

American Express Company

Earnings Conference Call
Q1'16

April 20, 2016

AMERICAN EXPRESS

Q1’16 Summary Financial Performance

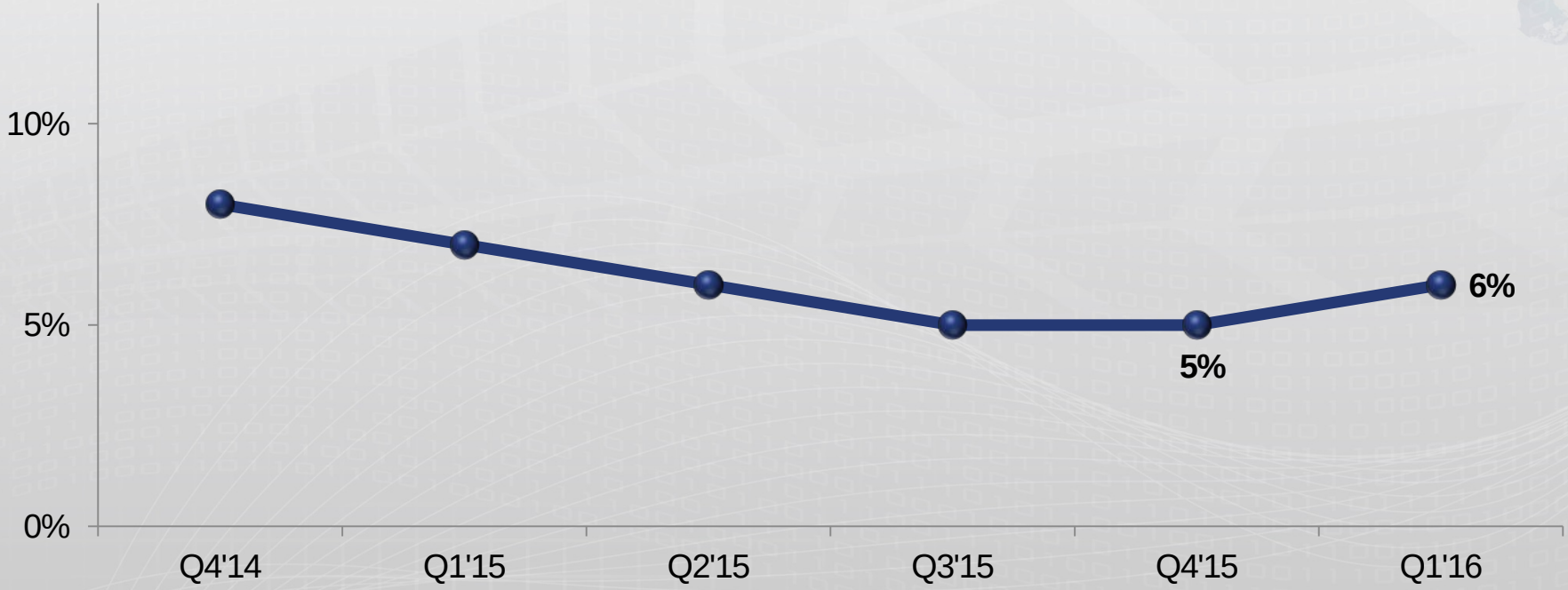
($ in millions; except per share amounts and where otherwise noted)

	Q1’16	Q1’15	% Inc/(Dec)
Billed Business ($ in B)*	$253.8	$ 245.6	3%
*FX-Adjusted***		*$240.3*	*6%*
Total Revenues Net of Interest Expense	$8,088	$ 7,950	2%
*FX-Adjusted***		*$7,788*	*4%*
Net Income	$1,426	$1,525	(6%)
Diluted EPS†	$1.45	$1.48	(2%)
Restructuring Charge (Per Share)	*$0.05*		
Return on Average Equity	24%	29%	

**See slide 3 for an explanation of card Billed Business. **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 Q1’16 foreign exchange rates apply to Q1’15 results). Certain amounts included in the calculations of FX-adjusted revenues and expenses, which constitute non-GAAP measures, are subject to management allocations. †Attributable to common shareholders. Represents net income less earnings allocated to participating share awards, dividends on preferred shares and other items.*

AXP Worldwide FX-Adj Billed Business Growth*

% Increase/(decrease) vs. Prior year:

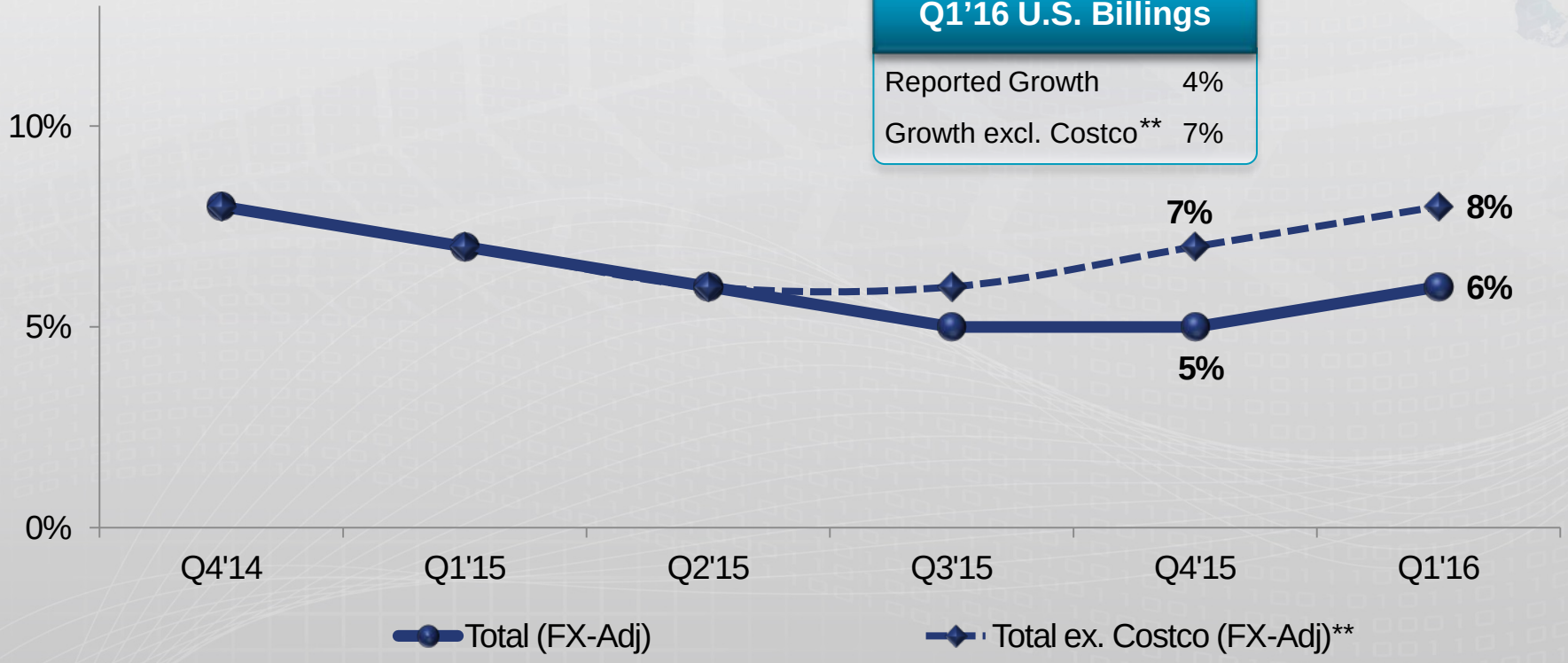


*Note: Card billed business includes activities (including cash advances) related to proprietary cards, cards issued under network partnership agreements (non-proprietary billed business), corporate payments and certain insurance fees charged on proprietary cards. *See Annex 1 for reported billings growth rates.*

AXP Worldwide Adjusted Billed Business Growth*

% Increase/(decrease) vs. Prior year:

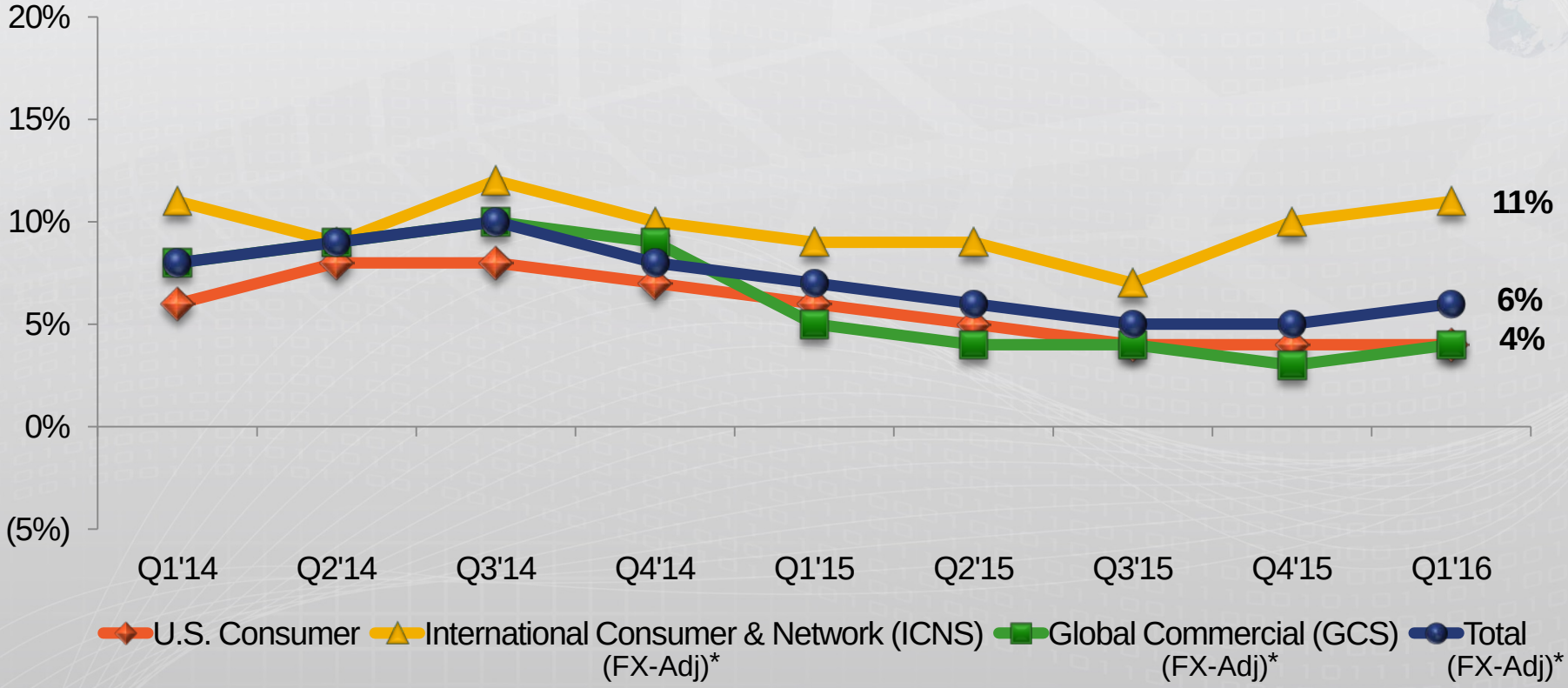
Q1'16 U.S. Billings	
Reported Growth	4%
Growth excl. Costco**	7%



*See Annex 1 for reported billings growth rates. **Excludes Costco cobrand card billed business (in-store and out-of-store) and billed business on other (non-Costco cobrand) American Express cards at Costco in the U.S.

Billed Business Growth by Segment

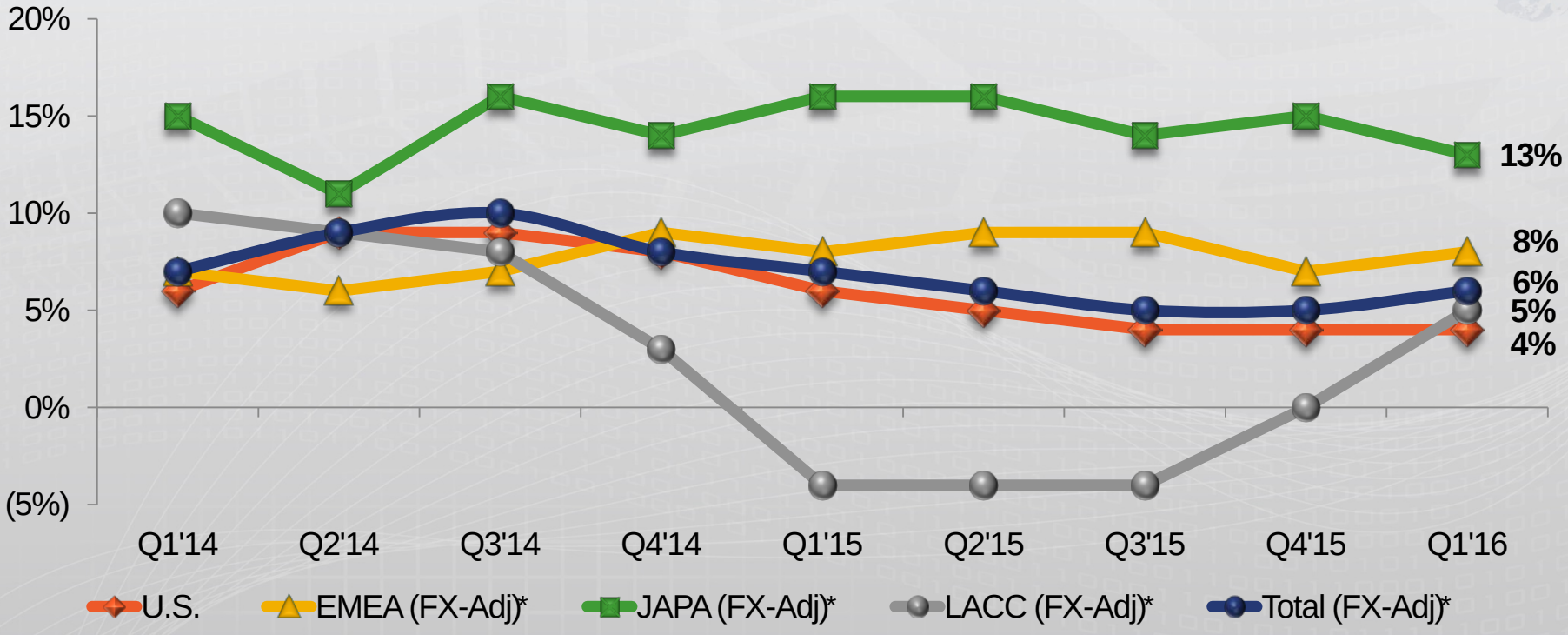
% Increase/(decrease) vs. Prior year:



*See Annex 1 for reported billings growth rates.

Billed Business Growth by Region

FX-Adj % Increase/(decrease) vs. Prior year:



*See Annex 2 for reported billings growth rates.

Total Worldwide Loans

($ in billions)



	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
CM Loans	**$66.8**	**$69.0**	**$68.9**	**$58.6**	**$57.4**
Other Loans	**$1.0**	**$1.0**	**$1.1**	**$1.3**	**$1.2**

*Note: Total Loans reflects Card Member loans held for investment and Other loans. *Adjusted loans excludes for Q1'14-Q3'15 Card Member balances related to cobrand partnerships with Costco in the U.S. and JetBlue, which were moved to Held For Sale as of December 2015 (the Held For Sale portfolios). The related growth rate, which also excludes the impact of foreign exchange rates, is a non-GAAP measure. See Annex 3 for a reconciliation.*

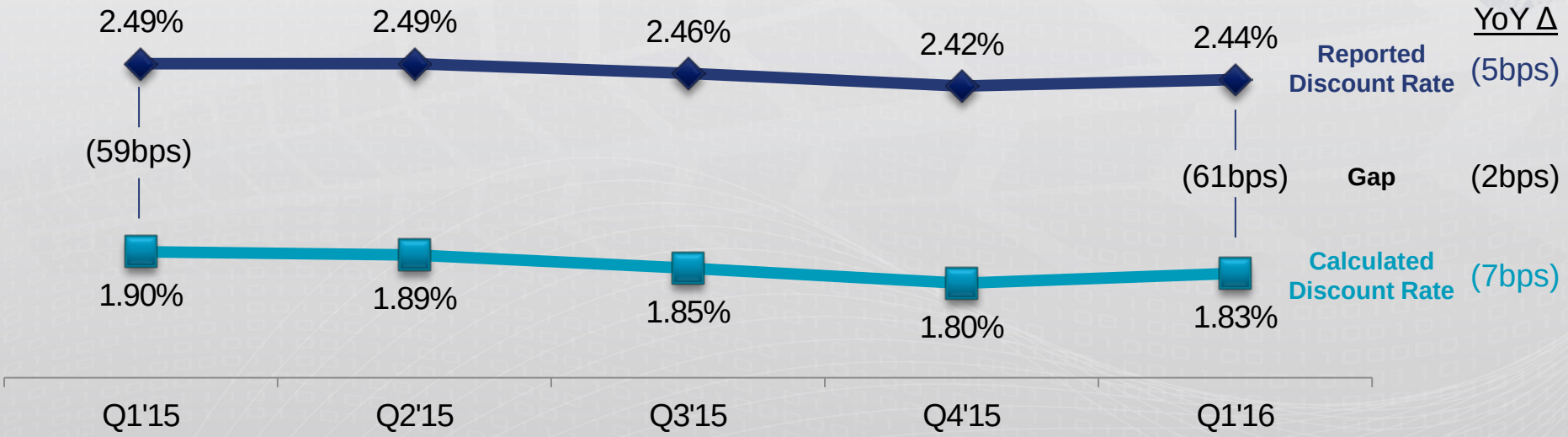
Revenue Performance

($ in millions)

	Q1'16	Q1'15	% Inc/(Dec)
Discount Revenue	$4,643	$4,660	0%
Net Card Fees	699	667	5%
Other Fees & Commissions	680	708	(4%)
Other Revenue	486	468	4%
Net Interest Income	1,580	1,447	9%
Total Revenues Net of Interest Expense	$8,088	$7,950	2%
*FX-Adjusted**		*$7,788*	*4%*

*See Additional Commentary on slide 15 for an explanation of the revenue variances versus last year. *Total Revenues Net of Interest Expense adjusted for FX and the related growth rate are non-GAAP measures. See slide 2 for an explanation of FX-adjusted information.*

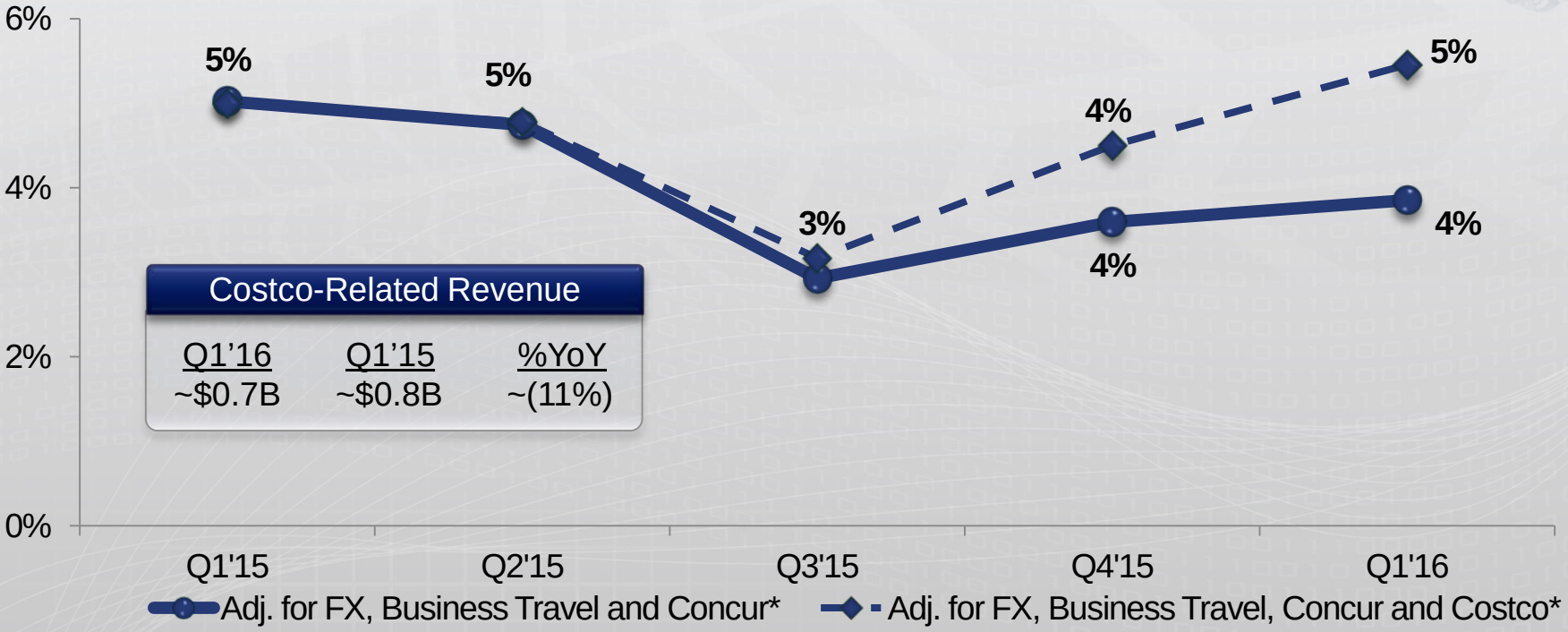
Reported and Calculated Discount Rate



Reported Discount Rate Drivers: (5bps)			
Merchant Negotiations (Europe)	↓	Mix	↓
Merchant Negotiations (ex. Europe)	↓	OptBlue	↓↓

See Additional Commentary on slide 15 for an explanation of the discount rate variance versus last year.

Adjusted Revenue Growth



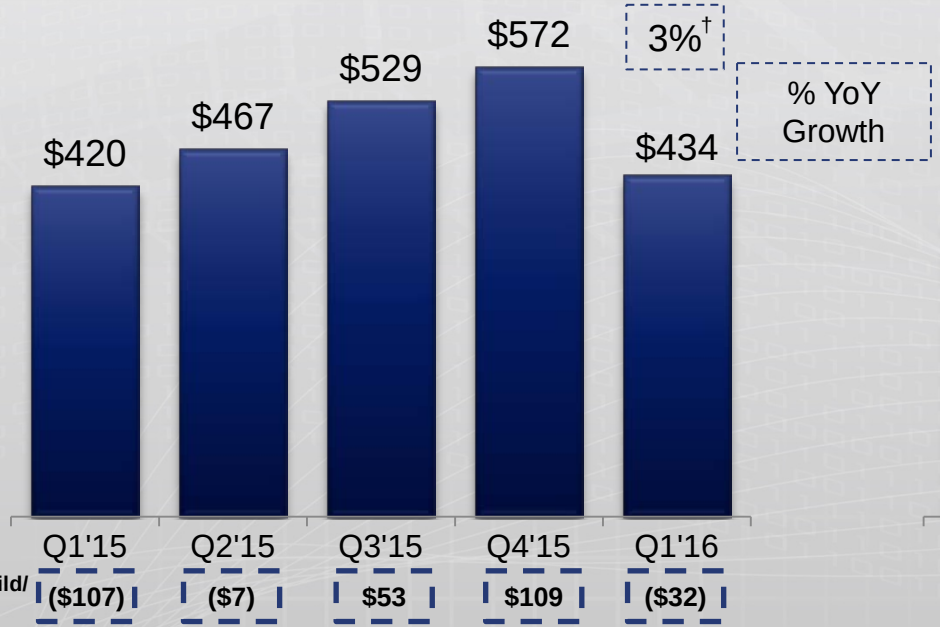
Costco-Related Revenue		
Q1'16	Q1'15	%YoY
~$0.7B	~$0.8B	~(11%)

*See Annex 4 for reconciliation to total Revenue Net of Interest Expense on a GAAP basis. *Total Revenue Net of Interest Expense adjusted for FX and excluding Business Travel revenues from H1'14 and the gain on the Q4'14 sale of the Concur investment and as further adjusted to exclude estimated revenues from Costco in the U.S., Costco U.S. cobrand Card Members and other merchants for out-of-store spend on the Costco cobrand card, and the related growth rates are non-GAAP measures.*

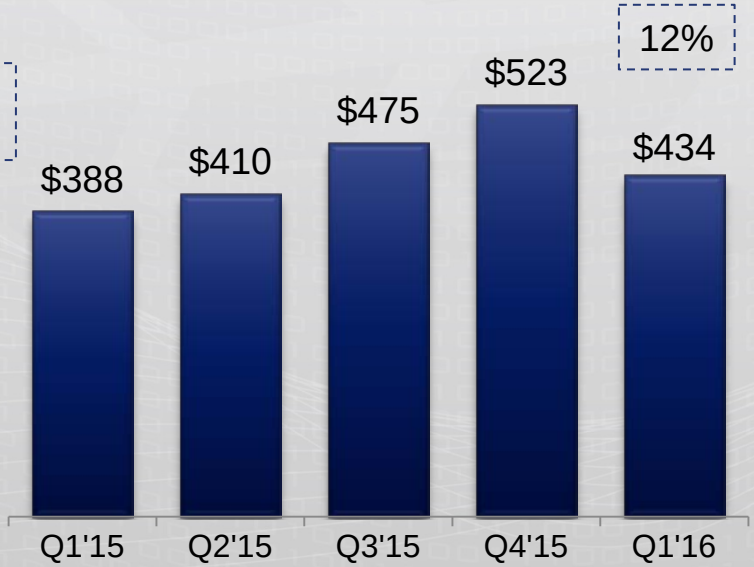
Provisions for Losses

($ in millions)

Total Provision



Adjusted Provision*



*See Additional Commentary on slide 15 for an explanation of the provision variance versus last year. †Total provision on an FX-adjusted basis, a non-GAAP measure, increased 6% in Q1'16. See slide 2 for an explanation of FX-adjusted information. *Adjusted total provision for losses excludes credit costs related to the Held For Sale portfolios, now classified as a valuation allowance adjustment in operating expense, of $32MM in Q1'15, $57MM in Q2'15, $54MM in Q3'15, and $49MM in Q4'15. **Worldwide reserve build/(release) on Card Member charge and lending vs. the prior quarter, excluding reserves of $224MM moved to Held for Sale as of December 2015.*

Expense Performance

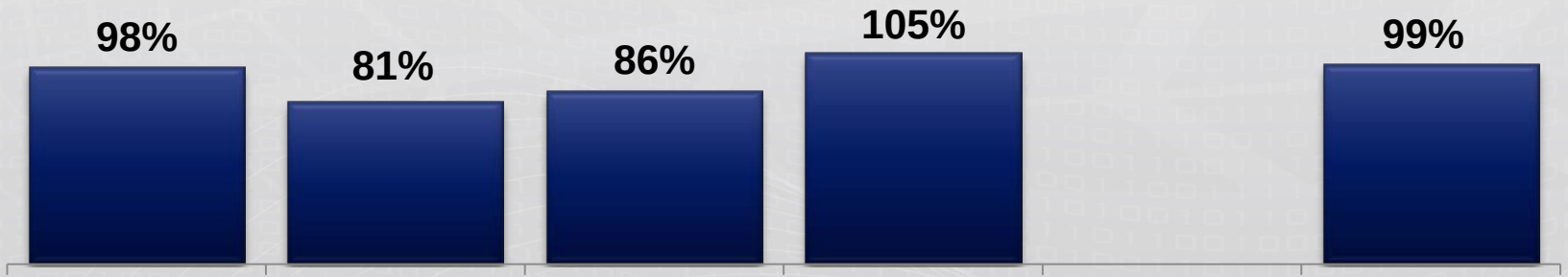
($ in millions)

	Q1'16	Q1'15	% Inc/(Dec)
Marketing and Promotion	$727	$609	19%
Card Member Rewards	1,703	1,640	4%
Card Member Services and Other	282	261	8%
Total Operating Expenses*	2,758	2,704	2%
Total Expenses**	$5,470	$5,214	5%
Tax Rate	34.7%	34.2%	

*See Additional Commentary on slide 16 for an explanation of the expense variances versus last year. * Represents salaries and employee benefits, professional services, occupancy and equipment, communications, and other, net.**Total Operating Expenses and Total Expenses, each on an FX-adjusted basis, which are non-GAAP measures, were up 4% and 7%, respectively, in Q1'16. See slide 2 for an explanation of FX-adjusted information.*

Capital and Payout Ratios

Percentage of Capital Generated Returned to Shareholders



Risk-Based Capital Ratios*	2012	2013	2014	2015	Q1'16
Common Equity Tier One	11.9%	12.5%	13.1%	12.4%	12.6%
Tier 1 Capital	11.9%	12.5%	13.6%	13.5%	13.8%

*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 Risk-Based Capital Ratios for Q1'16 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, 2016. Tier 1 Common is Tier 1 Common under Basel I for the periods ending 2012 and 2013, and Common Equity Tier 1 under Basel III, inclusive of transition provisions, for the periods ending 2014, 2015 and Q1'16. 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 5 for a reconciliation between Tier 1 Common Equity and Total Shareholders' Equity.*



Appendix

Additional Commentary – Variance Analysis

- Discount Revenue: Was flat versus Q1'15 and increased 1% on an FX-adjusted basis*. The FX-adjusted growth was driven by growth in billed business volumes, partially offset by a decrease in the average discount rate and an increase in cash rebate rewards, including new Card Member acquisition offers.
    - The average discount rate of 2.44% in Q1'16 decreased by 5 bps compared to 2.49% in Q1'15. The decrease was driven in part by growth of the OptBlue program, merchant negotiations, changes in mix, and impacts from European regulatory changes.
- Net Card Fees: Increased 5% versus Q1'15, primarily reflecting growth in proprietary cards-in-force.
- Other Fees & Commissions: Decreased 4% versus Q1'15 and was flat on an FX-adjusted basis*. The decrease was driven in part by a decline in foreign currency conversion revenues and lower travel commissions & fees.
- Other Revenues: Increased 4% versus Q1'15 and 10% on an FX-adjusted basis*, partially driven by higher revenues from the Company's prepaid services business.
- Net Interest Income: Increased 9% versus Q1'15, primarily driven by net interest income from Card Member loans, driven by higher average Card Member loan balances, including the Held For Sale (HFS) portfolios.
- Charge Card Provision for Losses: Decreased 3%, driven by lower write-offs, and partially offset by a smaller reserve release versus the prior year.
- Card Member Loan Provision for Losses: Decreased 3% versus Q1'15 due to credit costs related to the HFS portfolios now being reported in Other, Net Expenses in the current year. This was partially offset by higher Card Member loan balances, excluding the HFS loan portfolios in both periods.
- Other Provision for Losses: Increased $27MM from Q1'15, primarily driven by loan growth, as well as higher delinquency rates in merchant financing.

**Discount revenue, Other Fees & Commissions and Other revenues, each on an FX-adjusted basis, are non-GAAP measures. See slide 2 for an explanation of FX-adjusted information.*

Additional Commentary – Variance Analysis

- Marketing and Promotion Expense: Increased 19% versus Q1'15, reflecting a continued elevated level of spending on growth initiatives.
- Card Member Rewards Expense: Increased 4%, primarily driven by higher volumes.
  - The Company's Membership Rewards ultimate redemption rate for program participants was 95% in Q1'16, in-line with Q1'15.
- Card Member Services and Other Expense: Increased 8%, primarily due to growth in proprietary cards-in-force versus the prior year, as well as increased usage of new benefits.
- Salaries and Employee Benefits Expense: Increased 3% versus Q1'15 and 5% on an FX-adjusted basis*, driven by the $84MM restructuring initiative in the quarter.
- Professional Services Expense: Decreased 3%, due to lower merchant acquirer payments related to OptBlue, the company's initiative to expand merchant coverage in the U.S.
- Occupancy and Equipment Expense: Increased 7%, driven primarily by spending on software and technology development.
- Other, Net Expense: Increased 6%, due primarily to the benefit in the prior year from both the reassessment of the functional currency of certain UK legal entities and other FX-related activity, as well as credit costs related to the HFS portfolios, which were reported in credit provision in the prior year. This increase was partially offset by the gain on sale of the JetBlue HFS Card Member loans portfolios, as well as lower fraud expense.

Corporate & Other Net Expense Variance versus Q1'15:

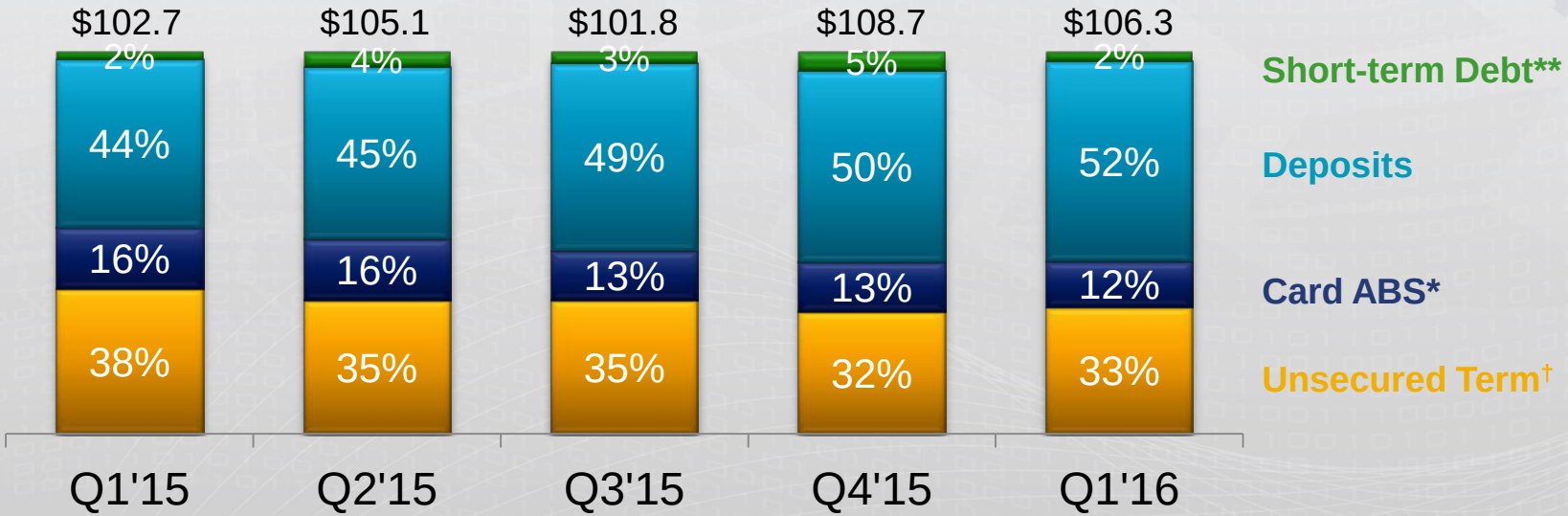
- Higher net expense compared to Q1'15 was driven primarily by the benefit from the reassessment of the functional currency of certain UK legal entities in the prior year, and the restructuring charge in Q1'16, partially offset by higher revenues and lower investments in the Company's prepaid services business.

**Salaries and Benefits Expense on an FX-adjusted basis is a non-GAAP measure. See slide 2 for an explanation of FX-adjusted information.*

Additional Commentary – Funding

- Funding Mix

($ in billions)



6.80% Subordinated Debentures due 2036: As of March 31, 2016, the Company's "tangible common equity," a non-GAAP measure, was $15.5B†† and "total adjusted assets" (which is the same amount as the total consolidated assets as reflected on the Company's balance sheet) were $158.8B.

**Reflects face amount of card ABS, net of securities retained by the Company. Includes outstanding ABS secured borrowing facility draws. **Short-term Debt includes commercial paper and other short-term borrowings. †Principal only. Excludes capitalized leases and certain adjustments classified as long-term debt on the Company's consolidated balance sheet. ††As defined in the Subordinated Debentures, the Company's "tangible common equity" means total shareholders' equity, excluding preferred stock, of the Company reflected on its consolidated balance sheet prepared in accordance with GAAP as of such fiscal quarter end minus (i) intangible assets and goodwill and (ii) deferred acquisition costs, as determined in accordance with GAAP and reflected in such consolidated balance sheet.*

Annex 1

Segment Billed Business – Reported & FX-Adjusted*

% Increase/(decrease) vs. prior year

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
ICNS									
Reported	6%	9%	10%	2%	(1%)	(3%)	(7%)	(1%)	3%
FX-Adjusted	11%	9%	12%	10%	9%	9%	7%	10%	11%
GCS									
Reported	7%	9%	10%	7%	2%	1%	1%	1%	3%
FX-Adjusted	8%	9%	10%	9%	5%	4%	4%	3%	4%
Worldwide									
Reported	6%	9%	9%	6%	3%	2%	0%	2%	3%
FX-Adjusted	8%	9%	10%	8%	7%	6%	5%	5%	6%
Worldwide Excl. Costco**									
Reported				5%	3%	2%	1%	3%	5%
FX-Adjusted				8%	7%	6%	6%	7%	8%

**See slide 2 for an explanation of FX-adjusted information. **Excludes Costco cobrand billed business (in-store and out-of-store) and billed business on other (non-Costco cobrand) American Express Cards at Costco in the U.S.*

Annex 2

Regional Billed Business – Reported & FX-Adjusted*

% Increase/(decrease) vs. prior year

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
EMEA									
Reported	11%	12%	7%	1%	(9%)	(9%)	(5%)	(4%)	3%
FX-Adjusted	7%	6%	7%	9%	6%	7%	7%	5%	8%
JAPA									
Reported	7%	10%	16%	7%	6%	4%	(2%)	5%	8%
FX-Adjusted	15%	11%	16%	14%	16%	16%	13%	14%	13%
LACC									
Reported	(1%)	2%	1%	(7%)	(14%)	(18%)	(24%)	(19%)	(14%)
FX-Adjusted	10%	9%	8%	3%	(7%)	(8%)	(7%)	(1%)	5%
Worldwide									
Reported	6%	9%	9%	6%	3%	2%	0%	2%	3%
FX-Adjusted	7%	9%	10%	8%	7%	6%	5%	5%	6%

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

Annex 3

Adjusted Loan Growth

($ in billions)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Total Loans Held for Investment	$64.7	$67.1	$66.9	$71.3	$67.8	$70.0	$70.0	$59.8	$58.6
Loans Held for Investment related to Costco in the U.S. and JetBlue	$13.5	$14.3	$14.2	$15.8	$14.6	$15.0	$14.5		
Total Loans excl. Loans Held for Investment related to Costco in the U.S. and JetBlue*	$51.2	$52.8	$52.7	$55.5	$53.2	$55.0	$55.5	$59.8	$58.6
FX-Adj Total Loans excl. Loans Held for Investment related to Costco in the U.S. and JetBlue**	$50.2	$51.7	$51.6	$54.6	$52.7				
YoY Total Loans Growth on a GAAP basis					**5%**	**4%**	**5%**	**(16%)**	**(14%)**
YoY FX Adj Loans Growth, excl. Loans Held for Investment related to Costco in the U.S. and JetBlue**					**6%**	**6%**	**8%**	**10%**	**11%**

**Note: Costco and JetBlue loans reclassified as Held For Sale as of December 2015. **See slide 2 for an explanation of FX-adjusted information.*

Annex 4

➲ *Revenue Net of Interest Adjusted for FX, Global Business Travel, Concur and Costco*

($ in millions)

	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
GAAP Revenue Net of Interest	**$8.2**	**$8.6**	**$8.3**	**$9.1**	**$8.0**	**$8.3**	**$8.2**	**$8.4**	**$8.1**
Global Business Travel Revenue Net of Interest*	($0.3)	($0.4)							
Gain on Sale of Concur Investment				($0.7)					
Revenue Net of Interest Excluding GBT and Concur	$7.8	$8.2	$8.3	$8.4	$8.0	$8.3	$8.2	$8.4	$8.1
Est. Costco-Related Revenue**	(~$0.7)	(~$0.8)	(~$0.8)	(~$0.8)	(~$0.8)	(~$0.8)	(~$0.8)	(~$0.8)	(~$0.7)
Revenue Net of Interest Excluding GBT, Concur and Costco	$7.1	$7.5	$7.5	$7.6	$7.2	$7.5	$7.4	$7.6	$7.4
FX- Adjusted Revenue Net of Interest Excl. GBT and Concur	$7.6	$7.9	$8.0	$8.1	$7.8				
FX-Adjusted Revenue Net of Interest Excl. GBT, Concur and Costco	6.9	$7.1	$7.2	$7.3	$7.0				
YoY% Inc/(Dec) in GAAP Revenue Net of Interest					**(3%)**	**(4%)**	**(1%)**	**(8%)**	**2%**
YoY% Inc/(Dec) in Adjusted Revenue Net of Interest Excl. GBT and Concur					**1%**	**1%**	**(1%)**	**0%**	**2%**
YoY% Inc/(Dec) in Adjusted Revenue Net of Interest Excl. GBT, Concur and Costco					**1%**	**0%**	**(2%)**	**1%**	**3%**
YoY% Inc/(Dec) in FX- Adjusted Revenue Net of Interest Excl. GBT and Concur* **					**5%**	**5%**	**3%**	**4%**	**4%**
YoY% Inc/(Dec) in FX- Adjusted Revenue Net of Interest Excl. GBT, Concur and Costco* **					**5%**	**5%**	**3%**	**4%**	**5%**

*Note: In Q1'15, the Company reclassified amounts related to certain payments to co-brand partners reducing both marketing and promotion expense and discount revenue. Prior periods have been revised to conform to the current period presentation. * Represents operating performance of Global Business Travel as reported in H1'14. Does not include other Global Business Travel-related items, including equity earnings from the joint venture and impacts related to a transition services agreement that will phase out over time. **Represents Other Revenue and Net Interest Income from Costco cobrand Card Members, Discount Revenue from Costco and other merchants for out-of-store spend on Costco cobrand cards. ***See Slide 2 for an explanation of FX-adjusted information.*

Annex 5

- ***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:***

	12/31/2011	12/31/2012	12/31/2013
Total Shareholders' Equity	$18,794	$18,886	$19,496
Effect of certain items in accumulated other comprehensive loss excluded from Tier 1 common equity	$194	$173	$336
Less			
Ineligible goodwill and intangible assets	($4,051)	($3,921)	($3,474)
Ineligible deferred tax assets	($58)	($228)	($192)
Other Basel III deductions			
Tier 1 Common Equity	**$14,879**	**$14,910**	**$16,166**

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 and which include management's outlook for 2016-2017, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "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 Company's ability to achieve its earnings per common share outlook for 2016 and 2017, as well as the Company's earnings expectations for the second quarter and second half of 2016, which will depend in part on the following: an acceleration of billed business and revenue growth above the level generated in 2015, which could be impacted by, among other things, weakening economic conditions in the United States or internationally, a decline in consumer confidence impacting the willingness and ability of Card Members to sustain spending, a further decline in airfare and gas prices, a further strengthening of the U.S. dollar, a greater erosion of the average discount rate than expected, a greater impact on discount revenue from cash back, GNS volumes and cobrand partner and client incentive payments, continued cautious spending by large and global corporate Card Members and lower spending on new cards acquired than estimated; the Company's success in addressing competitive pressures and implementing its strategies and business initiatives, including growing profitable spending from new and existing Card Members, increasing penetration among middle market and small business clients, expanding its international footprint, growing loyalty coalitions and increasing merchant acceptance; the timing and impact of the expected sale of the Costco U.S. Card Member loan portfolio; realizing incremental economics associated with the Costco U.S. contract extension, which could be impacted by, among other things, Card Member behavior, including the desire of Costco U.S. Card Members to continue to use their Costco U.S. cobrand cards and the availability to those Card Members of other payment forms; the impact of any potential restructuring charges or other contingencies, including, but not limited to, litigation-related expenses, impairments, the imposition of fines or civil money penalties, an increase in Card Member reimbursements and changes in reserves; credit performance remaining in line with current expectations; continued growth of Card Member loans held for investment; the ability to continue to realize benefits from restructuring actions and operating leverage at levels consistent with current expectations; the amount the Company spends on growth initiatives; changes in interest rates beyond current expectations; the impact of regulation and litigation, which could affect the profitability of the Company's business activities, limit the Company's ability to pursue business opportunities, require changes to business practices or alter the Company's relationships with partners, merchants and Card Members; the Company's tax rate being in the 34-35% range, which could be impacted by, among other things, the Company's geographic mix of income being weighted more to higher tax jurisdictions than expected and unfavorable tax audits and other unanticipated tax items; the impact of accounting changes and reclassifications; and the Company's ability to continue executing its share repurchase program;

Forward Looking Statements

- the actual amount to be spent on growth initiatives, as well as the timing of any such spending, which will be based in part on management's assessment of competitive opportunities, overall business performance, the amount of any potential gain arising from a sale of the Costco U.S. Card Member loan portfolio management decides to invest in the business, contractual obligations with business partners and other fixed costs relative to revenue levels, management's ability to identify attractive investment opportunities and make such investments, which could be impacted by business, regulatory or legal complexities and the Company's performance, and the Company's ability to realize efficiencies, optimize investment spending and control expenses to fund such spending;

- the ability of the Company to reduce its overall cost base by $1 billion by the end of 2017 and to realize the full benefit of the Company's actions by the beginning of 2018, which will depend in part on the timing and financial impact of future reengineering plans (including whether the Company will recognize restructuring charges in future periods and the expected size of any such charges), which could be impacted by factors such as the Company's inability to mitigate the operational and other risks posed by potential 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; the ability of the Company to identify synergies and redundancies within its organizational structure, as well as reduce management layers; the ability of the Company to reduce annual operating expenses, which could be impacted by, among other things, the factors identified below; and the ability of the Company to optimize and lower marketing and promotion expenses, which could be impacted by higher advertising and mailing costs, competitive pressures that may require additional expenditures or limit the Company's ability to reduce costs, the availability of opportunities to invest at a higher level due to favorable business results and changes in macroeconomic conditions;

- the ability to reduce annual operating expenses, which could be impacted by increases in significant categories of operating expenses, such as consulting or professional fees, including as a result of increased litigation, compliance or regulatory-related costs, technology costs or fraud costs; the ability of the Company to develop, implement and achieve substantial benefits from reengineering plans; higher than expected employee levels; the impact of changes in foreign currency exchange rates on costs; the payment of civil money penalties, disgorgement, restitution, non-income tax assessments and litigation-related settlements; impairments of goodwill or other assets; management's decision to increase or decrease spending in such areas as technology, business and product development and sales forces depending on overall business performance; greater than expected inflation or merit increases; the Company's ability to balance expense control and investments in the business; the impact of accounting changes and reclassifications; and the level of M&A activity and related expenses;

Forward Looking Statements

- the Company's lending write-off rates changing differently than current expectations and provision expense being higher or lower than current expectations, which will depend in part on changes in the level of loan balances, delinquency rates of Card Members, loans related to new Card Members performing as expected, unemployment rates, the volume of bankruptcies and recoveries of previously written-off loans;

- the Company's ability to execute against its lending strategy to grow Card Member loans held for investment without change the overall risk profile of the Company as well as non-card loans, which may be affected by increasing competition, brand perceptions and reputation, the Company's ability to manage risk in a growing Card Member loan portfolio, and the behavior of Card Members and their actual spending and borrowing patterns, which in turn may be driven by 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 borrowings;

- uncertainties associated with the timing and impact of the expected sale of the Costco U.S. Card Member loan portfolio, such as operational issues related to the transfer of Card Member loans and accounts, the parties' ability to satisfy the closing conditions and the amount of any gain recognized by the Company as a result of a sale, which could be impacted by the credit quality and performance of the portfolio, the amount of any volume decline experienced by the cobrand portfolio and the timing of the potential sale as the gain will be determined by the amount of the aggregate outstanding loans transferred at closing;

- the possibility that the Company will not execute on its plans to significantly increase merchant coverage, which will depend in part on 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, the value proposition offered to small merchants and the efforts of OptBlue merchant acquirers to sign merchants to accept American Express, as well as the willingness of Card Members to use American Express cards at small merchants and of those merchants to accept American Express cards;

- the erosion of the average discount rate by a greater amount than anticipated during 2016, including as a result of changes in the mix of spending by location and industry, merchant incentives and concessions, volume-related pricing discounts, strategic investments, certain pricing initiatives, competition, pricing regulation (including regulation of competitors' interchange rates in the EU and elsewhere) and other factors;

- uncertainty relating to the ultimate outcome of the antitrust lawsuit filed against the Company by the U.S. Department of Justice and certain state attorneys general, including the success or failure of our appeal and the impact on existing private merchant cases and potentially additional litigation and/or arbitrations;

Forward Looking Statements

- changes affecting the ability or desire of the Company to return capital to shareholders through dividends and share repurchases, including the opportunity for incremental capital returns related to the Costco U.S. portfolio sale, 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 and the Company's results of operations and capital needs in any given period; 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, foreign currency rates, fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, health pandemics, 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, 2015 and the Company's other reports filed with the Securities and Exchange Commission.


AMERICAN
EXPRESS
®