

American Express Company

Earnings Conference Call
Q1'14

April 16, 2014

AMERICAN EXPRESS

Q1'14 Summary Financial Performance

($ in millions; except per share amounts and where otherwise noted)

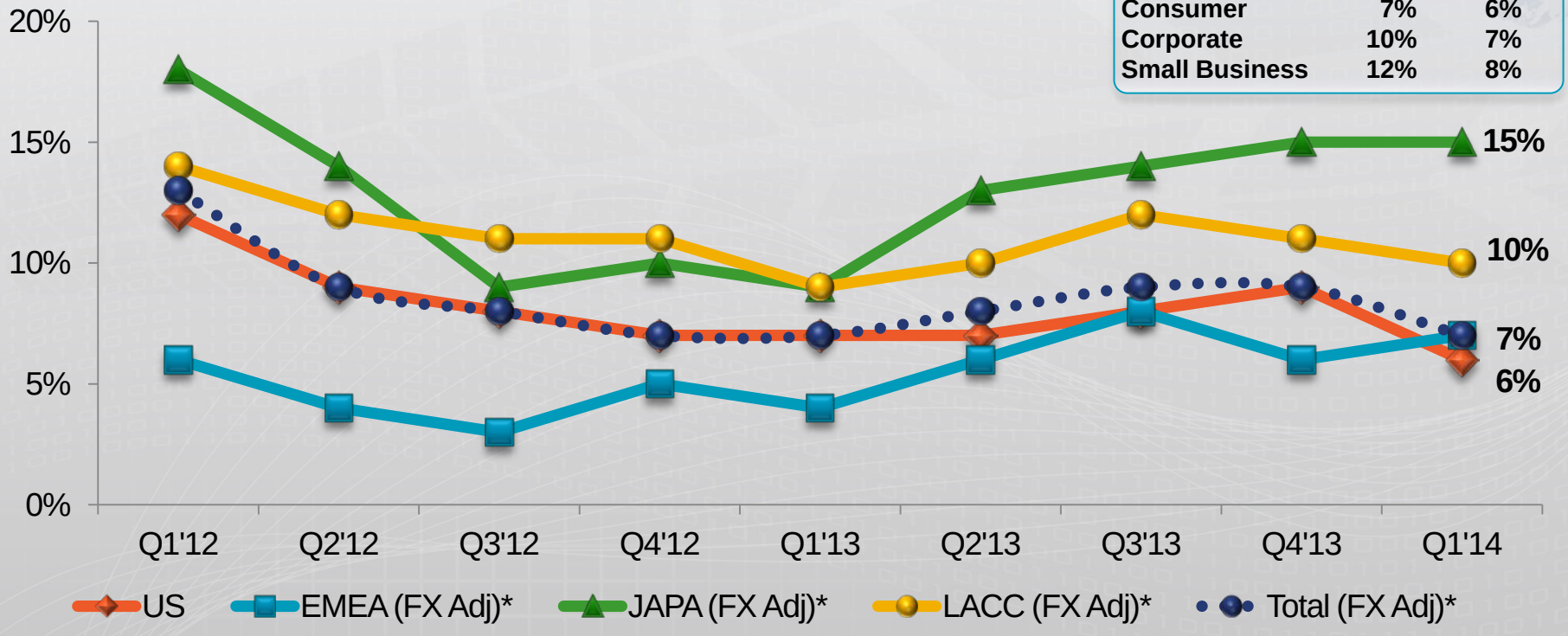
	Q1'14	Q1'13	% Inc/(Dec)
Billed Business ($ in B)*	$238.1	$224.5	6%
FX Adjusted †		*$221.6*	*7%*
Total Revenues Net of Interest Expense	$8,199	$7,881	4%
FX Adjusted †		*$7,787*	*5%*
Net Income	$1,432	$1,280	12%
Diluted EPS**	$1.33	$1.15	16%
Return on Average Equity	28%	23%	
Average Diluted Shares Outstanding	1,067	1,106	(4%)

**Card billed business includes activities (including cash advances) related to proprietary cards, cards issued under network partnership agreements (non-proprietary billed business), corporate payments, 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. †Total revenue net of interest expense on an FX adjusted basis is a non-GAAP measure. 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 Q1'14 foreign exchange rates apply to Q1'13 results). The Company's calculations of non-GAAP measures may differ from the calculations of similarly titled measures of other companies.*

Billed Business Growth by Region

% Increase/(decrease) vs. Prior year:

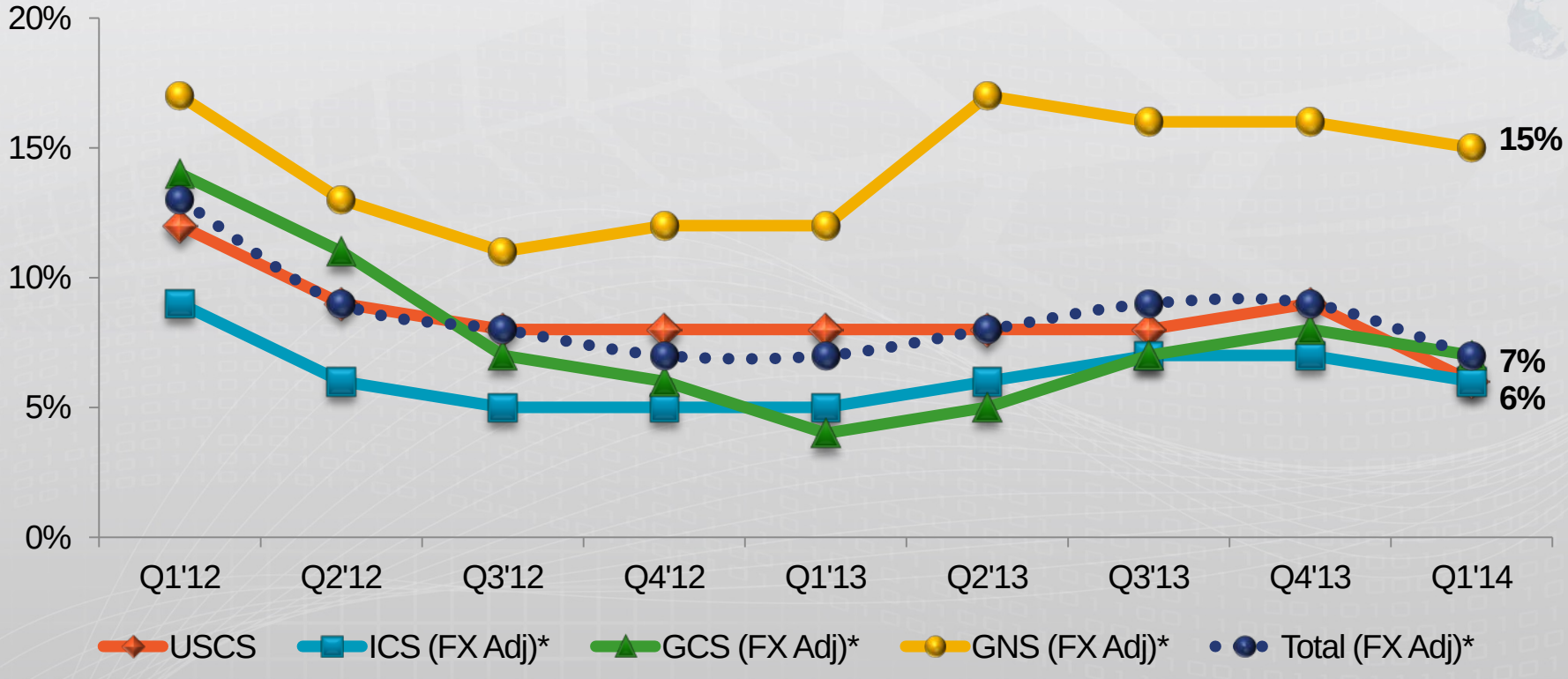
AXP U.S. Growth	Q4'13	Q1'14
Consumer	7%	6%
Corporate	10%	7%
Small Business	12%	8%



*See Annex 1 for reported billings growth rates.

Billed Business Growth by Segment

% Increase/(decrease) vs. Prior year:



*See Annex 2 for reported billings growth rates.

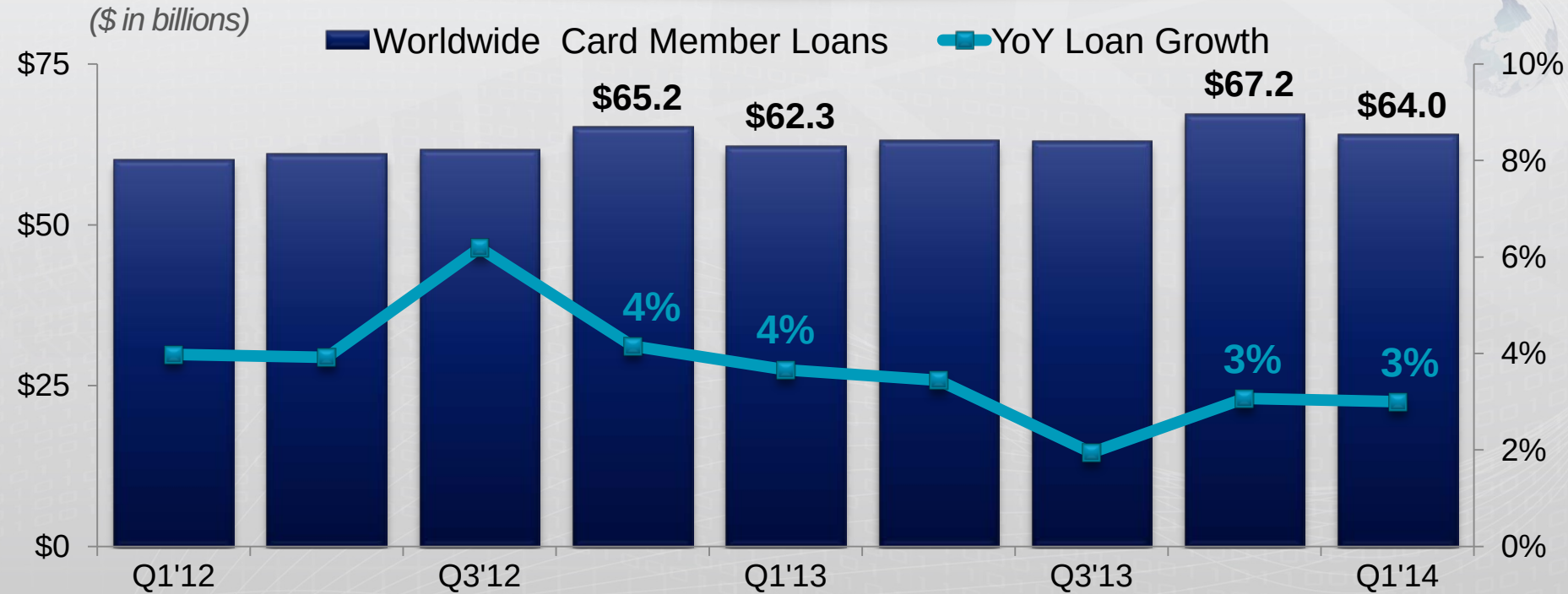
AXP Billed Business by International Currency

Based on Q1'14 Billed Business

	Euro €	Australia $	UK £	Canada $	Japan ¥	Mexico $	Brazil $	Argentina $
								
Billed Business as a % of Total*:	~5-6%	~4-5%	~3-4%	~3-4%	~2-3%	~1-2%	~1-2%	<1%
YoY% Change in Currency vs. USD:**	7%	(11%)	10%	(8%)	(9%)	(6%)	(11%)	(37%)

**Note: Billed Business is based on where the issuer is located and includes both proprietary and non-proprietary cards. **Represents percentage change in 03/31/14 FX exchange rates to 03/31/13 rates with respect to the USD per Bloomberg.*

Worldwide Card Member Loans



WW Net Interest Yield*	Q1'12	Q3'12	Q1'13	Q3'13	Q1'14
	9.2%	9.0%	9.3%	9.1%	9.5%	9.1%	9.4%	9.3%	9.5%

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

Revenue Performance

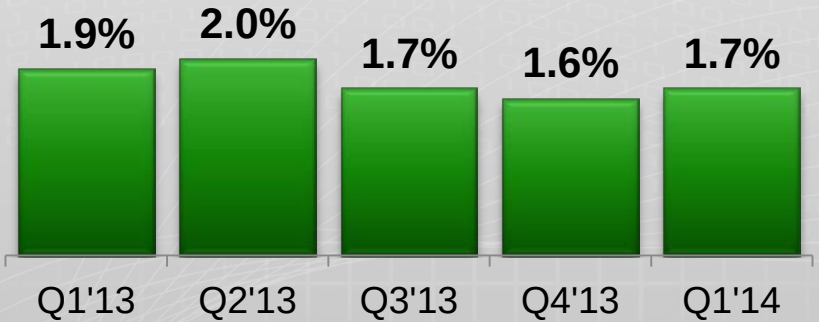
($ in millions)

	Q1'14	Q1'13	Q1'14 % Inc/(Dec)
Discount Revenue	$4,646	$4,438	5%
Net Card Fees	674	653	3%
Travel Commissions & Fees	423	437	(3%)
Other Commissions & Fees	618	573	8%
Other Revenue	501	537	(7%)
Net Interest Income	1,337	1,243	8%
Total Revenues Net of Interest Expense*	$8,199	$7,881	4%

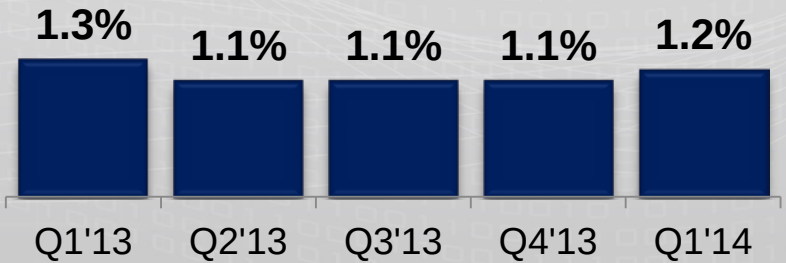
**Total revenues net of interest expense on an FX adjusted basis, a non-GAAP measure, increased 5% in Q1'14. See slide 2 for an explanation of FX adjusted information.*

AXP Lending Credit Performance

Net Write-off Rate*



30 Days Past Due



*Rates above include Principal only. See Statistical Tables in the Company's First Quarter 2014 Earnings Release for net write-off rates including interest and/or fees.

Lending Reserve Coverage

	Q1'14	Q4'13	Q1'13
US Card Services			
% of Loans	1.8%	1.9%	2.2%
% of Past Due	168%	174%	180%
Principal Months Coverage*	12.6x	14.6x	13.0x
Worldwide			
% of Loans	1.9%	1.9%	2.2%
% of Past Due	159%	169%	170%
Principal Months Coverage*	12.2x	14.4x	13.0x

**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)

	Q1'14	Q1'13	Q1'14 % Inc/(Dec)
Charge Card	$215	$154	40%
Card Member Loans	250	243	3%
Other	20	19	5%
Total*	$485	$416	17%
Worldwide Reserve Release (Release)/Build	*($42)*	*($122)*	

**Total provision on an FX adjusted basis, a non-GAAP measure, increased 18% in Q1'14. See slide 2 for an explanation of FX adjusted information.*

Expense Performance

($ in millions)

	Q1'14	Q1'13	Q1'14 % Inc/(Dec)
Marketing and Promotion	$613	$621	(1%)
Card Member Rewards	1,582	1,520	4%
Card Member Services and Other	222	189	17%
Total Operating Expenses*	3,089	3,226	(4%)
Total Expenses**	$5,506	$5,556	(1%)

**Includes salaries and employee benefits, professional services, occupancy and equipment, communications, and other, net. See slide12 for a breakdown of these amounts.*
*** Total Expenses on an FX adjusted basis, a non-GAAP measure, remained flat in Q1'14. See slide 2 for an explanation of FX adjusted information.*

Operating Expense Performance

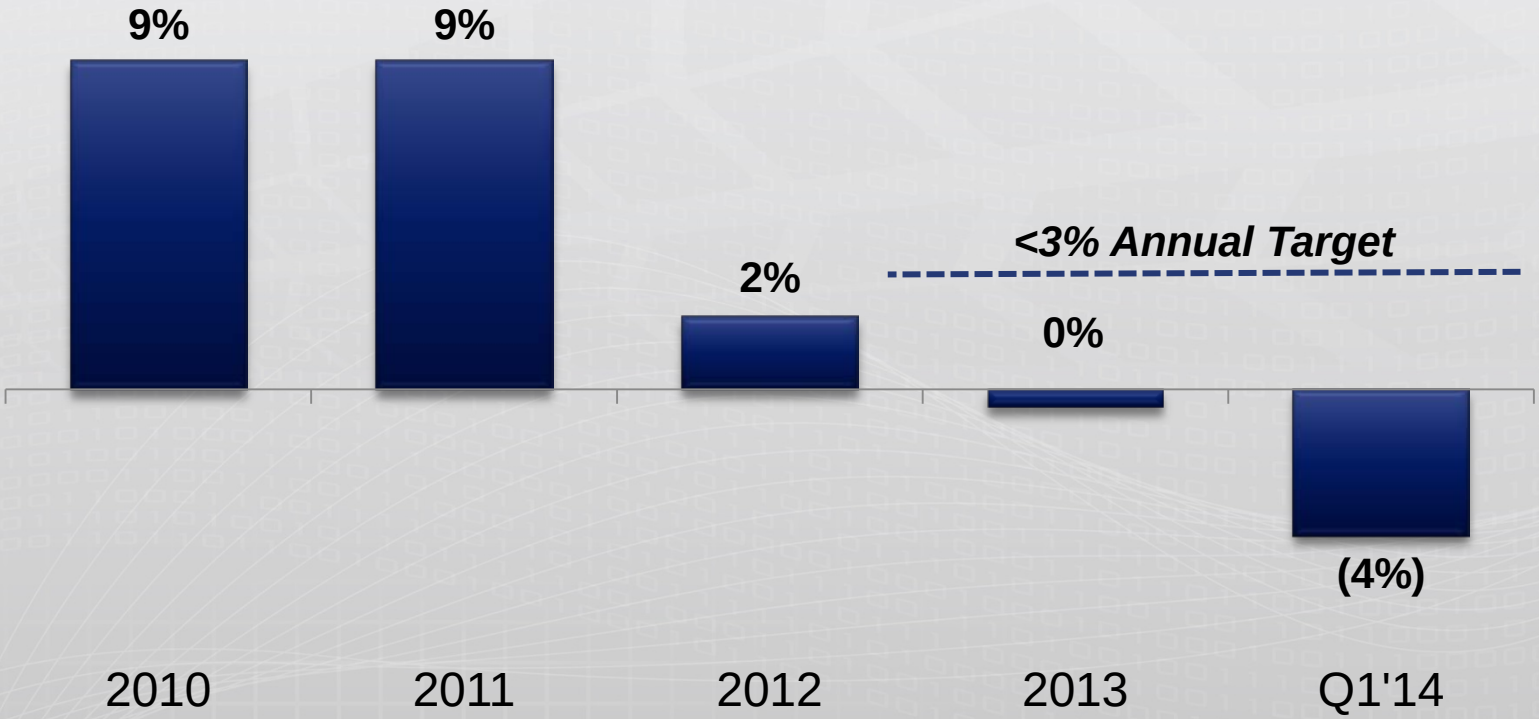
($ in millions)

	Q1'14	Q1'13	Q1'14 % Inc/(Dec)
Salaries and Employee Benefits	$1,540	$1,615	(5%)
Professional Services	692	716	(3%)
Occupancy and Equipment	462	472	(2%)
Communications	93	96	(3%)
Other, Net	302	327	(8%)
Total Operating Expenses*	$3,089	$3,226	(4%)

**Total Operating Expenses, on an FX adjusted basis, a non-GAAP measure, decreased 4% in Q1'14. See slide 2 for an explanation of FX adjusted information.*

Adjusted Total Operating Expense Growth*

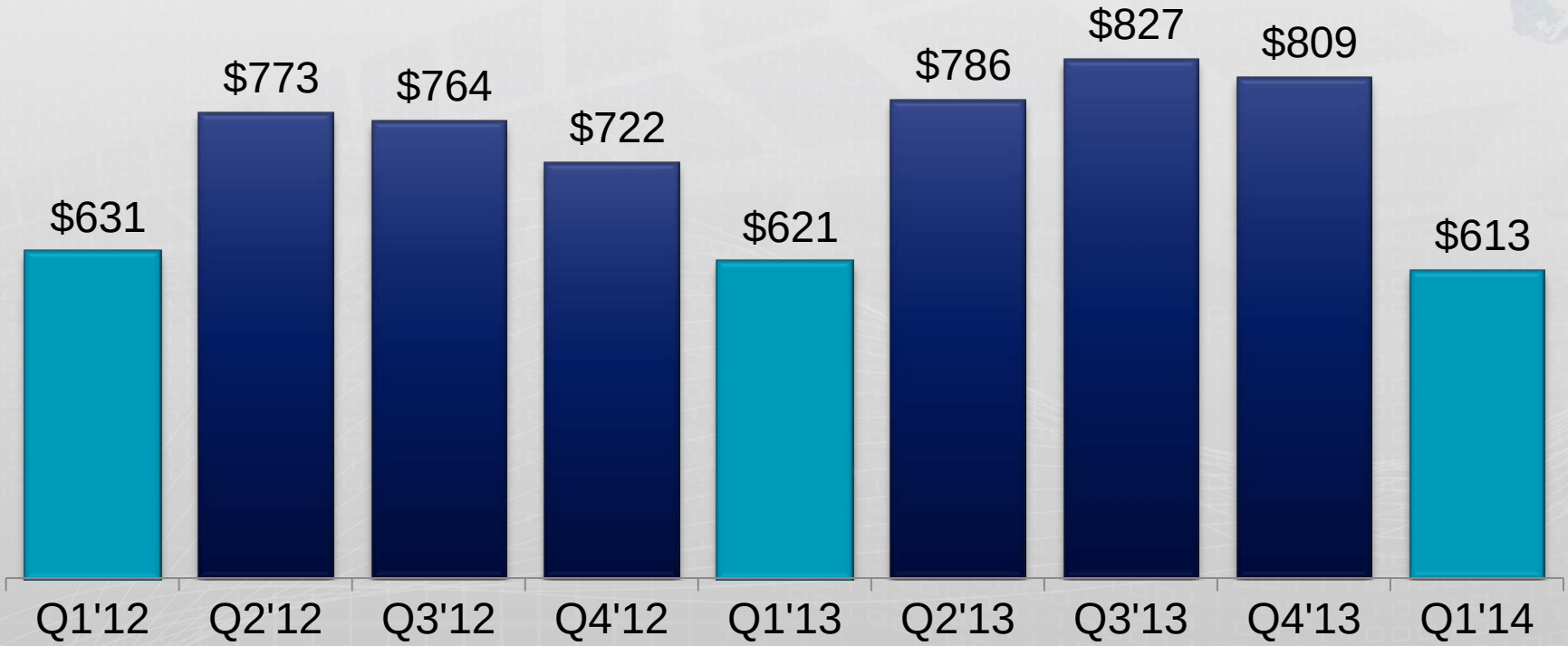
% Increase/(decrease) vs. Prior year:



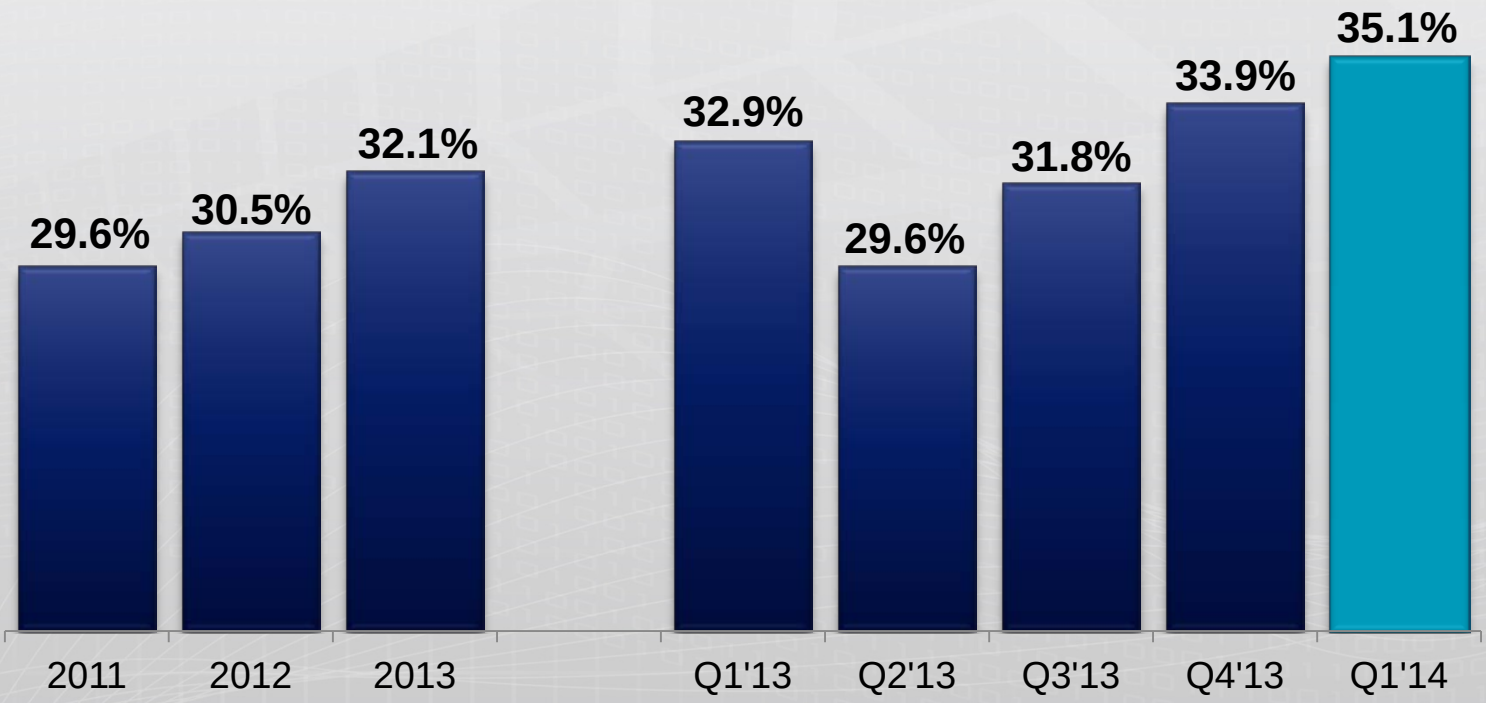
*Note: See slide 11 for definition of operating expenses. *The growth rate of adjusted total operating expenses, a non-GAAP measure, excludes Visa/MasterCard litigation settlement proceeds from 2010-2012 and Q4'12 restructuring charges from total operating expenses. Reported operating expense growth rates were 9%, 12%, 10% and (3%) for 2010, 2011, 2012 and 2013, respectively. Refer to Annex 4 for a reconciliation of adjusted growth rates and their components.*

Marketing and Promotion Expense

($ in millions)

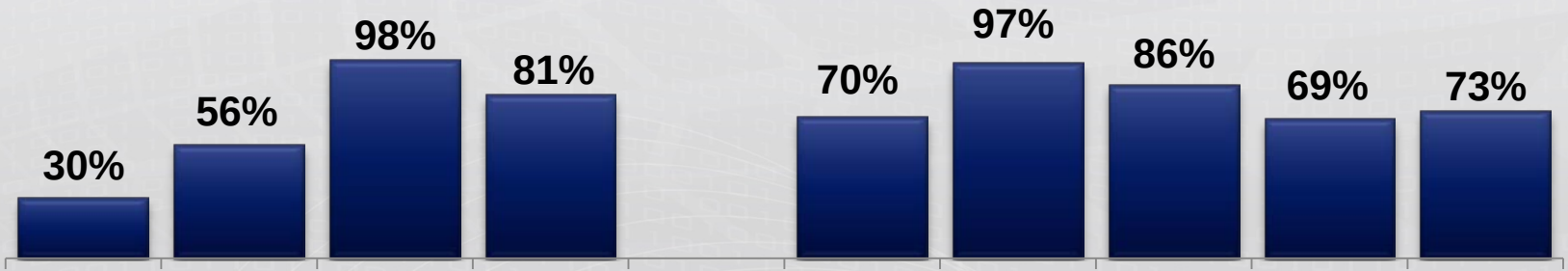


Effective Tax Rate



Total Payout Ratio

Percentage of Capital Generated Returned to Shareholders



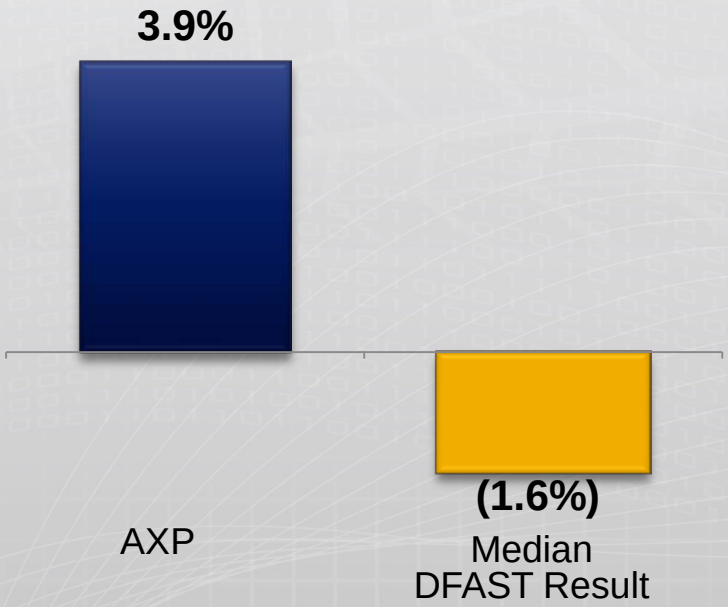
Risk-Based Capital Ratios*	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Tier 1 Common**	12.6%	12.5%	12.8%	12.5%	13.7%
Tier 1 Capital	12.6%	12.5%	12.8%	12.5%	13.7%

*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 Risk-Based Capital Ratios represent a preliminary estimate as of the date of these earnings slides and may be revised in the Company's Form 10-Q for the quarter ended March 31, 2014. **Tier 1 Common is Tier 1 Common under Basel I for the periods ending Q1'13 through Q4'13, and Common Equity Tier 1 under Basel III, inclusive of transition provisions, for the period ending Q1'14. The Tier 1 Common Risk-Based Capital Ratio under Basel I 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.*

2014 CCAR Results - Fed Severely Adverse Scenario

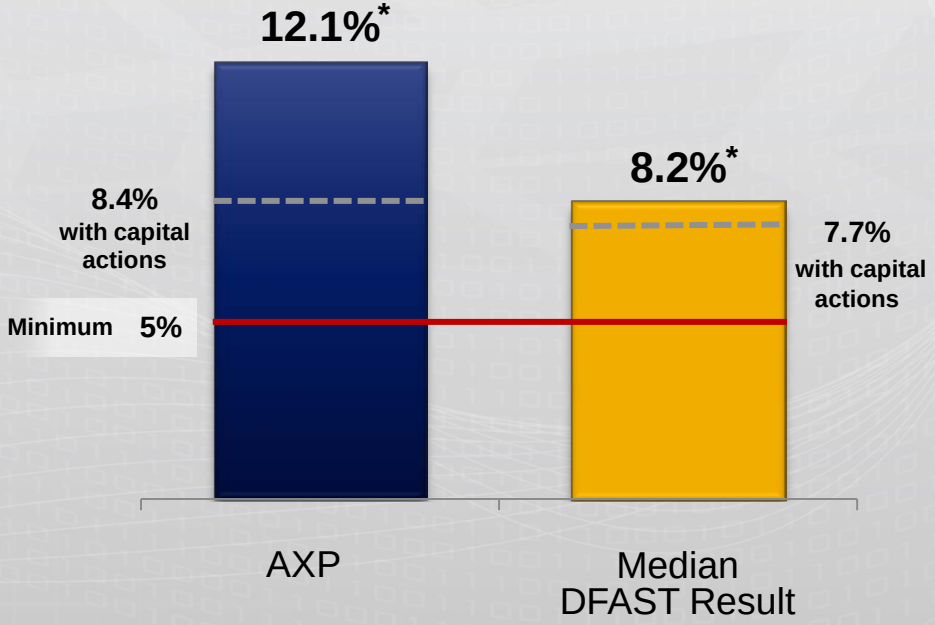
Cumulative Pre-Tax Income

as a % of average assets, Q4'13-Q4'15



Minimum Tier 1 Common Ratio

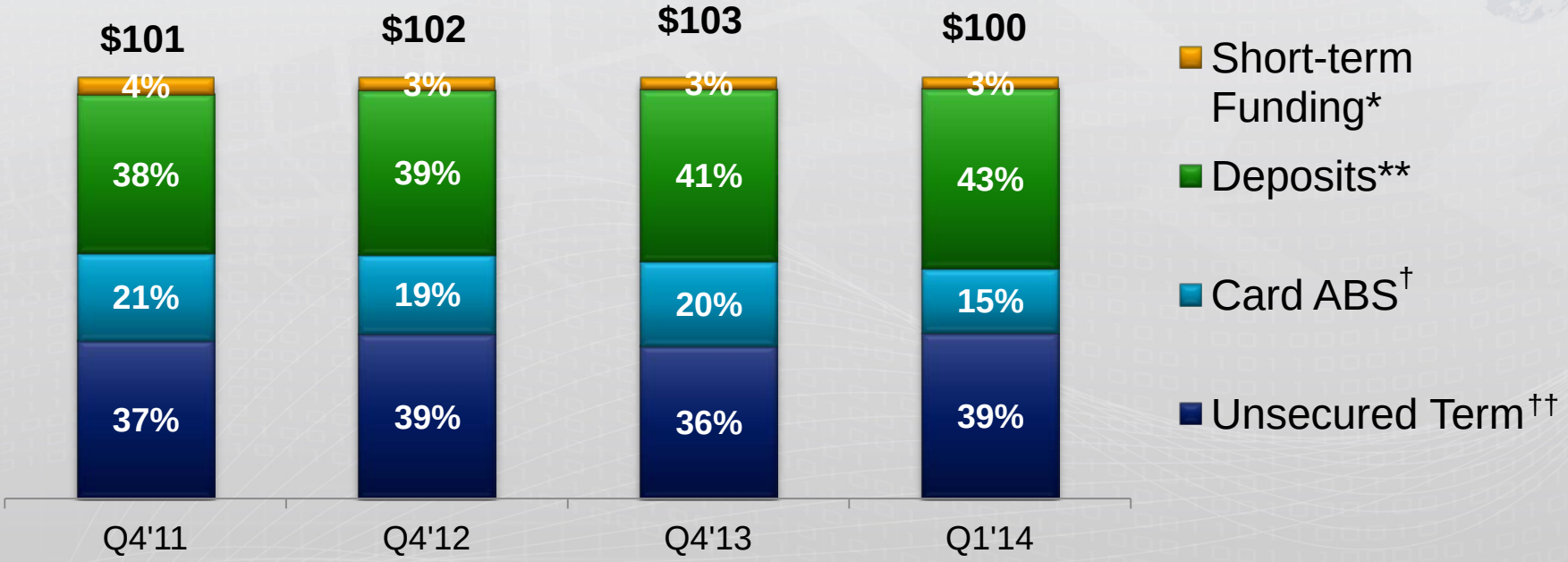
Q4'13-Q4'15



Source: Federal Reserve estimates in the severely adverse scenario, DFAST Supervisory Stress Test Methodology and Results (March 2014). The Federal Reserve's stress test results shown above (other than where planned capital actions are indicated) assume common stock dividend payments continue at the same level as the previous year and repurchases of common stock are zero. The 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 pre-tax net income or capital ratios and are not necessarily indicative of future performance under a severe stress scenario. Actual results could differ materially.

Funding Mix

($ in billions)



*In Q1'12, the Company reclassified certain short-term debt obligations from Other Liabilities. Balances as of 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. Q4'13 and Q1'14 include Card Member credit balances of $0.8B and $0.7B, respectively. †Reflects face amount of Card ABS, net of securities retained by the Company. Includes outstanding ABS secured borrowing facility draws. ††Reflects face amount of unsecured term debt; 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.*


AMERICAN
EXPRESS

Annex 1

Regional Billed Business – Reported & FX Adjusted*

% increase/(decrease) vs. prior year

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
EMEA									
Reported	4%	(4%)	(4%)	5%	2%	7%	10%	9%	11%
FX Adjusted	6%	4%	3%	5%	4%	6%	8%	6%	7%
JAPA									
Reported	22%	10%	8%	11%	6%	8%	4%	6%	7%
FX Adjusted	18%	14%	9%	10%	9%	13%	14%	15%	15%
LACC									
Reported	11%	3%	5%	11%	6%	8%	7%	5%	(1%)
FX Adjusted	14%	12%	11%	11%	9%	10%	12%	11%	10%
Worldwide									
Reported	12%	7%	6%	8%	6%	7%	7%	8%	6%
FX Adjusted	13%	9%	8%	7%	7%	8%	9%	9%	7%

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

Annex 2

➲ *Segment Billed Business – Reported & FX Adjusted**

% increase/(decrease) vs. prior year

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
ICS									
Reported	8%	0%	1%	6%	2%	3%	2%	2%	2%
FX Adjusted	9%	6%	5%	5%	5%	6%	7%	7%	6%
GCS									
Reported	13%	8%	5%	6%	3%	5%	6%	7%	6%
FX Adjusted	14%	11%	7%	6%	4%	5%	7%	8%	7%
GNS									
Reported	17%	7%	6%	12%	9%	14%	12%	12%	10%
FX Adjusted	17%	13%	11%	12%	12%	17%	16%	16%	15%
Worldwide									
Reported	12%	7%	6%	8%	6%	7%	7%	8%	6%
FX Adjusted	13%	9%	8%	7%	7%	8%	9%	9%	7%

*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:***

	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
Total Shareholders' Equity	$19,290	$19,034	$19,216	$19,496	$19,977
Effect of certain items in accumulated other comprehensive loss excluded from Tier 1 common equity	182	280	323	336	216
Less					
Ineligible goodwill and intangible assets	(3,746)	(3,569)	(3,586)	(3,474)	(2,888)
Ineligible deferred tax assets	(211)	(191)	(202)	(192)	(67)
Other Basel III deductions					(14)
Tier 1 Common Equity	**$15,515**	**$15,554**	**$15,751**	**$16,166**	**n/a**
Common Equity Tier 1	**n/a**	**n/a**	**n/a**	**n/a**	**$17,224**

Annex 4

($ in millions)

	2009	2010	2011	2012	2013	Q1'13	Q1'14
GAAP Total Operating Expenses	$9,980	$10,916	$12,243	$13,447	$12,987	$3,226	$3,089
Visa/MasterCard Settlement Payments	880	880	580				
Q4'12 Charges:							
Restructuring Charges*				400			
Adjusted Total Operating Expenses	$10,860	$11,796	$12,823	$13,047	$12,987	$3,226	$3,089
YoY% Increase/Decrease in GAAP Total Operating Expenses		**9%**	**12%**	**10%**	**(3%)**		**(4%)**
YoY% Increase/Decrease in Adjusted Total Operating Expenses		**9%**	**9%**	**2%**	**0%**		**(4%)**

**To the extent comparable categories of charges were recognized in periods other than Q4'12, they have not been excluded.*

Annex 5

WW Net Interest Yield on Card Loans

($ in millions)

	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Net Interest Income	$1,133	$1,121	$1,181	$1,193	$1,243	$1,202	$1,283	$1,319	$1,337
Excludes:									
Interest expense not attributable to the Company's Card Member loan portfolio	$364	$341	$338	$324	$311	$295	$296	$279	$263
Interest income not attributable to the Company's Card Member loan portfolio	($109)	($104)	($97)	($91)	($95)	($88)	($87)	($91)	($88)
Adjusted net interest income (A)	**$1,388**	**$1,358**	**$1,422**	**$1,426**	**$1,459**	**$1,409**	**$1,492**	**$1,507**	**$1,512**
Average loans (billions)	$60.7	$60.6	$61.4	$62.9	$62.8	62.5	$63.0	$64.4	$64.5
Excludes:									
Unamortized deferred card fees, net of direct acquisition costs of Card Member loans (billions)	($0.2)	($0.2)	($0.2)	($0.2)	($0.3)	($0.3)	($0.2)	($0.2)	($0.2)
Adjusted average loans (billions) (B)	**$60.5**	**$60.4**	**$61.2**	**$62.7**	**$62.5**	**$62.2**	**$62.8**	**$64.2**	**$64.3**
Net interest income divided by average loans (C)	7.5%	7.4%	7.7%	7.5%	8.0%	7.7%	8.1%	8.1%	8.4%
Net interest yield on Card Member loans (D)	9.2%	9.0%	9.3%	9.1%	9.5%	9.1%	9.4%	9.3%	9.5%

(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 2014, which will depend in part on 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 Company's ability to achieve the expected benefits of the Company's reengineering plans, the Company's ability to balance expense control and investments in the business, the impact of changes in foreign currency exchange rates on costs and results, the impact of accounting changes and reclassifications, 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 and in such areas as affluent consumers, small businesses, business-to-business payments, merchant coverage, international growth, prepaid and online/mobile commerce, as well as the actual amount of any potential gain arising from the proposed Global Business Travel joint venture transaction 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 operating, infrastructure, advertising, promotion and rewards expenses as business expands or changes, including the changing behavior of Card Members;

- 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 business initiatives including growing the Company's share of overall spending, increasing merchant coverage, enhancing its prepaid offerings, expanding the Global Network Services business and controlling expenses, 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;

Forward Looking Statements

- 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 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 and completion of the transaction, such as regulatory and other approvals, consultation requirements and the execution of ancillary agreements; the ability of the 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 when assets are transferred to the joint venture and costs related to the transaction; the potential loss of key customers, vendors and other business partners; the underlying assumptions related to the transaction proving to be inaccurate or unrealized, such as the ability of the joint venture to build upon GBT's innovations and capabilities, the ability of the joint venture to accelerate the 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; and the joint venture's ability to successfully create additional investment capacity for products, technology and servicing capabilities following consummation of the transaction;

- uncertainty relating to the outcomes and costs associated with the putative merchant class actions, including the success or failure of the settlement agreement, such as objections to the settlement agreement by plaintiffs and other parties and uncertainty and timing related to the approval of the settlement agreement by the Court, which can be impacted by appeals;

- the impact of final laws and regulations, if any, arising from the European Commission's legislative proposals covering a range of issues affecting 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 states;

- the ability of the Company to continue to enhance and expand its prepaid card offerings, including Serve and Bluebird, which will depend in part on the amount the Company invests in such offerings, the ability of the Company to innovate and introduce new features, competition with other providers of consumer products for placement and promotion of products in stores and the degree of interest of customers and distributors in the value proposition offered by such features and products;

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

Forward Looking Statements

- the ability of the Company to maintain and expand its presence in the digital payments space, including online and mobile channels, 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;
- the possibility that the Company will not fully execute on its plans for OptBlue, including increasing small merchant acquisition, which will depend in part on fully rolling out OptBlue in a timely manner, the Company's ability to partner with additional merchant acquirers and the success of OptBlue merchant acquirers in signing merchants to accept American Express, which could be impacted by the pricing set by the merchant acquirers and the value proposition offered to small merchants;
- changes affecting the Company's ability or desire to execute its share repurchase program, including repurchasing up to $3.4 billion of common shares during the last three quarters of 2014 and up to $1.0 billion of common shares in the first quarter of 2015, such as actions by bank regulatory agencies, 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 Company's funding plan for the full year 2014 being implemented in a manner inconsistent with current expectations, which will depend on various factors such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by the Company, regulatory changes, ability to securitize and sell receivables and the performance of receivables previously sold in securitization transactions;
- the potential failure of the U.S. Congress to renew legislation regarding the active financing exception to Subpart F of the Internal Revenue Code, which could increase the Company's effective tax rate and have an adverse impact on net income; 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, 2013 and the Company's other reports filed with the Securities and Exchange Commission.


AMERICAN
EXPRESS
®