

American Express Company Earnings Conference Call Q3'13

October 16, 2013

AMERICAN EXPRESS

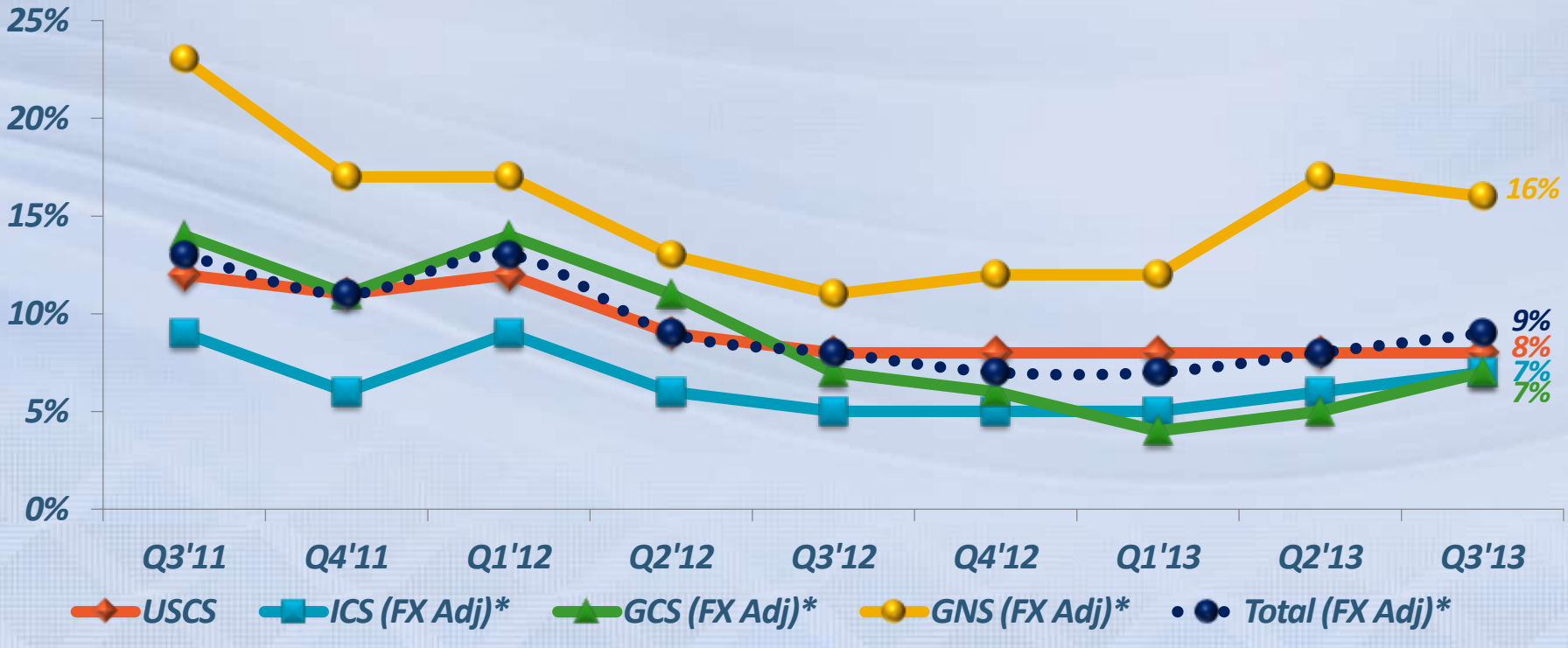
Q3’13 Performance Summary

($ in millions, except per share amounts and where otherwise noted)	Q3’13	Q3’12	% Inc/(Dec)
Billed Business ($ in B)*	$236.2	$220.1	7%
FX Adjusted†		*$217.4*	9%
Total Revenues Net of Interest Expense	$8,301	$7,862	6%
FX Adjusted†		*$7,777*	7%
Net Income	$1,366	$1,250	9%
Diluted EPS**	$1.25	$1.09	15%
Average Diluted Shares Outstanding	1,081	1,132	(5%)
Return on Average Equity	24%	26%	

** Card billed business includes activities (including cash advances) related to proprietary cards, cards issued under network partnership agreements (non-proprietary billed business), and certain insurance fees charged on proprietary cards. **Attributable to common shareholders. Represents net income less earnings allocated to participating share awards and other items of $12MM and $14MM for Q3’13 and Q3’12, respectively.*
†FX adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes Q3’13 foreign exchange rates apply to Q3'12 results). Total revenues net of interest expense on an FX adjusted basis is a non-GAAP measure. The Company’s calculations of non-GAAP measures may differ from the calculations of similarly titled measures of other companies.

Billed Business Growth by Segment

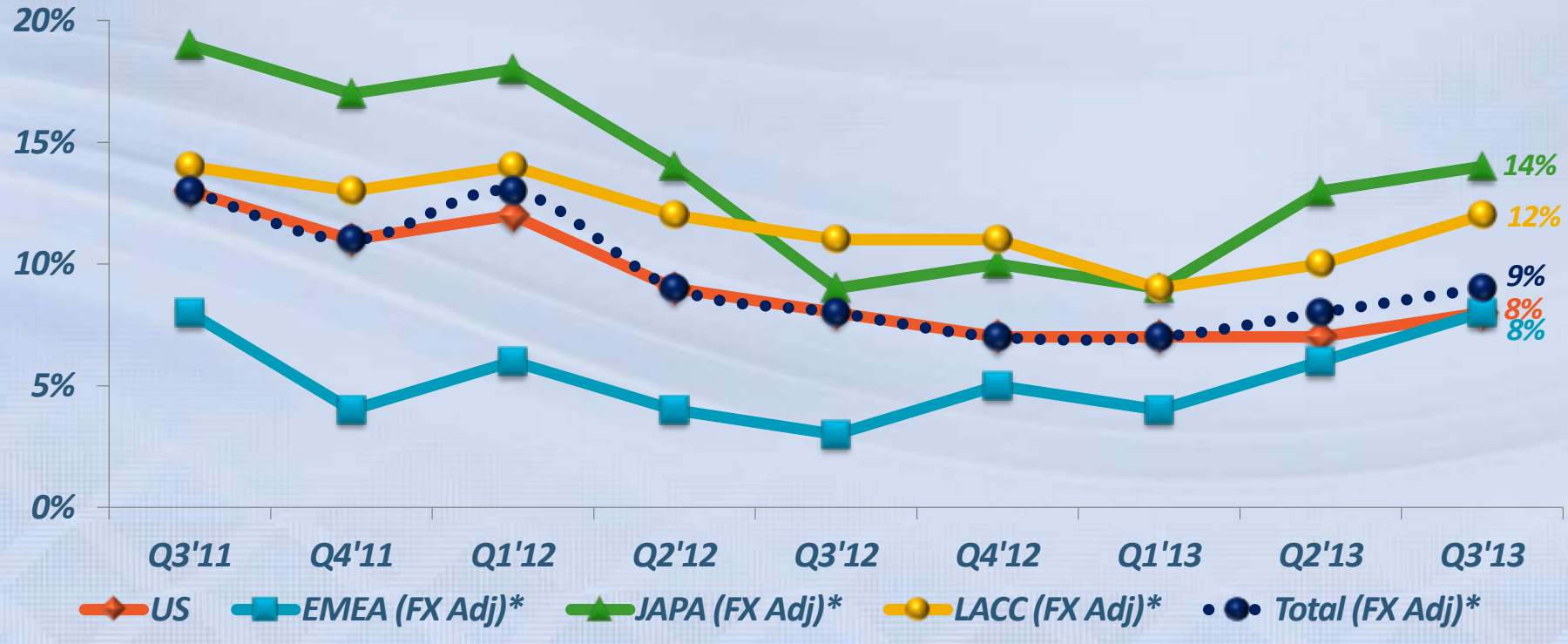
% increase/(decrease) vs. prior year:



*See Annex 1 for reported billings growth rates.

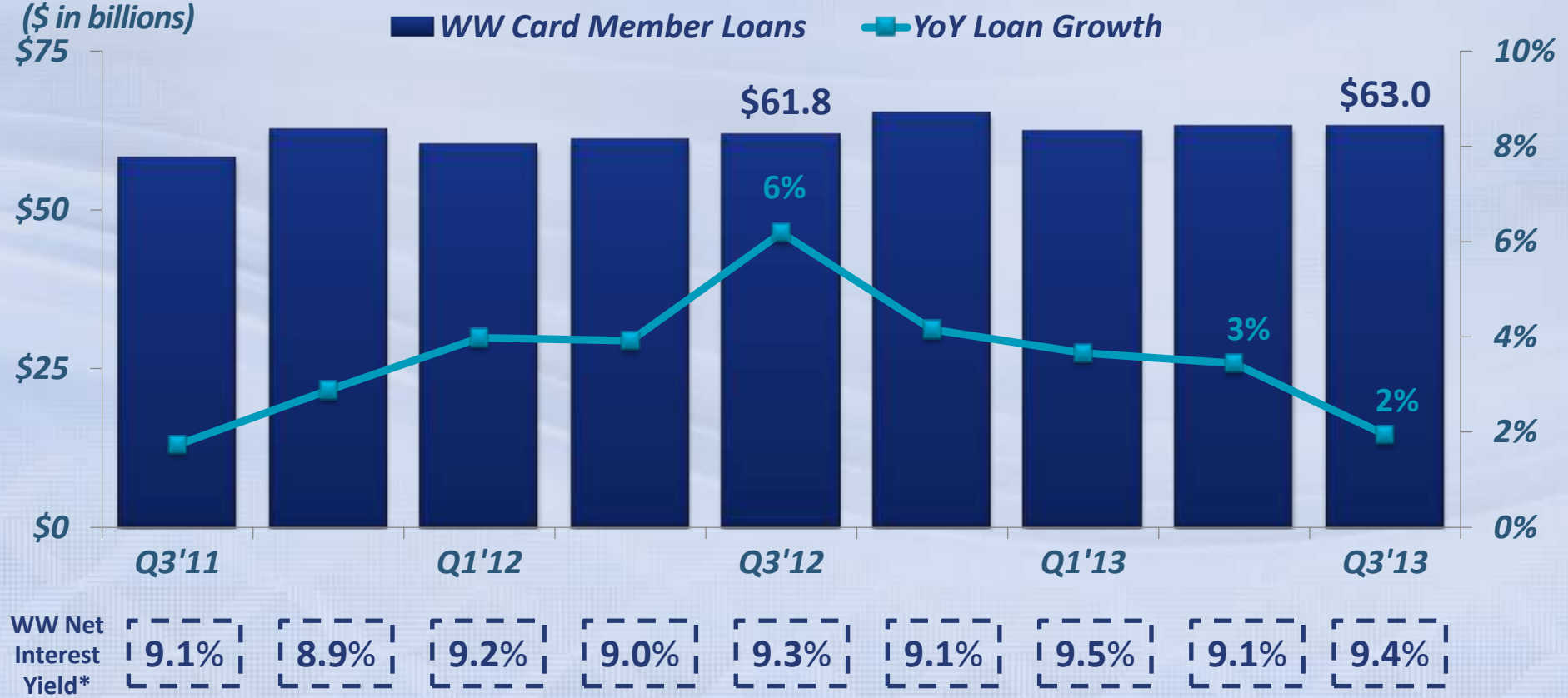
Billed Business Growth by Region

% increase/(decrease) vs. prior year:



*See Annex 2 for reported billings growth rates.

Worldwide Card Member Loans



	Q3'11	Q1'12	Q3'12	Q1'13	Q3'13
WW Net Interest Yield*	9.1%	8.9%	9.2%	9.0%	9.3%	9.1%	9.5%	9.1%	9.4%

*Refer to Annex 5 for the calculation of WW net interest yield on Card Member loans, a non-GAAP measure, and net interest income divided by average loans, a GAAP measure.

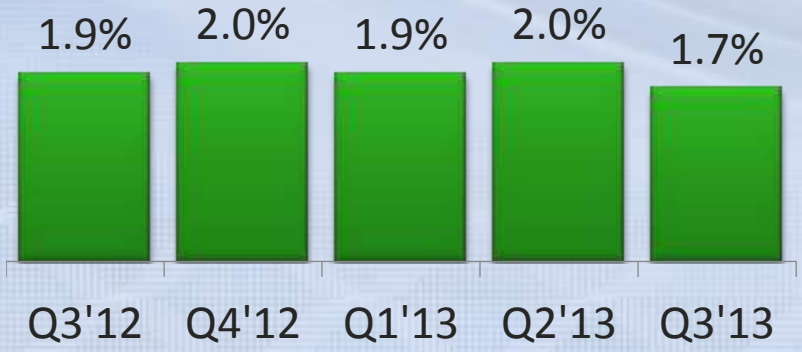
Revenue Performance

($ in millions)	Q3'13	Q3'12	% Inc/(Dec)
Discount Revenue	$4,659	$4,425	5%
Net Card Fees	658	633	4%
Travel Commissions & Fees	490	465	5%
Other Commissions & Fees	610	581	5%
Other Revenue	601	577	4%
Net Interest Income	1,283	1,181	9%
Total Revenues Net of Interest Expense*	$8,301	$7,862	6%

**Total revenues net of interest expense on an FX adjusted basis, a non-GAAP measure, increased 7%. See slide 2 for an explanation of FX adjusted information.*

AXP Lending Credit Performance

Net Write-off Rate*



30 Days Past Due



*Rates above include Principal only. See Statistical Tables in the Company's Third Quarter 2013 Earnings Release for net write-off rates including interest and/or fees.

Lending Reserve Coverage

	Q3'13	Q2'13	Q3'12
US Card Services			
% of Loans	2.0%	2.1%	2.4%
% of Past Due	188%	200%	190%
Principal Months Coverage*	13.6x	12.6x	14.3x
Worldwide			
% of Loans	2.0%	2.1%	2.4%
% of Past Due	179%	188%	182%
Principal Months Coverage*	13.4x	12.5x	14.5x

**Calculated by dividing the ending principal reserve balance by a monthly average of net principal write-offs during the respective quarter.*

Provisions for Losses

($ in millions)

	Q3'13	Q3'12	% Inc/(Dec)
Charge Card	$194	$190	2%
Card Member Loans	282	264	7%
Other	16	25	(36%)
Total*	$492	$479	3%
Worldwide Reserve Release	*$51*	*$71*	*(28%)*

**Total provision on an FX adjusted basis, a non-GAAP measure, increased 3%. See slide 2 for an explanation of FX adjusted information.*

Expense Performance

($ in millions)

	Q3'13	Q3'12	% Inc/(Dec)
Marketing and Promotion	$827	$764	8%
Card Member Rewards	1,619	1,496	8%
Card Member Services	197	201	(2%)
Total Operating Expenses*	3,162	3,052	4%
Total Expenses**	$5,805	$5,513	5%
Effective Tax Rate	32%	33%	

**Includes salaries and employee benefits, professional services, occupancy and equipment, communications, and other, net. See slide 11 for a breakdown of these amounts. ** Total Expenses on an FX adjusted basis, a non-GAAP measure, increased 6%. See slide 2 for an explanation of FX adjusted information.*

Operating Expense Performance

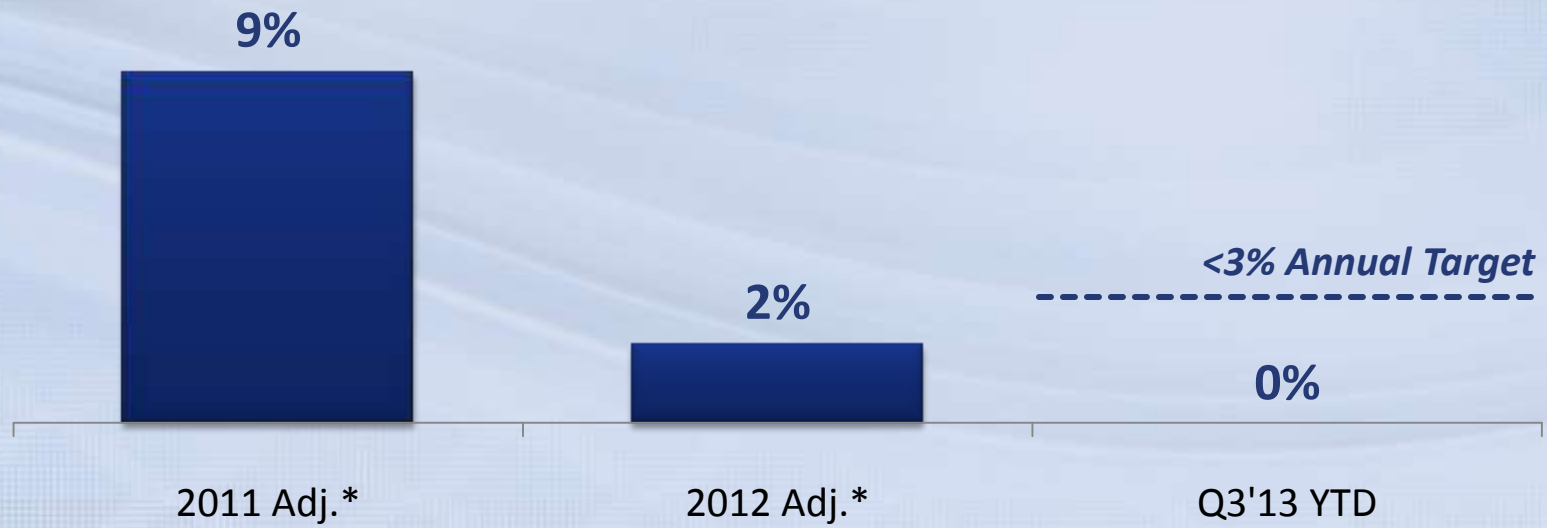
($ in millions)

	Q3'13	Q3'12	% Inc/(Dec)
Salaries and Employee Benefits	$1,544	$1,516	2%
Professional Services	793	690	15%
Occupancy and Equipment	462	453	2%
Communications	94	93	1%
Other, Net	269	300	(10%)
Total Operating Expenses*	$3,162	$3,052	4%

**Total Operating Expenses, on an FX adjusted basis, a non-GAAP measure, increased 5%. See slide 2 for an explanation of FX adjusted information.*

Total Operating Expense Growth

% increase/(decrease) vs. prior year



*Note: See slide 10 for definition of operating expenses.*The growth rate of adjusted total operating expenses, a non-GAAP measure, excludes litigation settlement proceeds and Q4'12 restructuring charges from total operating expenses. Reported operating expense growth rates were 12% and 10% for 2011 and 2012, respectively. Refer to Annex 4 for a reconciliation of adjusted growth rates and their components.*

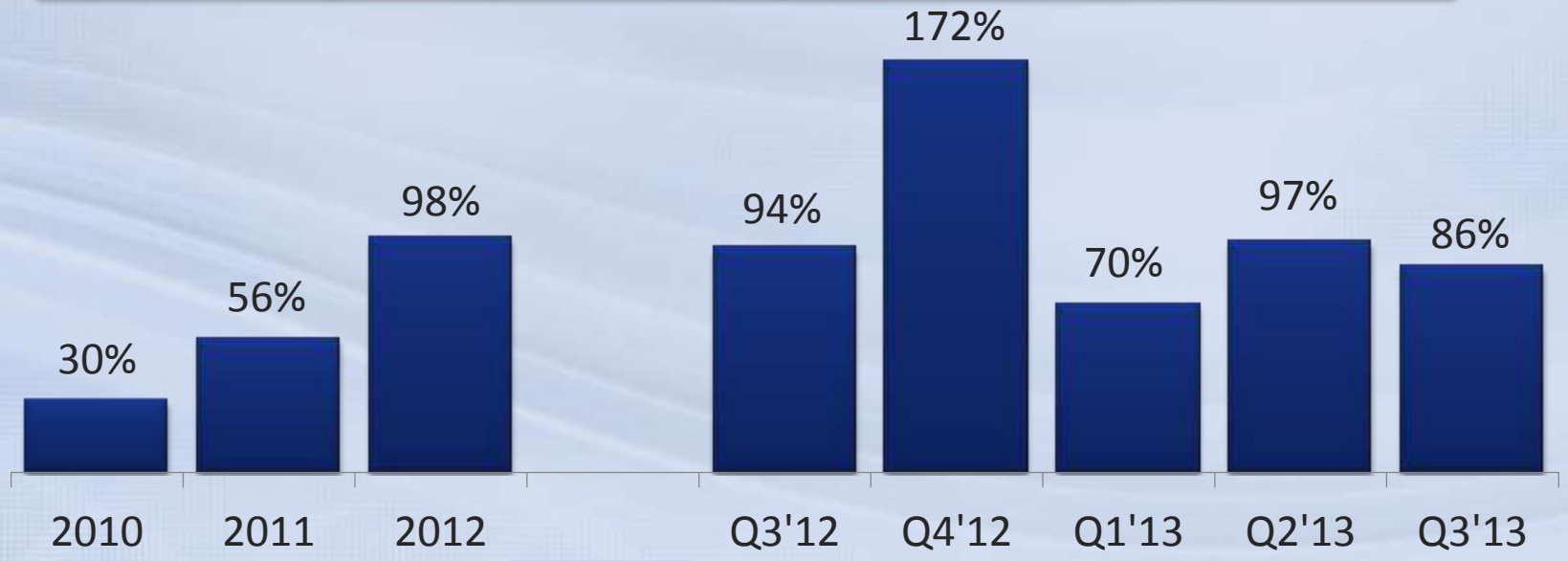
Marketing and Promotion Expense

($ in millions)



Total Payout Ratio

Percentage of Capital Generated Returned to Shareholders

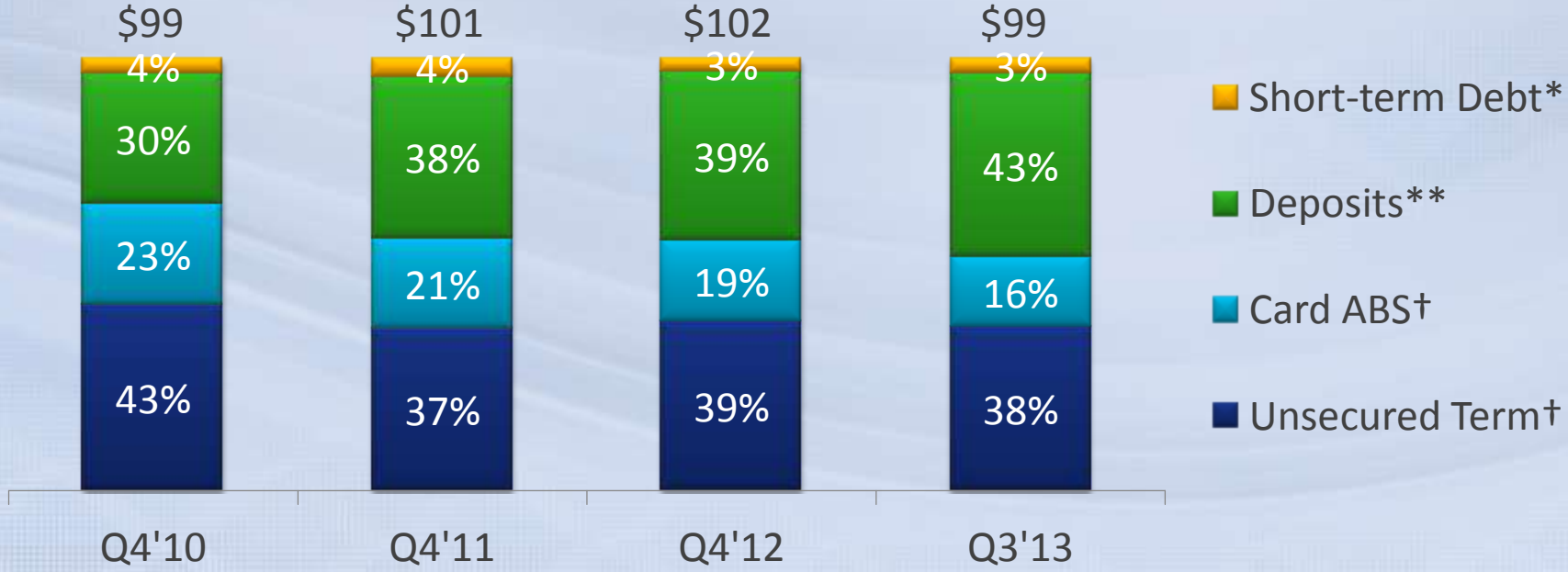


Tier 1 Common Risk-Based Capital Ratio*	12.7%	11.9%	12.6%	12.5%	12.8%

*Note: Payout Ratio is calculated by dividing the total amount returned to shareholders through dividends and share repurchases during the respective period by the total capital generated through net income attributable to common shareholders and employee plans during the respective period. *The Tier 1 Common Risk-Based Capital Ratio represents a preliminary estimate as of the date of these earnings slides and may be revised in the Company's Form 10-Q for the period ending September 30, 2013. The Tier 1 Common Risk-Based Capital Ratio is calculated as Tier 1 Common Equity, a non-GAAP measure, divided by Risk-Weighted Assets. See Annex 3 for a reconciliation between Tier 1 Common Equity and Total Shareholders' Equity.*

Funding Mix

($ in billions)



**In Q1'12, the Company reclassified certain short-term debt obligations from Other Liabilities. Balances as of 12/31/10 and 12/31/11 have been revised to conform to the current period presentation. **Beginning the first quarter of 2013, the Company reclassified prospectively Card Member credit balances from Card Member loans, Card Member receivables and Other liabilities to Customer deposits. Q3'13 includes Card Member credit balances of $0.4 billion. † Reflects face amount of unsecured term debt and Card ABS, net of securities that have been retained by the Company; the long-term debt balance on the Company's consolidated balance sheet includes capitalized leases and certain adjustments which are not included in these balances.*


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Annex 1

Segment Billed Business - Reported & FX Adjusted*

% increase/(decrease) vs. prior year:

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
ICS									
Reported	17%	6%	8%	0%	1%	6%	2%	3%	2%
FX Adjusted	9%	6%	9%	6%	5%	5%	5%	6%	7%
GCS									
Reported	17%	10%	13%	8%	5%	6%	3%	5%	6%
FX Adjusted	14%	11%	14%	11%	7%	6%	4%	5%	7%
GNS									
Reported	30%	17%	17%	7%	6%	12%	9%	14%	12%
FX Adjusted	23%	17%	17%	13%	11%	12%	12%	17%	16%
Worldwide									
Reported	16%	11%	12%	7%	6%	8%	6%	7%	7%
FX Adjusted	13%	11%	13%	9%	8%	7%	7%	8%	9%

**See slide 2 for an explanation of FX adjusted information*

Annex 2

Region Billed Business - Reported & FX Adjusted*

% increase/(decrease) vs. prior year:

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
EMEA									
Reported	15%	4%	4%	(4%)	(4%)	5%	2%	7%	10%
FX Adjusted	8%	4%	6%	4%	3%	5%	4%	6%	8%
JAPA									
Reported	31%	18%	22%	10%	8%	11%	6%	8%	4%
FX Adjusted	19%	17%	18%	14%	9%	10%	9%	13%	14%
LACC									
Reported	18%	8%	11%	3%	5%	11%	6%	8%	7%
FX Adjusted	14%	13%	14%	12%	11%	11%	9%	10%	12%
Worldwide									
Reported	16%	11%	12%	7%	6%	8%	6%	7%	7%
FX Adjusted	13%	11%	13%	9%	8%	7%	7%	8%	9%

**See slide 2 for an explanation of FX adjusted information*

Annex 3

The Tier 1 Common Risk-Based Capital Ratio is calculated as Tier 1 Common Equity, a non-GAAP measure, divided by Risk-weighted assets. Tier 1 Common Equity is calculated by reference to Total Shareholders' Equity as shown below:

Tier 1 Common Equity Reconciliation

($ in Millions)

	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013
Total Shareholders' Equity	*$19,478*	*$18,886*	*$19,290*	*$19,034*	*$19,216*
Effect of certain items in accumulated other comprehensive loss excluded from Tier 1 common equity	107	173	182	280	323
Less:					
Ineligible goodwill and intangible assets	(3,936)	(3,921)	(3,746)	(3,569)	(3,586)
Ineligible deferred tax assets	(199)	(228)	(211)	(191)	(202)
Tier 1 Common Equity	***$15,450***	***$14,910***	***$15,515***	***$15,554***	***$15,751***

Annex 4

($ in millions)

	2010	2011	2012	Q3'12 YTD	Q3'13 YTD
GAAP Total Operating Expenses	**$10,673**	**$11,964**	**$13,170**	**$9,372**	**$9,384**
Visa/MasterCard Settlement Payments	880	580		-	-
Q4'12 Charges:					
Restructuring Charges			400		
Adjusted Total Operating Expenses	**$11,553**	**$12,544**	**$12,770**	**$9,372**	**$9,384**
YoY % Increase/(Decrease) in GAAP Total Operating Expenses		*12%*	*10%*		*0%*
YoY % Increase/(Decrease) in Adjusted Total Operating Expenses		*9%*	*2%*		*0%*

Annex 5

WW Net Interest Yield on Card Member Loans
($ in Millions)

	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13
Net interest income	**$1,113**	**$1,110**	**$1,133**	**$1,121**	**$1,181**	**$1,193**	**$1,243**	**$1,202**	**$1,283**
Exclude:									
Interest expense not attributable to the Company's Card Member loan portfolio	$356	$353	$364	$341	$338	$324	$311	$295	$296
Interest income not attributable to the Company's Card Member loan portfolio	($113)	($113)	($109)	($104)	($97)	($91)	($95)	($88)	($87)
Adjusted net interest income (A)	**$1,356**	**$1,350**	**$1,388**	**$1,358**	**$1,422**	**$1,426**	**$1,459**	**$1,409**	**$1,492**
Average loans (billions)	**$58.9**	**$59.9**	**$60.7**	**$60.6**	**$61.4**	**$62.9**	**$62.8**	**$62.5**	**$63.0**
Exclude:									
Unamortized deferred card fees, net of direct acquisition costs of Card Member loans (billions)	($0.1)		($0.2)	($0.2)	($0.2)	($0.2)	($0.3)	($0.3)	($0.2)
Adjusted average loans (billions) (B)	**$58.8**	**$59.9**	**$60.5**	**$60.4**	**$61.2**	**$62.7**	**$62.5**	**$62.2**	**$62.8**
Net interest income divided by average loans (C)	7.5%	7.4%	7.5%	7.4%	7.7%	7.5%	8.0%	7.7%	8.1%
Net interest yield on Card Member loans (D)	9.1%	8.9%	9.2%	9.0%	9.3%	9.1%	9.5%	9.1%	9.4%

(A) Adjusted net interest income, a non-GAAP measure, represents net interest income allocated to the Company's Card Member loan portfolio excluding the impact of interest expense and interest income not attributable to the Company's Card Member loan portfolio. The Company believes adjusted net interest income is useful to investors because it is a component of net interest yield on Card Member loans.

(B) Adjusted average loans, a non-GAAP measure, represents average Card Member loans excluding the impact of deferred card fees, net of deferred direct acquisition costs of Card Member loans, and other. The Company believes adjusted average loans is useful to investors because it is a component of net interest yield on Card Member loans.

(C) This calculation includes elements of total interest income and total interest expense that are not attributable to the Card Member loan portfolio, and thus is not representative of net interest yield on Card Member loans. The calculation includes interest income and interest expense attributable to investment securities and other interest-bearing deposits as well as to Card Member loans, and interest expense attributable to other activities, including Card Member receivables.

(D) Net interest yield on Card Member loans, a non-GAAP measure, is computed by dividing adjusted net interest income by adjusted average loans, computed on an annualized basis. The calculation of net interest yield on Card Member loans includes interest that is deemed uncollectible. For all presentations of net interest yield on Card Member loans, reserves and net write-offs related to uncollectible interest are recorded through provisions for losses - Card Member loans; therefore, such reserves and net write-offs are not included in the net interest yield calculation. The Company believes net interest yield on Card Member loans is useful to investors because it provides a measure of profitability of the Company's Card Member loan portfolio.

Forward Looking Statements

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements, include, but are not limited to, the following:

• the ability to hold annual operating expense growth to less than 3 percent during 2013 and 2014, which will depend in part on the Company's ability to achieve the expected benefits of the Company's restructuring plan, which will be impacted by, among other things, the factors identified in the third bullet below, the Company's ability to balance the control and management of expenses and the maintenance of competitive service levels for its customers, unanticipated increases in significant categories of operating expenses, such as consulting or professional fees, compliance or regulatory-related costs and technology costs, the payment of monetary damages and penalties, disgorgement and restitution, the Company's decision to increase or decrease discretionary operating expenses depending on overall business performance, the impact of changes in foreign currency exchange rates on costs and results, the impact of accounting changes and the level of acquisition activity and related expenses;

• the actual amount to be spent by the Company on investments in the business, including on marketing, promotion, rewards and Card Member services and certain operating expenses, as well as the actual amount of resources arising from the restructuring plan the Company decides to invest in growth initiatives, which will be based in part on management's assessment of competitive opportunities and the Company's performance and the ability to control and manage operating, infrastructure, advertising, promotion and rewards expenses as business expands or changes, including the changing behavior of Card Members;

• changes affecting the Company's ability or desire to repurchase up to $0.8 billion of its common shares for the remainder of 2013 and up to $1.0 billion in the first quarter of 2014, such as acquisitions, results of operations, capital needs and the amount of shares issued by the Company to employees upon the exercise of options, among other factors, which will significantly impact the potential decrease in the Company's capital ratios;

• the possibility of not achieving the expected timing and financial impact of the Company's restructuring plan and maintaining higher than expected employee levels, which could be caused by factors such as the Company's inability to mitigate the operational and other risks posed by planned staff reductions, the Company's inability to develop and implement technology resources to realize cost savings, underestimating hiring needs related to some of the job positions being eliminated and other employee needs not currently anticipated, lower than expected attrition rates and higher than expected redeployment rates;

Forward Looking Statements

• the ability of the Company to meet its on-average and over-time growth targets for revenues net of interest expense, earnings per share and return on average equity, which will depend on factors such as the Company's success in implementing its strategies and initiatives including growing the Company's share of overall spending, increasing merchant coverage, enhancing its pre-paid offerings, expanding the Global Network Services business and expense management, and on factors outside management's control including the willingness of Card Members to sustain spending, the effectiveness of marketing and loyalty programs, regulatory and market pressures on pricing, credit trends, currency and interest rate fluctuations, and changes in general economic conditions, such as GDP growth, consumer confidence, unemployment and the housing market;

• the ability of the Company to meet its on-average and over-time objective to return 50 percent of capital generated to shareholders through dividends and share repurchases, which will depend on factors such as approval of the Company's capital plans by its primary regulators, the amount the Company spends on acquisitions, the Company's results of operations and capital needs in any given period, and the amount of shares issued by the Company to employees upon the exercise of options;

• uncertainties associated with creation of a joint venture for the Company's Global Business Travel division, including events impacting the likelihood and timing of the creation of the joint venture, execution of transaction documentation and completion of the transaction, such as continued negotiations, ongoing diligence, board and regulatory approvals and consultation requirements; the ability of the potential investors to fund their investment in the joint venture; uncertainty relating to the timing and magnitude of the recognition of a gain by American Express as a result of the transaction, such as the amount of the funds ultimately raised by the joint venture and when assets are transferred to the joint venture; the underlying assumptions related to the transaction proving to be inaccurate or unrealized, such as the ability of the transaction to accelerate the transformation and growth of the corporate travel business and the ability to realize strategic linkages between the business operations of the joint venture and American Express following the transaction, including the acceleration of growth in the corporate payments business; and the joint venture's ability to successfully create additional investment capacity and enhance the suite of products and services available upon consummation of the transaction;

• the ability of the Company to grow volume and acquire new charge and premium lending prospects, which will depend on factors including competition, brand perceptions and reputation, the behavior of the Company's Card Members and their actual spending patterns, and the Company's ability to issue new and enhanced card products, offer attractive services and rewards programs, attract new Card Members, reduce Card Member attrition and capture a greater share of existing Card Members' spending and borrowing;

• the ability of the Company to grow the GNS business, which will depend in part on the competitive environment, the ability of the Company to offer value propositions that existing and potential partners and customers will find attractive, the extent to which the Company identifies potential partnerships that further enhance the Company's brand and the Company's ability to consummate partnership opportunities because of business, regulatory or legal complexities;

Forward Looking Statements

• the ability of the Company to generate $3 billion in fee revenue by the end of 2014, which will depend on the Company's success in implementing its strategy to increase fee revenue through growing its existing fee-based businesses such as insurance products and other services, acquiring companies with complementary businesses and capabilities, and in introducing new business initiatives, such as Bluebird, Loyalty Partner, Accertify and the Company's digital initiatives;

• the impact of final laws and regulations, if any, arising from the European Commission's Green Paper on the payments industry, which will depend on various factors, including, but not limited to, the issues presented and decisions made in the European legislative and regulatory processes addressing the proposed regulation of interchange fees and other practices related to card-based payment transactions, the amount of time these processes take to reach completion, and the actual pricing and other requirements ultimately adopted in the final laws and regulations in the European Union and its member countries;

• the ability of the Company to execute its strategy with respect to Loyalty Partner, which will depend in part on improving the value to merchants and collectors, innovating new features that are attractive to merchants and collectors and the Company's success in obtaining necessary licenses and regulatory approvals to operate in new countries;

• the ability of the Company to maintain and expand its presence in the digital payments space, including as an online payments provider, which will depend on the Company's success in evolving its business models and processes for the digital environment, building partnerships and executing programs with companies, and utilizing digital capabilities that can be leveraged for future growth; and

• factors beyond the Company's control such as changes in global economic and business conditions, including consumer and business spending, the availability and cost of capital, unemployment and political conditions, fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, terrorism, cyber attacks or fraud, which could significantly affect spending on American Express cards, delinquency rates, loan balances and travel-related spending or disrupt the Company's global network systems and ability to process transactions.

A further description of these uncertainties and other risks can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2013 and the Company's other reports filed with the Securities and Exchange Commission.