal consumer financial laws, including, among other laws, the Consumer Financial Protection Act of 2010 and the Truth in Lending Act.





## 9. Principal Officers

The following table provides information about the principal officers of FSB as of December 31, 2017.

**Table 4: FSB's Principal Officers as of December 31, 2017**

<i>Executive Officer</i>	<i>Title</i>
Jonathan I. Polk	President and Chief Executive Officer
Michael Cappucci	Chief Risk Oversight Officer
Jaime Hullinger	Chief Technology Officer
Brady Bagley	Controller & Assistant Secretary
Richard Fennell	Chief Credit Officer
Brigida Munoz	Chief Product & Marketing Officer
Douglas Turnbull	Corporate Secretary
Denise D. Roberts	Chief Financial Officer & Treasurer
Patrick Liston	Chief Compliance Officer
Jenna McAuley	Chief Information Security Officer



## **10. Resolution Planning Corporate Governance and Processes**

Through its resolution planning process, FSB analyzed its business, material and other legal entities and operational structure in the context of advance preparation for potential future crises. As a result, FSB has developed, and maintains, a governance structure and information capabilities required to support an orderly resolution if it were ever required.

Subsequent to the Bank Combination on April 1, 2018, the American Express National Bank board of directors reviewed and approved the FSB Resolution Plan prior to submission.

Since its inception on April 1, 2018, AENB's Asset/Liability Management Committee ("ALCO") sets strategic direction and approved the overall methodology and approach of FSB's Resolution Plan. Prior to this, FSB's ALCO was the main governing body for FSB's Resolution Plan.

For the development of this FSB Resolution Plan, a dedicated Recovery and Resolution Planning team and a program governance structure remain in place, with roles and responsibilities assigned at various levels to ensure that appropriate support and oversight is provided throughout the Plan's development. The main responsibility of the team is for the day-to-day monitoring and overall coordination of the resolution planning program with key participants throughout FSB. Additionally, the team manages regulatory requests and monitors evolving regulatory guidance.



## **11. Material Management Information Systems**

The purpose of management information systems (“MIS”) is to support the business activities of FSB by providing information to understand business financials, risks and performance and enable management to strategically plan FSB’s future direction.

American Express has robust management information reporting at the business and corporate level. MIS include a wide variety of systems, platforms, databases and infrastructure that enable business users to generate standard and ad-hoc reports when the business is operating as usual. On a periodic basis, the American Express MIS generate financial, operational and risk reports that include a broad range of information. Such reports are used by management to monitor the financial health, risk and operations of American Express, including FSB and its CBLs and MEs.

For the development of the FSB Resolution Plan, FSB centrally gathered the information underlying the Resolution Plan from sources across the organization. In the event of a resolution or periods leading up to a possible resolution, American Express and FSB have policies and procedures for providing regulators with pertinent information in a timely manner.



**12. Resolution Strategy Summary**

**Overview**

The strategies proposed in the Resolution Plan aim to achieve rapid and orderly resolution, including under conditions similar to the 2008 financial crisis, that ensure depositors have timely access to their insured deposits, maximize the net present value returns from the sale or disposition of FSB's assets and minimize the amount of any loss realized by FSB's creditors. In creating these resolution strategies, FSB developed a set of assumptions that includes those pursuant to the IDI Rule, those mandated by guidance provided by the FDIC, and institution-specific assumptions defined by FSB. The three resolution strategies that FSB has concluded would best satisfy these objectives are:

- Preferred Strategy 1: Sale of FSB as a whole
- Strategy 2: Multiple Acquirer Sale (MAS)
- Strategy 3: Immediate Liquidation

**Table 5: Summary of FSB's Resolution Strategies**

Resolution Strategy keeping the Integrated Network intact	
<u>Strategy 1 (Preferred Strategy) – Sale of FSB as a Whole (Whole Bank Sale)</u>	Sale of substantially all assets out of the position of a Bridge Bank (as defined below) as a going concern back to American Express Enterprise or to a single third-party purchaser of American Express to both (i) maximize the value to the Deposit Insurance Fund and the creditors of FSB and (ii) minimize potential disruptions to depositor, customer and merchant relationships.
Resolution Strategies breaking the Integrated Network	
<u>Strategy 2 (MAS Strategy) – Sale of FSB assets to multiple acquirers (Asset Sale)</u>	Sale of FSB assets out of the position of a Bridge Bank to multiple parties.
<u>Strategy 3 (Liquidation Strategy) – Sale and liquidation of FSB assets at the onset of failure (Immediate Liquidation)</u>	Sale of FSB assets immediately post failure out of the position of the receivership (without the set-up of a Bridge Bank).



### **Insolvency Frameworks**

FSB would be resolved under the Federal Deposit Insurance Act by the FDIC, following its appointment as receiver. With the exception of Strategy 3 (Immediate Liquidation), it is expected that the FDIC would transfer all of FSB's assets and certain liabilities (including all deposit liabilities) to the new bridge depository institution ("Bridge Bank") organized by the FDIC in accordance with 12 U.S.C. § 1821(n).