

# Section 1: 10-Q (FORM 10-Q OF AMERICAN EXPRESS COMPANY)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_ to \_\_\_\_

Commission file number 1-7657

### **AMERICAN EXPRESS COMPANY**

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-4922250

(I.R.S. Employer Identification No.)

200 Vesey Street, New York, New York

(Address of principal executive offices)

10285

(Zip Code)

Registrant's telephone number, including area code (212) 640-2000

None

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

**Large accelerated filer**  
**Non-accelerated filer**

**Accelerated filer**  
**Smaller reporting company**  
**Emerging growth company**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Common Shares (par value \$0.20 per share)

Outstanding at April 15, 2019

835,080,540 Shares

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**FORM 10-Q**  
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Throughout this report the terms “American Express,” “we,” “our” or “us,” refer to American Express Company and its subsidiaries on a consolidated basis, unless stated or the context implies otherwise. Refer to the “MD&A— Glossary of Selected Terminology” for the definitions of other key terms used in this report.

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

<u>Three Months Ended March 31 (Millions, except per share amounts)</u>	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Non-interest revenues		
Discount revenue	\$ 6,195	\$ 5,889
Net card fees	944	830
Other fees and commissions	803	781
Other	363	377
Total non-interest revenues	8,305	7,877
Interest income		
Interest on loans	2,725	2,326
Interest and dividends on investment securities	33	21
Deposits with banks and other	196	115
Total interest income	2,954	2,462
Interest expense		
Deposits	399	270
Long-term debt and other	496	351
Total interest expense	895	621
Net interest income	2,059	1,841
Total revenues net of interest expense	10,364	9,718
Provisions for losses		
Charge card	253	242
Card Member loans	525	499
Other	31	34
Total provisions for losses	809	775
Total revenues net of interest expense after provisions for losses	9,555	8,943
<b>Expenses</b>		
Marketing and business development	1,573	1,345
Card Member rewards	2,451	2,347
Card Member services	550	409
Salaries and employee benefits	1,422	1,326
Other, net	1,601	1,434
Total expenses	7,597	6,861
Pretax income	1,958	2,082
Income tax provision	408	448
Net income	\$ 1,550	\$ 1,634
<b>Earnings per Common Share (Note 15):<sup>(a)</sup></b>		
Basic	\$ 1.81	\$ 1.86
Diluted	\$ 1.80	\$ 1.86
Average common shares outstanding for earnings per common share:		
Basic	841	859
Diluted	843	861

(a) Represents net income less (i) earnings allocated to participating share awards of \$11 million and \$13 million for the three months ended March 31, 2019 and 2018, respectively, and (ii) dividends on preferred shares of \$21 million for both the three months ended March 31, 2019 and 2018.

See Notes to Consolidated Financial Statements.

**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

<u>Three Months Ended March 31 (Millions)</u>	<u>2019</u>	<u>2018</u>
Net income	<b>\$ 1,550</b>	\$ 1,634
Other comprehensive (loss) income:		
Net unrealized securities gains (losses), net of tax	<b>17</b>	(11)
Foreign currency translation adjustments, net of tax	<b>8</b>	30
Net unrealized pension and other postretirement benefits, net of tax	<b>(27)</b>	28
Other comprehensive (loss) income	<b>(2)</b>	47
Comprehensive income	<b>\$ 1,548</b>	\$ 1,681

See Notes to Consolidated Financial Statements.

**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(Millions, except share data)</i>	<b>March 31, 2019</b>	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents		
Cash and due from banks	\$ 4,026	\$ 3,253
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2019, \$308; 2018, \$64)	29,110	24,026
Short-term investment securities	41	166
Total cash and cash equivalents	33,177	27,445
Accounts receivable		
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2019, \$7,758; 2018, \$8,539), less reserves: 2019, \$608; 2018, \$573	56,227	55,320
Other receivables, less reserves: 2019, \$25; 2018, \$25	3,128	2,907
Loans		
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2019, \$31,495; 2018, \$33,194), less reserves: 2019, \$2,121; 2018, \$2,134	78,874	79,720
Other loans, less reserves: 2019, \$129; 2018, \$124	3,965	3,676
Investment securities	6,457	4,647
Premises and equipment, less accumulated depreciation and amortization: 2019, \$6,315; 2018, \$6,015	4,479	4,416
Other assets (includes restricted cash of consolidated variable interest entities: 2019, \$84; 2018, \$70)	10,886	10,471
<b>Total assets</b>	<b>\$ 197,193</b>	<b>\$ 188,602</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
Customer deposits	\$ 72,857	\$ 69,960
Travelers Cheques and other prepaid products	2,223	2,295
Accounts payable	16,162	12,255
Short-term borrowings	2,028	3,100
Long-term debt (includes debt issued by consolidated variable interest entities: 2019, \$19,538; 2018, \$19,509)	58,418	58,423
Other liabilities	23,287	20,279
<b>Total liabilities</b>	<b>\$ 174,975</b>	<b>\$ 166,312</b>
<b>Contingencies (Note 8)</b>		
<b>Shareholders' Equity</b>		
Preferred shares, \$1.66 <sup>2/3</sup> par value, authorized 20 million shares; issued and outstanding 1,600 shares as of March 31, 2019 and December 31, 2018	—	—
Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 837 million shares as of March 31, 2019 and 847 million shares as of December 31, 2018	168	170
Additional paid-in capital	11,963	12,218
Retained earnings	12,686	12,499
Accumulated other comprehensive loss		
Net unrealized debt securities gains (losses), net of tax of: 2019, \$3; 2018, \$(1)	9	(8)
Foreign currency translation adjustments, net of tax of: 2019, \$(336); 2018, \$(300)	(2,125)	(2,133)
Net unrealized pension and other postretirement benefits, net of tax of: 2019, \$(181); 2018, \$(170)	(483)	(456)
Total accumulated other comprehensive loss	(2,599)	(2,597)
<b>Total shareholders' equity</b>	<b>22,218</b>	<b>22,290</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 197,193</b>	<b>\$ 188,602</b>

See Notes to Consolidated Financial Statements.

**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

Three Months Ended March 31 ( <i>Millions</i> )	2019	2018
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 1,550	\$ 1,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for losses	809	775
Depreciation and amortization	297	348
Deferred taxes and other	137	(254)
Stock-based compensation	85	84
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Other receivables	(196)	122
Other assets	(161)	(85)
Accounts payable and other liabilities	6,100	(431)
Travelers Cheques and other prepaid products	(74)	(130)
Net cash provided by operating activities	8,547	2,063
<b>Cash Flows from Investing Activities</b>		
Maturities and redemptions of investment securities	2,227	886
Purchases of investments	(4,060)	(1,215)
Net (increase) decrease in Card Member loans and receivables, and other loans <sup>(a)</sup>	(656)	348
Purchase of premises and equipment, net of sales: 2019, \$33; 2018, nil	(348)	(237)
Acquisitions/dispositions, net of cash acquired	(20)	(475)
Other investing activities, net	148	—
Net cash used in investing activities	(2,709)	(693)
<b>Cash Flows from Financing Activities</b>		
Net increase in customer deposits	2,892	2,206
Net decrease in short-term borrowings	(1,099)	(1,489)
Proceeds from long-term borrowings	3,633	3,984
Payments of long-term borrowings	(3,821)	(7,203)
Issuance of American Express common shares	19	11
Repurchase of American Express common shares and other	(1,352)	(134)
Dividends paid	(355)	(324)
Net cash used in financing activities	(83)	(2,949)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	68	(178)
Net increase (decrease) in cash, cash equivalents and restricted cash	5,823	(1,757)
Cash, cash equivalents and restricted cash at beginning of period	27,808	33,263
Cash, cash equivalents and restricted cash at end of period	\$ 33,631	\$ 31,506

(a) Refer to Note 2 for additional information.

**Supplemental cash flow information**

<b>Cash, cash equivalents and restricted cash reconciliation</b>	Mar-19	Dec-18	Mar-18	Dec-17
Cash and cash equivalents per Consolidated Balance Sheets	\$ 33,177	\$ 27,445	\$ 31,092	\$ 32,927
Restricted cash included in Other assets per Consolidated Balance Sheets	454	363	414	336
Total cash, cash equivalents and restricted cash	\$ 33,631	\$ 27,808	\$ 31,506	\$ 33,263

See Notes to Consolidated Financial Statements.

**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Unaudited)

<i>Three months ended March 31, 2019</i> <i>(Millions, except per share amounts)</i>	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
<b>Balances as of December 31, 2018</b>	\$ 22,290	\$ —	\$ 170	\$ 12,218	\$ (2,597)	\$ 12,499
Net income	1,550	—	—	—	—	1,550
Other comprehensive loss	(2)	—	—	—	(2)	—
Repurchase of common shares	(1,245)	—	(3)	(267)	—	(975)
Other changes, primarily employee plans	(27)	—	1	12	—	(40)
Cash dividends declared preferred Series C, \$24.50 per share	(21)	—	—	—	—	(21)
Cash dividends declared common, \$0.39 per share	(327)	—	—	—	—	(327)
<b>Balances as of March 31, 2019</b>	<b>\$22,218</b>	<b>\$ —</b>	<b>\$ 168</b>	<b>\$ 11,963</b>	<b>\$ (2,599)</b>	<b>\$ 12,686</b>

<i>Three months ended March 31, 2018</i> <i>(Millions, except per share amounts)</i>	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
<b>Balances as of December 31, 2017</b>	\$18,261	\$ —	\$ 172	\$ 12,210	\$ (2,428)	\$ 8,307
Net income	1,634	—	—	—	—	1,634
Other comprehensive income	47	—	—	—	47	—
Repurchase of common shares	—	—	—	—	—	—
Other changes, primarily employee plans	(7)	—	—	15	—	(22)
Cash dividends declared preferred Series C, \$24.50 per share	(21)	—	—	—	—	(21)
Cash dividends declared common, \$0.35 per share	(301)	—	—	—	—	(301)
<b>Balances as of March 31, 2018</b>	<b>\$19,613</b>	<b>\$ —</b>	<b>\$ 172</b>	<b>\$ 12,225</b>	<b>\$ (2,381)</b>	<b>\$ 9,597</b>

See Notes to Consolidated Financial Statements.



**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

## 1. Basis of Presentation

### The Company

We are a globally integrated payments company that provides customers with access to products, insights and experiences that enrich lives and build business success. Our principal products and services are charge and credit card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel (the GBT JV). Our various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including mobile and online applications, direct mail, in-house sales teams, third-party vendors and direct response advertising.

The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 (the 2018 Form 10-K). If not materially different, certain note disclosures included therein have been omitted from these Consolidated Financial Statements.

The interim consolidated financial information in this report has not been audited. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim period consolidated financial information, have been made. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. These accounting estimates reflect the best judgment of management, but actual results could differ.

Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

### Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued new accounting guidance for the recognition of credit losses on financial instruments, effective January 1, 2020. The guidance introduces a new credit reserving model known as the Current Expected Credit Loss (CECL) model, which is based on expected losses, and differs significantly from the incurred loss approach used today. The CECL model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. In addition, for available-for-sale debt securities, the new guidance replaces the other-than-temporary impairment model, and requires the recognition of an allowance for reductions in a security's fair value attributable to declines in credit quality, instead of a direct write-down of the security, when a valuation decline is determined to be other-than-temporary. The guidance also requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. We continue to evaluate the impact the new guidance will have on our financial position, results of operations and regulatory risk-based capital. The CECL model will alter the assumptions used in estimating credit losses on Card Member loans and receivables, and we may have material changes to our credit reserves as the new guidance involves earlier recognition of expected losses for the life of the assets. However, the extent of the impact will depend on the characteristics of our loan portfolio, macroeconomic conditions and forecasted information at the date of adoption. We continue to drive our cross-functional implementation efforts and have substantially completed development of CECL models. Continuing through 2019, we are validating and analyzing model output during CECL parallel runs, and developing the business processes, policies and controls that satisfy the requirements of the new standard.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Recently Adopted Accounting Standards**

In February 2016, the FASB issued new accounting guidance on leases. The accounting standard, effective January 1, 2019, requires virtually all leases to be recognized on the Consolidated Balance Sheets. Effective January 1, 2019, we adopted the standard using the modified retrospective method, under which we elected the package of practical expedients and transition provisions allowing us to bring our existing operating leases onto the Consolidated Balance Sheet without adjusting comparative periods. Under the guidance we have also elected not to separate lease and non-lease components in recognition of the lease-related assets and liabilities, as well as the related lease expense.

We have operating leases for facilities and equipment, which are recorded as assets and liabilities for those leases with terms greater than 12 months. Lease-related assets, or right-of-use assets, are recognized at the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs, and lease incentives received. Lease-related liabilities are recognized at the present value of the remaining contractual fixed lease payments, discounted using our incremental borrowing rate. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

Upon adoption of the standard, we recorded approximately \$700 million of right of use assets and lease-related liabilities, included in Other assets and Other liabilities, respectively. In conjunction with the adoption, we upgraded our lease administration software and updated our business processes and internal controls in support of the new guidance.

In February 2018, as a result of the enactment of the Tax Cuts and Jobs Act (the Tax Act), the FASB issued new accounting guidance on the reclassification of certain tax effects from accumulated other comprehensive income (AOCI) to retained earnings. We adopted the new guidance effective January 1, 2019 and did not elect the optional reclassification.

## **2. Business Events**

During the first quarter of 2018, we acquired the portion of the Hilton Worldwide Holdings Inc. cobrand credit card loan portfolio that we did not previously own (the acquired Hilton portfolio). The acquired Hilton portfolio had an outstanding principal and interest balance of approximately \$1 billion at acquisition. None of the credit card loans acquired were considered purchased credit impaired at acquisition date. The cash outflows related to this acquisition are reported within the investing section of the Consolidated Statements of Cash Flows primarily as an increase in Card Member receivables and loans.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

### 3. Loans and Accounts Receivable

Our lending and charge payment card products result in the generation of Card Member loans and Card Member receivables, respectively.

Card Member loans by segment and Other loans as of March 31, 2019 and December 31, 2018 consisted of:

<i>(Millions)</i>	<b>2019</b>	2018
Global Consumer Services Group <sup>(a)</sup>	<b>\$ 67,938</b>	\$ 69,458
Global Commercial Services	<b>13,057</b>	12,396
Card Member loans	<b>80,995</b>	81,854
Less: Reserve for losses	<b>2,121</b>	2,134
Card Member loans, net	<b>\$ 78,874</b>	\$ 79,720
Other loans, net <sup>(b)</sup>	<b>\$ 3,965</b>	\$ 3,676

(a) Includes approximately \$31.5 billion and \$33.2 billion of gross Card Member loans available to settle obligations of a consolidated variable interest entity (VIE) as of March 31, 2019 and December 31, 2018, respectively.

(b) Other loans primarily represent consumer and commercial non-card financing products. Other loans are presented net of reserves for losses of \$129 million and \$124 million as of March 31, 2019 and December 31, 2018, respectively.

Card Member accounts receivable by segment and Other receivables as of March 31, 2019 and December 31, 2018 consisted of:

<i>(Millions)</i>	<b>2019</b>	2018
Global Consumer Services Group <sup>(a)</sup>	<b>\$ 19,929</b>	\$ 21,455
Global Commercial Services	<b>36,906</b>	34,438
Card Member receivables	<b>56,835</b>	55,893
Less: Reserve for losses	<b>608</b>	573
Card Member receivables, net	<b>\$ 56,227</b>	\$ 55,320
Other receivables, net <sup>(b)</sup>	<b>\$ 3,128</b>	\$ 2,907

(a) Includes \$7.8 billion and \$8.5 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of March 31, 2019 and December 31, 2018, respectively.

(b) Other receivables primarily represent amounts related to (i) Global Network Services partners for items such as royalty and franchise fees, (ii) tax-related receivables, (iii) certain merchants for billed discount revenue, and (iv) loyalty coalition partners for points issued, as well as program participation and servicing fees. Other receivables are presented net of reserves for losses of \$25 million as of both March 31, 2019 and December 31, 2018.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Card Member Loans and Card Member Receivables Aging**

Generally, a Card Member account is considered past due if payment is not received within 30 days after the billing statement date. The following table presents the aging of Card Member loans and receivables as of March 31, 2019 and December 31, 2018:

<b>2019 (Millions)</b>	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
<b>Card Member Loans:</b>					
Global Consumer Services Group	\$66,916	\$ 286	\$ 216	\$ 520	\$ 67,938
Global Commercial Services					
Global Small Business Services	12,824	53	38	76	12,991
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	—	66
<b>Card Member Receivables:</b>					
Global Consumer Services Group	19,667	85	58	119	19,929
Global Commercial Services					
Global Small Business Services	\$17,061	\$ 105	\$ 62	\$ 119	\$ 17,347
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	\$ 125	\$ 19,559

<b>2018 (Millions)</b>	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
<b>Card Member Loans:</b>					
Global Consumer Services Group	\$ 68,442	\$ 290	\$ 220	\$ 506	\$ 69,458
Global Commercial Services					
Global Small Business Services	12,195	51	32	73	12,351
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	—	45
<b>Card Member Receivables:</b>					
Global Consumer Services Group	21,207	80	50	118	21,455
Global Commercial Services					
Global Small Business Services	\$ 16,460	\$ 101	\$ 53	\$ 114	\$ 16,728
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	\$ 129	\$ 17,710

(a) For Global Corporate Payments Card Member loans and receivables in Global Commercial Services (GCS), delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member's billing statement date. In addition, if we initiate collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member loan or receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes. See also (b).

(b) Delinquency data for periods other than 90+ days past billing is not available due to system constraints. Therefore, such data has not been utilized for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Credit Quality Indicators for Card Member Loans and Receivables**

The following tables present the key credit quality indicators as of or for the three months ended March 31:

	2019			2018		
	Net Write-Off Rate		30+ Days Past Due as a % of Total	Net Write-Off Rate		30+ Days Past Due as a % of Total
	Principal Only <sup>(a)</sup>	Principal, Interest & Fees <sup>(a)</sup>		Principal Only <sup>(a)</sup>	Principal, Interest & Fees <sup>(a)</sup>	
<b>Card Member Loans:</b>						
Global Consumer Services Group	2.3%	2.8%	1.5%	2.0%	2.4%	1.4%
Global Small Business Services	1.8%	2.1%	1.3%	1.6%	1.9%	1.3%
<b>Card Member Receivables:</b>						
Global Consumer Services Group	1.7%	1.9%	1.3%	1.6%	1.7%	1.4%
Global Small Business Services	1.9%	2.1%	1.6%	1.7%	1.9%	1.8%

	2019		2018	
	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables
<b>Card Member Receivables:</b>				
Global Corporate Payments	0.08%	0.6%	0.10%	0.8%

- (a) We present a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because we consider uncollectible interest and/or fees in estimating our reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Impaired Card Member Loans and Receivables**

Impaired Card Member loans and receivables are individual larger balance or homogeneous pools of smaller balance loans and receivables for which it is probable that we will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. In certain cases, these Card Member loans and receivables are included in one of our various Troubled Debt Restructuring (TDR) modification programs. Impaired Card Member loans and receivables outside the U.S. are not significant as of March 31, 2019 and December 31, 2018; therefore, such loans and receivables are not included in the following tables unless otherwise noted.

The following tables provide additional information with respect to our impaired Card Member loans and receivables as of March 31, 2019 and December 31, 2018:

<i>2019 (Millions)</i>	As of March 31, 2019						
	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non- Accruals <sup>(b)</sup>	Accounts Classified as a TDR <sup>(c)</sup>		Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
			In Program <sup>(d)</sup>	Out of Program <sup>(e)</sup>			
<b>Card Member Loans:</b>							
Global Consumer Services Group <sup>(f)</sup>	\$ 348	\$ 250	\$ 354	\$ 137	\$ 1,089	\$ 972	\$ 93
Global Commercial Services	43	49	67	30	189	176	15
<b>Card Member Receivables:</b>							
Global Consumer Services Group	—	—	35	12	47	47	3
Global Commercial Services	—	—	70	28	98	97	4
<b>Total</b>	<b>\$ 391</b>	<b>\$ 299</b>	<b>\$ 526</b>	<b>\$ 207</b>	<b>\$ 1,423</b>	<b>\$ 1,292</b>	<b>\$ 115</b>

<i>2018 (Millions)</i>	As of December 31, 2018						
	Over 90 days Past Due & Accruing Interest <sup>(a)</sup>	Non- Accruals <sup>(b)</sup>	Accounts Classified as a TDR <sup>(c)</sup>		Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
			In Program <sup>(d)</sup>	Out of Program <sup>(e)</sup>			
<b>Card Member Loans:</b>							
Global Consumer Services Group <sup>(f)</sup>	\$ 344	\$ 236	\$ 313	\$ 131	\$ 1,024	\$ 923	\$ 80
Global Commercial Services	43	43	59	29	174	161	14
<b>Card Member Receivables:</b>							
Global Consumer Services Group	—	—	29	13	42	42	2
Global Commercial Services	—	—	61	25	86	86	5
<b>Total</b>	<b>\$ 387</b>	<b>\$ 279</b>	<b>\$ 462</b>	<b>\$ 198</b>	<b>\$ 1,326</b>	<b>\$ 1,212</b>	<b>\$ 101</b>

- (a) Our policy is generally to accrue interest through the date of write-off (typically 180 days past due). We establish reserves for interest that we believe will not be collected. Amounts presented exclude Card Member loans classified as a TDR.
- (b) Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside collection agencies for which we have ceased accruing interest. Amounts presented exclude Card Member loans classified as a TDR.
- (c) Accounts classified as a TDR include \$20 million and \$17 million that are over 90 days past due and accruing interest and \$12 million and \$6 million that are non-accruals as of March 31, 2019 and December 31, 2018, respectively.
- (d) In Program TDRs include Card Member accounts that are currently enrolled in a modification program.
- (e) Out of Program TDRs include \$156 million and \$148 million of Card Member accounts that have successfully completed a modification program and \$51 million and \$50 million of Card Member accounts that were not in compliance with the terms of the modification programs as of March 31, 2019 and December 31, 2018, respectively.
- (f) Global Consumer Services Group (GCSG) includes balances outside the U.S. of \$77 million and \$69 million that are over 90 days and accruing interest and \$64 million and \$68 million in unpaid principal as of March 31, 2019 and December 31, 2018, respectively.



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The following table provides information with respect to our average balances and interest income recognized from impaired Card Member loans and the average balances of impaired Card Member receivables for the three months ended March 31:

<i>(Millions)</i>	2019		2018	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
<b>Card Member Loans:</b>				
Global Consumer Services Group	\$ 1,057	\$ 31	\$ 801	\$ 26
Global Commercial Services	181	6	136	5
<b>Card Member Receivables:</b>				
Global Consumer Services Group	45	—	27	—
Global Commercial Services	92	—	63	—
<b>Total</b>	<b>\$ 1,375</b>	<b>\$ 37</b>	<b>\$ 1,027</b>	<b>\$ 31</b>

**Card Member Loans and Receivables Modified as TDRs**

The following table provides additional information with respect to Card Member loans and receivables modified as TDRs for the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31, 2019			
	Number of Accounts (in thousands)	Outstanding Balances <sup>(a)</sup> (\$ in millions)	Average Interest Rate Reduction (% Points)	Average Payment Term Extensions (# of Months)
<b>Troubled Debt Restructurings:</b>				
Card Member loans	17	\$ 128	13	(b)
Card Member receivables	2	40	(c)	27
<b>Total</b>	<b>19</b>	<b>\$ 168</b>		

	Three Months Ended March 31, 2018			
	Number of Accounts (in thousands)	Outstanding Balances <sup>(a)</sup> (\$ in millions)	Average Interest Rate Reduction (% Points)	Average Payment Term Extensions (# of Months)
<b>Troubled Debt Restructurings:</b>				
Card Member loans	11	\$ 81	11	(b)
Card Member receivables	1	29	(c)	28
<b>Total</b>	<b>12</b>	<b>\$ 110</b>		

- (a) Represents the outstanding balance immediately prior to modification. The outstanding balance includes principal, fees and accrued interest on Card Member loans and principal and fees on Card Member receivables. Modifications did not reduce the principal balance.
- (b) For Card Member loans, there have been no payment term extensions.
- (c) We do not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.



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The following table provides information with respect to Card Member loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification. A Card Member is considered in default of a modification program after one and up to two missed payments, depending on the terms of the modification program. For all Card Members that defaulted from a modification program, the probability of default is factored into the reserves for Card Member loans and receivables.

	Three Months Ended March 31,			
	2019		2018	
	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default <sup>(a)</sup> (millions)	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default <sup>(a)</sup> (millions)
<b>Troubled Debt Restructurings That Subsequently Defaulted:</b>				
Card Member loans	2	\$ 17	2	\$ 9
Card Member receivables	1	4	1	2
<b>Total</b>	<b>3</b>	<b>\$ 21</b>	<b>3</b>	<b>\$ 11</b>

(a) The outstanding balances upon default include principal, fees and accrued interest on Card Member loans, and principal and fees on Card Member receivables.

#### 4. Reserves for Losses

Reserves for losses relating to Card Member loans and receivables represent management's best estimate of the probable inherent losses in our outstanding portfolio of loans and receivables as of the balance sheet date. Management's evaluation process requires certain estimates and judgments.

##### Changes in Card Member Loans Reserve for Losses

The following table presents changes in the Card Member loans reserve for losses for the three months ended March 31:

<i>(Millions)</i>	2019	2018
Balance, January 1	\$ 2,134	\$ 1,706
Provisions <sup>(a)</sup>	525	499
Net write-offs <sup>(b)</sup>		
Principal	(457)	(358)
Interest and fees	(92)	(71)
Other <sup>(c)</sup>	11	10
<b>Balance, March 31</b>	<b>\$ 2,121</b>	<b>\$ 1,786</b>

(a) Provisions for principal, interest and fee reserve components.

(b) Principal write-offs are presented less recoveries of \$124 million and \$106 million for the three months ended March 31, 2019 and 2018, respectively. Recoveries of interest and fees were not significant. Amounts include net (write-offs) recoveries from TDRs of \$(15) million and \$(7) million for the three months ended March 31, 2019 and 2018, respectively.

(c) Includes foreign currency translation adjustments of \$6 million and \$6 million and other adjustments of \$5 million and \$4 million for the three months ended March 31, 2019 and 2018, respectively.

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**Card Member Loans Evaluated Individually and Collectively for Impairment**

The following table presents Card Member loans evaluated individually and collectively for impairment and related reserves as of March 31, 2019 and December 31, 2018:

<i>(Millions)</i>	2019	2018
Card Member loans evaluated individually for impairment <sup>(a)</sup>	\$ 588	\$ 532
Related reserves <sup>(a)</sup>	\$ 108	\$ 94
Card Member loans evaluated collectively for impairment <sup>(b)</sup>	\$ 80,407	\$ 81,322
Related reserves <sup>(b)</sup>	\$ 2,013	\$ 2,040

- (a) Represents loans modified as a TDR and related reserves.
- (b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans. The reserves include the quantitative results of analytical models that are specific to individual pools of loans, and reserves for internal and external qualitative risk factors that apply to loans that are collectively evaluated for impairment.

**Changes in Card Member Receivables Reserve for Losses**

The following table presents changes in the Card Member receivables reserve for losses for the three months ended March 31:

<i>(Millions)</i>	2019	2018
Balance, January 1	\$ 573	\$ 521
Provisions <sup>(a)</sup>	253	242
Net write-offs <sup>(b)</sup>	(216)	(199)
Other <sup>(c)</sup>	(2)	1
Balance, March 31	\$ 608	\$ 565

- (a) Provisions for principal and fee reserve components.
- (b) Net write-offs are presented less recoveries of \$91 million and \$90 million for the three months ended March 31, 2019 and 2018, respectively. Amounts include net (write-offs) recoveries from TDRs of \$(4) million and \$2 million, for the three months ended March 31, 2019 and 2018, respectively.
- (c) Includes foreign currency translation adjustments of \$3 million and \$10 million and other adjustments of \$(5) million and \$(9) million for the three months ended March 31, 2019 and 2018, respectively.

**Card Member Receivables Evaluated Individually and Collectively for Impairment**

The following table presents Card Member receivables evaluated individually and collectively for impairment and related reserves as of March 31, 2019 and December 31, 2018:

<i>(Millions)</i>	2019	2018
Card Member receivables evaluated individually for impairment <sup>(a)</sup>	\$ 145	\$ 128
Related reserves <sup>(a)</sup>	\$ 7	\$ 7
Card Member receivables evaluated collectively for impairment	\$ 56,690	\$ 55,765
Related reserves <sup>(b)</sup>	\$ 601	\$ 566

- (a) Represents receivables modified as a TDR and related reserves.
- (b) The reserves include the quantitative results of analytical models that are specific to individual pools of receivables, and reserves for internal and external qualitative risk factors that apply to receivables that are collectively evaluated for impairment.

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## 5. Investment Securities

Investment securities principally include available-for-sale debt securities carried at fair value on the Consolidated Balance Sheets, with unrealized gains and losses recorded in AOCI, net of income taxes. Realized gains and losses are recognized upon disposition of the securities using the specific identification method.

Investment securities also include equity securities carried at fair value on the Consolidated Balance Sheets. The unrealized gains and losses on equity securities are recorded in the Consolidated Statements of Income.

The following is a summary of investment securities as of March 31, 2019 and December 31, 2018:

Description of Securities (Millions)	2019				2018			
	Cost	Gross	Gross	Estimated Fair Value	Cost	Gross	Gross	Estimated Fair Value
		Unrealized Gains	Unrealized Losses			Unrealized Gains	Unrealized Losses	
Available-for-sale debt securities:								
State and municipal obligations	\$ 342	\$ 6	\$ (1)	\$ 347	\$ 594	\$ 4	\$ (2)	\$ 596
U.S. Government agency obligations	10	—	—	10	10	—	—	10
U.S. Government treasury obligations	5,404	14	(9)	5,409	3,452	5	(17)	3,440
Corporate debt securities	29	—	—	29	28	—	—	28
Mortgage-backed securities <sup>(a)</sup>	48	1	—	49	50	1	—	51
Foreign government bonds and obligations	565	1	—	566	474	—	—	474
Equity securities <sup>(b)</sup>	50	—	(3)	47	51	—	(3)	48
<b>Total</b>	<b>\$ 6,448</b>	<b>\$ 22</b>	<b>\$ (13)</b>	<b>\$ 6,457</b>	<b>\$ 4,659</b>	<b>\$ 10</b>	<b>\$ (22)</b>	<b>\$ 4,647</b>

(a) Represents mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

(b) Equity securities comprise investments in common stock and mutual funds.

The following table provides information about our investment securities with gross unrealized losses and the length of time that individual securities have been in an unrealized loss position as of March 31, 2019 and December 31, 2018:

Description of Securities (Millions)	2019				2018			
	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
State and municipal obligations	\$ —	\$ —	\$ 52	\$ (1)	\$ —	\$ —	\$ 82	\$ (1)
U.S. Government treasury obligations	—	—	998	(9)	224	(2)	791	(15)
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,050</b>	<b>\$ (10)</b>	<b>\$ 224</b>	<b>\$ (2)</b>	<b>\$ 873</b>	<b>\$ (16)</b>

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The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost as of March 31, 2019 and December 31, 2018:

Ratio of Fair Value to Amortized Cost (Dollars in millions)	Less than 12 months			12 months or more			Total		
	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
<b>2019:</b>									
90%–100%	—	\$ —	\$ —	26	\$ 1,050	\$ (10)	26	\$ 1,050	\$ (10)
Total as of March 31, 2019	—	\$ —	\$ —	26	\$ 1,050	\$ (10)	26	\$ 1,050	\$ (10)
<b>2018:</b>									
90%–100%	2	\$ 224	\$ (2)	29	\$ 873	\$ (16)	31	\$ 1,097	\$ (18)
Total as of December 31, 2018	2	\$ 224	\$ (2)	29	\$ 873	\$ (16)	31	\$ 1,097	\$ (18)

The gross unrealized losses for available-for-sale debt securities are attributed to wider credit spreads for specific issuers, adverse changes in benchmark interest rates, or a combination thereof, all compared to those prevailing when the investment securities were purchased.

Overall, for the available-for-sale debt securities in gross unrealized loss positions, (i) we do not intend to sell the securities, (ii) it is more likely than not that we will not be required to sell the securities before recovery of the unrealized losses, and (iii) we expect that the contractual principal and interest will be received on the securities. As a result, we recognized no other-than-temporary impairment during the periods presented.

Contractual maturities for investment securities with stated maturities as of March 31, 2019 were as follows:

(Millions)	Cost	Estimated Fair Value
Due within 1 year	\$ 4,599	\$ 4,600
Due after 1 year but within 5 years	1,315	1,319
Due after 5 years but within 10 years	179	181
Due after 10 years	305	310
Total	\$ 6,398	\$ 6,410

The expected payments on state and municipal obligations and mortgage-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

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## 6. Asset Securitizations

We periodically securitize Card Member loans and receivables arising from our card businesses through the transfer of those assets to securitization trusts, American Express Credit Account Master Trust (the Lending Trust) and American Express Issuance Trust II (the Charge Trust and together with the Lending Trust, the Trusts). The Trusts then issue debt securities collateralized by the transferred assets to third-party investors.

The Trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue debt securities that are collateralized by the underlying Card Member loans and receivables. We perform the servicing and key decision making for the Trusts, and therefore have the power to direct the activities that most significantly impact the Trusts' economic performance, which are the collection of the underlying Card Member loans and receivables. In addition, we hold all of the variable interests in both Trusts, with the exception of the debt securities issued to third-party investors. As of March 31, 2019, our ownership of variable interests was \$12.3 billion and \$7.8 billion for the Lending Trust and the Charge Trust, respectively. These variable interests held by us provide us with the right to receive benefits and the obligation to absorb losses, which could be significant to both the Lending Trust and the Charge Trust. Based on these considerations, we are the primary beneficiary of the Trusts and therefore consolidate the Trusts.

The following table provides information on the restricted cash held by the Trusts as of March 31, 2019 and December 31, 2018, included in Other assets on the Consolidated Balance Sheets:

<i>(Millions)</i>	<b>2019</b>	2018
Lending Trust	<b>\$ 83</b>	\$ 67
Charge Trust	<b>1</b>	3
<b>Total</b>	<b>\$ 84</b>	\$ 70

These amounts relate to collections of Card Member loans and receivables to be used by the Trusts to fund future expenses and obligations, including interest on debt securities, credit losses and upcoming debt maturities.

Under the respective terms of the Lending Trust and the Charge Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each Trust could result in payment of trust expenses, establishment of reserve funds, or, in a worst-case scenario, early amortization of debt securities. During the three months ended March 31, 2019 and the year ended December 31, 2018, no such triggering events occurred.

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## 7. Customer Deposits

As of March 31, 2019 and December 31, 2018, customer deposits were categorized as interest-bearing or non-interest-bearing as follows:

<i>(Millions)</i>	2019	2018
U.S.:		
Interest-bearing	\$ 72,110	\$ 69,144
Non-interest-bearing (includes Card Member credit balances of: 2019, \$334; 2018, \$376)	368	412
Non-U.S.:		
Interest-bearing	27	28
Non-interest-bearing (includes Card Member credit balances of: 2019, \$343; 2018, \$367)	352	376
<b>Total customer deposits</b>	<b>\$ 72,857</b>	<b>\$ 69,960</b>

Customer deposits by deposit type as of March 31, 2019 and December 31, 2018 were as follows:

<i>(Millions)</i>	2019	2018
U.S. retail deposits:		
Savings accounts – Direct	\$ 43,345	\$ 39,491
Certificates of deposit: <sup>(a)</sup>		
Direct	1,107	817
Third-party (brokered)	12,189	12,667
Sweep accounts – Third-party (brokered)	15,469	16,169
Other deposits:		
U.S. non-interest bearing deposits	34	36
Non-U.S. deposits	36	37
<b>Card Member credit balances — U.S. and non-U.S.</b>	<b>677</b>	<b>743</b>
<b>Total customer deposits</b>	<b>\$ 72,857</b>	<b>\$ 69,960</b>

(a) The weighted average remaining maturity and weighted average interest rate at issuance on the total portfolio of U.S. retail certificates of deposit issued through direct and third-party programs were 47 months and 2.40 percent, respectively, as of March 31, 2019.

The scheduled maturities of certificates of deposit as of March 31, 2019 were as follows:

<i>(Millions)</i>	U.S.	Non-U.S.	Total
2019	\$ 4,249	\$ 13	\$ 4,262
2020	4,406	4	4,410
2021	1,937	—	1,937
2022	2,292	—	2,292
2023	327	—	327
After 5 years	85	—	85
<b>Total</b>	<b>\$ 13,296</b>	<b>\$ 17</b>	<b>\$ 13,313</b>

As of March 31, 2019 and December 31, 2018, certificates of deposit in denominations of \$250,000 or more, in the aggregate, were as follows:

<i>(Millions)</i>	2019	2018
U.S.	\$ 373	\$ 276
Non-U.S.	7	9
<b>Total</b>	<b>\$ 380</b>	<b>\$ 285</b>

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## 8. Contingencies

In the ordinary course of business, we and our subsidiaries are subject to various pending and potential legal actions, arbitration proceedings, claims, investigations, examinations, information gathering requests, subpoenas, inquiries and matters relating to compliance with laws and regulations (collectively, legal proceedings).

Based on our current knowledge, and taking into consideration our litigation-related liabilities, we do not believe we are a party to, nor are any of our properties the subject of, any legal proceeding that would have a material adverse effect on our consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, including the fact that some pending legal proceedings are at preliminary stages or seek an indeterminate amount of damages, it is possible that the outcome of legal proceedings could have a material impact on our results of operations. Certain legal proceedings involving us or our subsidiaries are described below.

Individual merchant cases and a putative merchant class action, which were consolidated in 2011 and collectively captioned In re: American Express Anti-Steering Rules Antitrust Litigation (II) in the Eastern District of New York, alleged that provisions in our merchant agreements prohibiting merchants from differentially surcharging our cards or steering a customer to use another network's card or another type of general-purpose card ("anti-steering" and "non-discrimination" contractual provisions) violate U.S. antitrust laws. Following the Supreme Court decision in Ohio v. American Express Co. in favor of American Express, plaintiffs in both the individual merchant cases and the putative merchant class action filed amended complaints. On April 12, 2019, the individual merchant cases were dismissed with prejudice pursuant to a joint stipulation between the parties. Our motion to dismiss and compel arbitration of the class action is pending.

In July 2004, we were named as a defendant in another putative class action filed in the Southern District of New York and subsequently transferred to the Eastern District of New York, captioned The Marcus Corporation v. American Express Co., et al., in which the plaintiffs allege an unlawful antitrust tying arrangement between certain of our charge cards and credit cards in violation of various state and federal laws. The plaintiffs in this action seek injunctive relief and an unspecified amount of damages.

On March 8, 2016, plaintiffs B&R Supermarket, Inc. d/b/a Milam's Market and Grove Liquors LLC, on behalf of themselves and others, filed a suit, captioned B&R Supermarket, Inc. d/b/a Milam's Market, et al. v. Visa Inc., et al., for violations of the Sherman Antitrust Act, the Clayton Antitrust Act, California's Cartwright Act and unjust enrichment in the United States District Court for the Northern District of California, against American Express Company, other credit and charge card networks, other issuing banks and EMVCo, LLC. Plaintiffs allege that the defendants, through EMVCo, conspired to shift liability for fraudulent, faulty and otherwise rejected consumer credit card transactions from themselves to merchants after the implementation of EMV chip payment terminals. Plaintiffs seek damages and injunctive relief. An amended complaint was filed on July 15, 2016. On September 30, 2016, the court denied our motion to dismiss as to claims brought by merchants who do not accept American Express cards, and on May 4, 2017, the California court transferred the case to the United States District Court for the Eastern District of New York.

On July 30, 2015, plaintiff Plumbers and Steamfitters Local 137 Pension Fund, on behalf of themselves and other purchasers of American Express stock, filed a suit, captioned Plumbers and Steamfitters Local 137 Pension Fund v. American Express Co., Kenneth I. Chenault and Jeffrey C. Campbell, in the United States District Court for the Southern District of New York for violation of federal securities law, alleging that the Company deliberately issued false and misleading statements to, and omitted important information from, the public relating to the financial importance of the Costco cobrand relationship to the Company, including, but not limited to, the decision to accelerate negotiations to renew the cobrand agreement. The plaintiff sought damages and injunctive relief. On October 2, 2017, the Court granted defendants' motion to dismiss the plaintiff's amended complaint. The plaintiff has appealed the court's decision.

We are being challenged in a number of countries regarding our application of value-added taxes (VAT) to certain of our international transactions, which are in various stages of audit, or are being contested in legal actions. While we believe we have complied with all applicable tax laws, rules and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional VAT. In certain jurisdictions where we are contesting the assessments, we were required to pay the VAT assessments prior to contesting.

Our legal proceedings range from cases brought by a single plaintiff to class actions with millions of putative class members. These legal proceedings involve various lines of business and a variety of claims (including, but not limited to, common law tort, contract, application of tax laws, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against us specify the damages claimed by the plaintiff or class, many seek an unspecified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against us are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable us to estimate an amount of loss or a range of possible loss, while other matters have progressed sufficiently such that we are able to estimate an amount of loss or a range of possible loss.

We have accrued for certain of our outstanding legal proceedings. An accrual is recorded when it is both (a) probable that a loss has occurred and (b) the amount of loss can be reasonably estimated. There may be instances in which an exposure to loss exceeds the accrual. We evaluate, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the accrual that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

For those disclosed material legal proceedings where a loss is reasonably possible in future periods, whether in excess of a recorded accrual for legal or tax contingencies, or where there is no such accrual, and for which we are able to estimate a range of possible loss, the current estimated range is zero to \$240 million in excess of any accruals related to those matters. This range represents management's estimate based on currently available information and does not represent our maximum loss exposure; actual results may vary significantly. As such legal proceedings evolve,

we may need to increase our range of possible loss or recorded accruals. In addition, it is possible that significantly increased merchant steering or other actions impairing the Card Member experience as a result of an adverse resolution in one or any combination of the disclosed merchant cases could have a material adverse effect on our business.



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## 9. Derivatives and Hedging Activities

We use derivative financial instruments to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates, foreign exchange rates, and an equity index or price, and are carried at fair value on the Consolidated Balance Sheets. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of our market risk management. We do not transact in derivatives for trading purposes.

In relation to our credit risk, certain of our bilateral derivative agreements include provisions that allow our counterparties to terminate the agreement in the event of a downgrade of our debt credit rating below investment grade and settle the outstanding net liability position. As of March 31, 2019, these derivatives were not in a material net liability position. Based on our assessment of the credit risk of our derivative counterparties as of March 31, 2019 and December 31, 2018, no credit risk adjustment to the derivative portfolio was required.

A majority of our derivative assets and liabilities as of March 31, 2019 and December 31, 2018 are subject to master netting agreements with our derivative counterparties. We have no derivative amounts subject to enforceable master netting arrangements that are not offset on the Consolidated Balance Sheets.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of March 31, 2019 and December 31, 2018:

<i>(Millions)</i>	Other Assets Fair Value		Other Liabilities Fair Value	
	2019	2018	2019	2018
Derivatives designated as hedging instruments:				
Fair value hedges - Interest rate contracts <sup>(a)</sup>	\$ 66	\$ 34	\$ 39	\$ 74
Net investment hedges - Foreign exchange contracts	42	222	138	61
<b>Total derivatives designated as hedging instruments</b>	<b>108</b>	<b>256</b>	<b>177</b>	<b>135</b>
Derivatives not designated as hedging instruments:				
Foreign exchange contracts, including an embedded derivative	147	258	185	79
<b>Total derivatives, gross</b>	<b>255</b>	<b>514</b>	<b>362</b>	<b>214</b>
Less: Cash collateral netting <sup>(b)(c)</sup>	(46)	(28)	(35)	(78)
Derivative asset and derivative liability netting <sup>(d)</sup>	(105)	(90)	(105)	(90)
<b>Total derivatives, net</b>	<b>\$ 104</b>	<b>\$ 396</b>	<b>\$ 222</b>	<b>\$ 46</b>

- (a) For our centrally cleared derivatives, variation margin payments are legally characterized as settlement payments as opposed to collateral.
- (b) Represents the offsetting of the fair value of bilateral interest rate contracts and certain foreign exchange contracts with the right to cash collateral held from the counterparty or cash collateral posted with the counterparty.
- (c) We posted \$70 million and \$84 million as of March 31, 2019 and December 31, 2018, respectively, as initial margin on our centrally cleared interest rate swaps; such amounts are recorded within Other receivables on the Consolidated Balance Sheets and are not netted against the derivative balances.
- (d) Represents the amount of netting of derivative assets and derivative liabilities executed with the same counterparty under an enforceable master netting arrangement.

### Fair Value Hedges

We are exposed to interest rate risk associated with our fixed-rate long-term debt obligations. At the time of issuance, certain fixed-rate debt obligations are designated in fair value hedging relationships, using interest rate swaps, to economically convert the fixed interest rate to a floating interest rate. We have \$22.8 billion and \$24.0 billion of fixed-rate debt obligations designated in fair value hedging relationships as of March 31, 2019 and December 31, 2018, respectively.

The following table presents the gains and losses recognized in Interest expense associated with the fair value hedges of our fixed-rate long-term debt for the three months ended March 31:

<i>(Millions)</i>	Gains (losses)	
	2019	2018
Fixed-rate long-term debt	\$ (160)	\$ 210
Derivatives designated as hedging instruments	158	(191)
<b>Total</b>	<b>\$ (2)</b>	<b>\$ 19</b>



**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The carrying values of the hedged liabilities, recorded within Long-term debt on the Consolidated Balance Sheets, were \$22.6 billion and \$23.7 billion as of March 31, 2019 and December 31, 2018, respectively, including offsetting amounts of \$81 million and \$241 million for the respective periods, related to the cumulative amount of fair value hedging adjustments.

We recognized a net increase of \$38 million and a net reduction of \$14 million in Interest expense on Long-term debt for the three months ended March 31, 2019 and 2018, respectively, primarily related to the net settlements (interest accruals) on our interest rate derivatives designated as fair value hedges.

**Net Investment Hedges**

We had notional amounts of approximately \$9.5 billion and \$9.6 billion of foreign currency derivatives designated as net investment hedges as of March 31, 2019 and December 31, 2018, respectively. The gain or loss on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment, were losses of \$162 million for both the three months ended March 31, 2019 and 2018. Accumulated gains within AOCI of nil and \$1 million for the three months ended March 31, 2019 and 2018, respectively, were reclassified into Other expenses upon investment sales or liquidations.

**Derivatives Not Designated as Hedges**

The changes in the fair value of derivatives that are not designated as hedges are intended to offset the related foreign exchange gains or losses of the underlying foreign currency exposures. The changes in the fair value of the derivatives and the related underlying foreign currency exposures resulted in a net gain of \$4 million and a net loss of \$21 million for the three months ended March 31, 2019 and 2018, respectively, and are recognized in Other expenses.

The changes in the fair value of an embedded derivative resulted in losses of nil and \$2 million for the three months ended March 31, 2019 and 2018, respectively, and are recognized in Card Member services expense.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**10. Fair Values**

**Financial Assets and Financial Liabilities Carried at Fair Value**

The following table summarizes our financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's fair value hierarchy, as of March 31, 2019 and December 31, 2018:

<i>(Millions)</i>	<b>2019</b>				<b>2018</b>			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Assets:</b>								
Investment securities: <sup>(a)</sup>								
Equity securities	\$ 47	\$ 1	\$ 46	\$ —	\$ 48	\$ 1	\$ 47	\$ —
Debt securities	6,410	—	6,410	—	4,599	—	4,599	—
Derivatives, gross <sup>(a)</sup>	255	—	255	—	514	—	514	—
<b>Total Assets</b>	<b>6,712</b>	<b>1</b>	<b>6,711</b>	<b>—</b>	<b>5,161</b>	<b>1</b>	<b>5,160</b>	<b>—</b>
<b>Liabilities:</b>								
Derivatives, gross <sup>(a)</sup>	362	—	362	—	214	—	214	—
<b>Total Liabilities</b>	<b>\$ 362</b>	<b>\$ —</b>	<b>\$ 362</b>	<b>\$ —</b>	<b>\$ 214</b>	<b>\$ —</b>	<b>\$ 214</b>	<b>\$ —</b>

(a) Refer to Note 5 for the fair values of investment securities and to Note 9 for the fair values of derivative assets and liabilities, on a further disaggregated basis.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Financial Assets and Financial Liabilities Carried at Other Than Fair Value**

The following table summarizes the estimated fair values of our financial assets and financial liabilities that are measured at amortized cost, and not required to be carried at fair value on a recurring basis, as of March 31, 2019 and December 31, 2018. The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of March 31, 2019 and December 31, 2018, and require management's judgment. These figures may not be indicative of future fair values, nor can the fair value of American Express be estimated by aggregating the amounts presented.

<u>2019 (Billions)</u>	<u>Carrying</u>	<u>Corresponding Fair Value Amount</u>			
	<u>Value</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial Assets:</b>					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents <sup>(a)</sup>	\$ 33	\$ 33	\$ 32	\$ 1	\$ —
Other financial assets <sup>(b)</sup>	60	60	—	60	—
Financial assets carried at other than fair value					
Loans, net <sup>(c)</sup>	83	83	—	—	83
<b>Financial Liabilities:</b>					
Financial liabilities for which carrying values equal or approximate fair value					
Financial liabilities carried at other than fair value	88	88	—	88	—
Certificates of deposit <sup>(d)</sup>	13	13	—	13	—
Long-term debt <sup>(c)</sup>	\$ 58	\$ 60	\$ —	\$ 60	\$ —

<u>2018 (Billions)</u>	<u>Carrying</u>	<u>Corresponding Fair Value Amount</u>			
	<u>Value</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Financial Assets:</b>					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents <sup>(a)</sup>	\$ 27	\$ 27	\$ 26	\$ 1	\$ —
Other financial assets <sup>(b)</sup>	58	58	—	58	—
Financial assets carried at other than fair value					
Loans, net <sup>(c)</sup>	83	84	—	—	84
<b>Financial Liabilities:</b>					
Financial liabilities for which carrying values equal or approximate fair value					
Financial liabilities carried at other than fair value	81	81	—	81	—
Certificates of deposit <sup>(d)</sup>	13	13	—	13	—
Long-term debt <sup>(c)</sup>	\$ 58	\$ 59	\$ —	\$ 59	\$ —

- (a) Level 2 amounts reflect time deposits and short-term investments.
- (b) Includes Card Member receivables (including fair values of Card Member receivables of \$7.7 billion and \$8.5 billion held by a consolidated VIE as of March 31, 2019 and December 31, 2018, respectively), Other receivables, restricted cash and other miscellaneous assets.
- (c) Balances include amounts held by a consolidated VIE for which the fair values of Card Member loans were \$31.3 billion and \$33.0 billion as of March 31, 2019 and December 31, 2018, respectively, and the fair values of Long-term debt were \$19.6 billion and \$19.4 billion as of March 31, 2019 and December 31, 2018, respectively.
- (d) Presented as a component of Customer deposits on the Consolidated Balance Sheets.

**Nonrecurring Fair Value Measurements**

We have certain assets that are subject to measurement at fair value on a nonrecurring basis. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if they are determined to be impaired or where there are observable price changes for equity investments without readily determinable fair values. During the three months ended March 31, 2019 and the year ended December 31, 2018, we did not have any material assets that were measured at fair value due to impairment. Equity investments that are only adjusted through earnings for observable price changes are not material.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

## **11. Guarantees**

The maximum potential undiscounted future payments and related liability resulting from guarantees and indemnifications provided by us in the ordinary course of business were \$1 billion and \$34 million, respectively, as of March 31, 2019, and \$1 billion and \$46 million, respectively, as of December 31, 2018, all of which were primarily related to our real estate and business dispositions.

To date, we have not experienced any significant losses related to guarantees or indemnifications. Our recognition of these instruments is at fair value. In addition, we establish reserves when a loss is probable and the amount can be reasonably estimated.

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(Unaudited)

**12. Changes In Accumulated Other Comprehensive Income**

AOCI is comprised of items that have not been recognized in earnings but may be recognized in earnings in the future when certain events occur. Changes in each component for the three months ended March 31, 2019 and 2018 were as follows:

<i>2019 (Millions), net of tax</i>	Net Unrealized Gains (Losses) on Debt Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
<b>Balances as of December 31, 2018</b>	\$ (8)	\$ (2,133)	\$ (456)	\$ (2,597)
Net unrealized gains	17	—	—	17
Net translation gains on investments in foreign operations	—	170	—	170
Net losses related to hedges of investments in foreign operations	—	(162)	—	(162)
Pension and other postretirement benefits	—	—	(27)	(27)
Net change in accumulated other comprehensive income (loss)	17	8	(27)	(2)
<b>Balances as of March 31, 2019</b>	<b>\$ 9</b>	<b>\$ (2,125)</b>	<b>\$ (483)</b>	<b>\$ (2,599)</b>

<i>2018 (Millions), net of tax</i>	Net Unrealized Gains (Losses) on Investment Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
<b>Balances as of December 31, 2017</b>	\$ —	\$ (1,961)	\$ (467)	\$ (2,428)
Net unrealized losses	(13)	—	—	(13)
Net translation gains on investments in foreign operations	—	192	—	192
Net losses related to hedges of investments in foreign operations	—	(162)	—	(162)
Pension and other postretirement benefits	—	—	28	28
Other <sup>(a)</sup>	2	—	—	2
Net change in accumulated other comprehensive (loss) income	(11)	30	28	47
<b>Balances as of March 31, 2018</b>	<b>\$ (11)</b>	<b>\$ (1,931)</b>	<b>\$ (439)</b>	<b>\$ (2,381)</b>

(a) Represents unrealized gains and losses pertaining to equity securities moved from AOCI to retained earnings as of January 1, 2018, due to the prospective adoption of the financial instruments guidance effective January 1, 2018.

The following table shows the tax impact for the three months ended March 31 for the changes in each component of AOCI presented above:

<i>(Millions)</i>	Tax expense (benefit)	
	2019	2018
Net unrealized investment securities	\$ 4	\$ (3)
Net translation on investments in foreign operations	14	2
Net hedges of investments in foreign operations	(50)	(54)
Pension and other postretirement benefits	(11)	3
<b>Total tax impact</b>	<b>\$ (43)</b>	<b>\$ (52)</b>

The following table presents the effects of reclassifications out of AOCI and into the Consolidated Statements of Income for the three months ended March 31, 2019 and 2018:

Description <i>(Millions)</i>	Income Statement Line Item	Gains (losses) recognized in earnings	
		Amount	Amount
		2019	2018
Foreign currency translation adjustments			
Reclassification of translation adjustments and related hedges	Other expenses	\$ —	\$ 1
Related income tax	Income tax provision	—	(1)
Reclassification of foreign currency translation adjustments		\$ —	\$ —





**AMERICAN EXPRESS COMPANY**  
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### 13. Other Fees and Commissions and Other Expenses

The following is a detail of Other fees and commissions for the three months ended March 31:

<i>(Millions)</i>	<b>2019</b>	2018
Fees charged to Card Members:		
Delinquency fees	<b>\$ 251</b>	\$ 242
Foreign currency conversion fee revenue	<b>230</b>	225
Other customer fees:		
Loyalty coalition-related fees	<b>114</b>	111
Travel commissions and fees	<b>108</b>	99
Service fees and other <sup>(a)</sup>	<b>100</b>	104
<b>Total Other fees and commissions</b>	<b>\$ 803</b>	\$ 781

(a) Other includes Membership Rewards program fees that are not related to contracts with customers.

Revenue expected to be recognized in future periods related to contracts that have an original expected duration of one year or less and contracts with variable consideration (e.g. discount revenue) are not required to be disclosed. Non-interest revenue expected to be recognized in future periods through remaining contracts with customers is not material.

The following is a detail of Other expenses for the three months ended March 31:

<i>(Millions)</i>	<b>2019</b>	2018
Occupancy and equipment	<b>\$ 508</b>	\$ 520
Professional services	<b>494</b>	457
Other <sup>(a)</sup>	<b>599</b>	457
<b>Total Other expenses</b>	<b>\$ 1,601</b>	\$ 1,434

(a) Other expense primarily includes general operating expenses, a litigation-related charge, communication expenses, Card and merchant-related fraud losses, and unrealized gains on certain equity investments.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

## 14. Income Taxes

The effective tax rate was 20.8 percent and 21.5 percent for the three months ended March 31, 2019 and 2018, respectively. The change in tax rate primarily reflects the resolution of certain prior years' tax items in the current period.

We are under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which we have significant business operations. The tax years under examination and open for examination vary by jurisdiction. In 2018 we settled our US federal income tax audits for tax years 2008-2014, and the statute of limitations for these years remain open through 2019. Tax years from 2015 onwards are open for examination by the IRS.

We believe it is reasonably possible that our unrecognized tax benefits could decrease within the next 12 months by as much as \$113 million, principally as a result of potential resolutions of prior years' tax items with various taxing authorities. The prior years' tax items include unrecognized tax benefits relating to the deductibility of certain expenses or losses and the attribution of taxable income to a particular jurisdiction or jurisdictions. Of the \$113 million of unrecognized tax benefits, approximately \$95 million relates to amounts that, if recognized, would impact the effective tax rate in a future period.

## 15. Earnings Per Common Share (EPS)

The computations of basic and diluted EPS for the three months ended March 31 were as follows:

<i>(Millions, except per share amounts)</i>	<b>2019</b>	2018
<b>Numerator:</b>		
Basic and diluted:		
Net income	\$ 1,550	\$ 1,634
Preferred dividends	(21)	(21)
Net income available to common shareholders	\$ 1,529	\$ 1,613
Earnings allocated to participating share awards <sup>(a)</sup>	(11)	(13)
<b>Net income attributable to common shareholders</b>	<b>\$ 1,518</b>	<b>\$ 1,600</b>
<b>Denominator:<sup>(a)</sup></b>		
Basic: Weighted-average common stock	841	859
Add: Weighted-average stock options <sup>(b)</sup>	2	2
<b>Diluted</b>	<b>843</b>	<b>861</b>
<b>Basic EPS</b>	<b>\$ 1.81</b>	<b>\$ 1.86</b>
<b>Diluted EPS</b>	<b>\$ 1.80</b>	<b>\$ 1.86</b>

(a) Our unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) The dilutive effect of unexercised stock options excludes from the computation of EPS 0.9 million and 0.6 million of options for the three months ended March 31, 2019 and 2018, respectively, because inclusion of the options would have been anti-dilutive.

**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

## 16. Reportable Operating Segments

During 2018, we realigned our reportable operating segments and also made changes to the methodology used to allocate certain corporate overhead costs to the operating segments and our intercompany settlement process. Effective for the first quarter of 2019, we moved intercompany assets and liabilities, previously recorded in the operating segments, to Corporate & Other.

For all of the above referenced changes, prior period amounts have been revised to conform to the current period presentation.

The following table presents certain selected financial information for our reportable operating segments and Corporate & Other as of or for the three months ended March 31:

<i>2019 (Millions, except where indicated)</i>	GCSG	GCS	GMNS	Corporate & Other <sup>(a)</sup>	Consolidated
Total non-interest revenues	\$ 3,741	\$ 3,020	\$ 1,525	\$ 19	\$ 8,305
Revenue from contracts with customers <sup>(b)</sup>	2,578	2,607	1,503	9	6,697
Interest income	2,272	454	9	219	2,954
Interest expense	459	241	(93)	288	895
Total revenues net of interest expense	5,554	3,233	1,627	(50)	10,364
Net income (loss)	\$ 821	\$ 586	\$ 631	\$ (488)	\$ 1,550
Total assets ( <i>billions</i> )	\$ 99	\$ 54	\$ 22	\$ 22	\$ 197

<i>2018 (Millions, except where indicated)</i>	GCSG	GCS	GMNS	Corporate & Other <sup>(a)</sup>	Consolidated
Total non-interest revenues	\$ 3,491	\$ 2,838	\$ 1,532	\$ 16	\$ 7,877
Revenue from contracts with customers <sup>(b)</sup>	2,438	2,454	1,491	4	6,387
Interest income	1,949	377	9	127	2,462
Interest expense	327	171	(59)	182	621
Total revenues net of interest expense	5,113	3,044	1,600	(39)	9,718
Net income (loss)	\$ 826	\$ 546	\$ 516	\$ (254)	\$ 1,634
Total assets ( <i>billions</i> )	\$ 91	\$ 51	\$ 20	\$ 18	\$ 180

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

(b) Includes discount revenue, certain other fees and commissions and other revenues from customers.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

### *Business Introduction*

When we use the terms "American Express," "we," "our" or "us," we mean American Express Company and its subsidiaries on a consolidated basis, unless we state or the context implies otherwise.

We are a globally integrated payments company that provides our customers with access to products, insights and experiences that enrich lives and build business success. Our principal products and services are charge and credit card products and travel-related services offered to consumers and businesses around the world. Our 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 and operation of customer loyalty programs
- Expense management products and services
- Travel-related services

Our various products and services are sold globally to diverse customer groups, including consumers, large corporations, mid-sized companies and small businesses. These products and services are sold through various channels, including mobile and online applications, direct mail, in-house sales teams, third-party vendors and business partners, and direct response advertising. Business travel-related services are offered through our non-consolidated joint venture, American Express Global Business Travel (the GBT JV).

We compete in the global payments industry with charge, credit and debit card networks, issuers and acquirers, paper-based transactions (e.g., cash and checks), bank transfer models (e.g., wire transfers and Automated Clearing House (ACH)), as well as evolving and growing alternative payment and financing providers. As the payments industry continues to evolve, we face increasing competition from non-traditional players that leverage new technologies, business models and customer relationships to create payment or financing solutions.

The following types of revenue are generated from our various products and services:

- Discount revenue, our largest revenue source, primarily represents the amount we earn on transactions occurring at merchants that have entered into a card acceptance agreement with us, or a Global Network Services (GNS) partner or other third-party merchant acquirer, for facilitating transactions between the merchants and Card Members;
- Interest on loans, principally represents interest income earned on outstanding balances;
- Net card fees, represent revenue earned from annual card membership fees, which vary based on the type of card and the number of cards for each account;
- Other fees and commissions, primarily represent Card Member delinquency fees, foreign currency conversion fees charged to Card Members, loyalty coalition-related fees, travel commissions and fees, service fees earned from merchants, and Membership Rewards program fees; and
- Other revenue, primarily represents revenues arising from contracts with partners of our GNS business (including commissions and signing fees less issuer rate payments), cross-border Card Member spending, ancillary merchant-related fees, insurance premiums earned from Card Members, earnings from equity method investments (including the GBT JV), and prepaid card and Travelers Cheque-related revenue.

### *Forward-Looking Statements and Non-GAAP Measures*

Certain of the statements in this Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Refer to the "Cautionary Note Regarding Forward-Looking Statements" section. We prepare our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (GAAP). However, certain information included within this Form 10-Q constitutes non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies.

### **Bank Holding Company**

American Express is a bank holding company under the Bank Holding Company Act of 1956 and The Board of Governors of the Federal Reserve System (the Federal Reserve) is our primary federal regulator. As such, we are subject to the Federal Reserve's regulations, policies and minimum capital standards.

### **Business Environment**

Our results for the first quarter reflect a solid start to the year, with broad based billings and revenue growth across our businesses and geographies. We continued to invest in new services and Card Member benefits, new card acquisitions and expanding our merchant network, and we returned a significant amount of capital to shareholders through share repurchases and dividends. Earnings per share were down \$0.06 relative to the first quarter of 2018, but the current quarter reflected a \$0.21 per share impact of a merchant litigation-related charge.

Our worldwide billed business increased 4 percent over the prior year and worldwide proprietary billings grew at 7 percent. The US dollar continued to strengthen, relative to the prior year, against the major currencies in which we operate, resulting in a larger negative impact on our billings and revenue growth than in recent quarters. After adjusting for foreign currency exchange (FX) rates, worldwide proprietary billed business increased 9 percent over the prior year, with international proprietary billings continuing double digit growth.<sup>1</sup> GNS billed business declined as we continue to exit the network business in Europe and Australia due to certain regulatory changes; excluding the billings from those geographies, GNS billed business grew 6 percent year-over-year.

Revenues net of interest expense increased 7 percent (9 percent on an FX-adjusted basis), driven by a well-balanced mix of growth across Card Member spending, loan volumes and fee income.<sup>1</sup> Card fee revenue reflected an increase in Card Member acquisitions and higher fees on certain of our card products around the world as we continued to add benefits to our product offerings.

Card Member loans grew year-over-year, as we continued to expand our lending relationships with existing customers and acquired new Card Members. Provisions for losses increased at a lower rate than in recent quarters due to a smaller reserve build compared to the prior year. The higher reserve build in the first quarter of last year was due to an acceleration in loan growth and the seasoning of our lending book. The increased stability in the lending portfolio in the current year resulted in a lower reserve build compared to Q1 '18. We expect provisions for losses to grow at a higher rate than the first quarter over the balance of the year.

Spending on customer engagement (the aggregate of rewards, Card Member services, and marketing and business development expenses) increased year-over-year across all categories. Increases in rewards and Card Member services reflected the growth in billings and continued higher levels of investment across many of our premium travel-related benefits. Marketing and business development expense increased due to higher spending on growth initiatives, including Card Member acquisition, continued investments in our cobrand partnerships and higher corporate client incentives. We expect spending on customer engagement to continue to increase, including as a result of our recently announced renewal of our relationships with Delta Air Lines, our largest cobrand partner.

We continue to see attractive growth opportunities across our businesses and plan to invest to take advantage of them in order to drive revenue growth over the moderate to long term. While we continue to see some headwinds in the environment, including from regulation in countries around the world and intense competition, we remain focused on delivering differentiated value to our merchants, Card Members and business partners and delivering appropriate returns to our shareholders.

See "Certain Legislative, Regulatory and Other Developments" for information on certain matters that could have a material adverse effect on our results of operations and financial condition.

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<sup>1</sup> The foreign currency adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the current period apply to the corresponding prior year period against which such results are being compared). FX-adjusted revenues and expenses constitute non-GAAP measures. We believe the presentation of information on a foreign currency adjusted basis is helpful to investors by making it easier to compare our performance in one period to that of another period without the variability caused by fluctuations in currency exchange rates.

## American Express Company

### Consolidated Results of Operations

Refer to the “Glossary of Selected Terminology” for the definitions of certain key terms and related information appearing within this section.

The discussions in both the “Consolidated Results of Operations” and “Business Segment Results” provide commentary on the variances for the three months ended March 31, 2019 compared to the same period in the prior year, as presented in the accompanying tables.

**Table 1: Summary of Financial Performance**

<i>(Millions, except percentages and per share amounts)</i>	Three Months Ended March 31,		Change	
	2019	2018	2019 vs. 2018	
Total revenues net of interest expense	<b>\$10,364</b>	\$ 9,718	\$ 646	7%
Provisions for losses	<b>809</b>	775	34	4
Expenses	<b>7,597</b>	6,861	736	11
Pretax income	<b>1,958</b>	2,082	(124)	(6)
Income tax provision	<b>408</b>	448	(40)	(9)
Net income	<b>1,550</b>	1,634	(84)	(5)
Earnings per common share — diluted <sup>(a)</sup>	<b>\$ 1.80</b>	\$ 1.86	\$ (0.06)	(3)%
Return on average equity <sup>(b)</sup>	<b>31.9%</b>	15.2%		
Effective tax rate	<b>20.8%</b>	21.5%		

(a) Earnings per common share — diluted was reduced by the impact of (i) earnings allocated to participating share awards of \$11 million and \$13 million for the three months ended March 31, 2019 and 2018, respectively, and (ii) dividends on preferred shares of \$21 million for both the three months ended March 31, 2019 and 2018.

(b) Return on average equity (ROE) is computed by dividing (i) one-year period net income (\$6.8 billion and \$3.1 billion for March 31, 2019 and 2018, respectively) by (ii) one-year average total shareholders’ equity (\$21.5 billion and \$20.5 billion for March 31, 2019 and 2018, respectively).

**Table 2: Total Revenues Net of Interest Expense Summary**

<i>(Millions, except percentages)</i>	Three Months Ended March 31,		Change	
	2019	2018	2019 vs. 2018	
Discount revenue	<b>\$ 6,195</b>	\$ 5,889	\$ 306	5%
Net card fees	<b>944</b>	830	114	14
Other fees and commissions	<b>803</b>	781	22	3
Other	<b>363</b>	377	(14)	(4)
Total non-interest revenues	<b>8,305</b>	7,877	428	5
Total interest income	<b>2,954</b>	2,462	492	20
Total interest expense	<b>895</b>	621	274	44
Net interest income	<b>2,059</b>	1,841	218	12
<b>Total revenues net of interest expense</b>	<b>\$ 10,364</b>	\$ 9,718	\$ 646	7%

#### ***Total Revenues Net of Interest Expense***

Discount revenue increased, primarily due to growth in billed business of 4 percent (7 percent on an FX-adjusted basis).<sup>2</sup> U.S. billed business increased 7 percent. Non-U.S. billed business decreased 1 percent, but increased 6 percent on an FX-adjusted basis.<sup>2</sup> See Tables 5 and 6 for more details on billed business performance. The average discount rate of 2.37 percent was unchanged year-over-year.

Net card fees increased, primarily driven by growth in the Platinum and Delta portfolios, as well as growth in certain key international countries.

Other fees and commissions increased, primarily driven by growth in travel commissions and fees and increases in delinquency fees.

Other revenues decreased, primarily driven by lower breakage from prepaid products and a decline in revenues related to transition services agreements.

Interest income increased, primarily driven by higher average Card Member loans and modestly higher yields.

Interest expense increased, primarily driven by higher interest rates, higher average long-term debt and higher average deposits.

<sup>2</sup> Refer to footnote 1 on page 30 for details regarding foreign currency adjusted information.

**Table 3: Provisions for Losses Summary**

<i>(Millions, except percentages)</i>	Three Months Ended		Change	
	March 31,		2019 vs. 2018	
	2019	2018		
Charge card	\$ 253	\$ 242	\$ 11	5%
Card Member loans	525	499	26	5
Other	31	34	(3)	(9)
<b>Total provisions for losses</b>	<b>\$ 809</b>	<b>\$ 775</b>	<b>\$ 34</b>	<b>4%</b>

#### *Provisions for Losses*

Charge card provision for losses increased, primarily driven by higher net write-offs, which increased in line with growth in receivables due to increased billed business largely in the corporate and small business portfolios.

Card Member loans provision for losses increased, driven by loan growth and higher net write-offs, partially offset by a smaller reserve build compared to the prior year, reflecting increased stability in the lending portfolio. The higher reserve build in the first quarter of last year was driven by an acceleration in loan growth and the seasoning of our lending book.

Other provision for losses decreased, primarily due to improved credit performance of the commercial financing portfolio.

**Table 4: Expenses Summary**

<i>(Millions, except percentages)</i>	Three Months Ended		Change	
	March 31,		2019 vs. 2018	
	2019	2018		
Marketing and business development	\$ 1,573	\$ 1,345	\$ 228	17%
Card Member rewards	2,451	2,347	104	4
Card Member services	550	409	141	34
Total marketing, business development, rewards and Card Member services	4,574	4,101	473	12
Salaries and employee benefits	1,422	1,326	96	7
Other, net	1,601	1,434	167	12
<b>Total expenses</b>	<b>\$ 7,597</b>	<b>\$ 6,861</b>	<b>\$ 736</b>	<b>11%</b>

#### *Expenses*

Marketing and business development expense increased, primarily due to higher spending on growth initiatives, continued investments in partnerships, and increased corporate client incentives driven by higher volumes.

Card Member rewards expense increased, primarily driven by increases in Membership Rewards expense of \$64 million and cobrand rewards expense of \$40 million. The increase in Membership Rewards expense was primarily driven by higher spending volumes, partially offset by a decline in the weighted average cost per point and slower growth in the Membership Rewards ultimate redemption rate (URR). The increase in cobrand rewards expense was primarily driven by higher spending volumes, partially offset by some discrete items in the current year.

The Membership Rewards URR for current program participants increased to 96 percent (rounded up) at March 31, 2019 from 95 percent (rounded down) at March 31, 2018. The increase in the URR reflects continued higher engagement in our Membership Rewards program.

Card Member services expense increased, primarily driven by higher usage of travel-related benefits.

Salaries and employee benefits expense increased, primarily driven by higher payroll and deferred compensation expenses.

Other expenses increased, primarily driven by a litigation-related charge, partially offset by the prior-year loss on a transaction involving the operations of our prepaid reloadable and gift card business.





**Income Taxes**

The effective tax rate decreased, reflecting the resolution of certain prior years' tax items in the current year.

**Table 5: Selected Card-Related Statistical Information**

	As of or for the Three Months Ended March 31,		Change 2019 vs. 2018
	2019	2018	
<b>Billed business: (billions)</b>			
U.S.	\$ 195.5	\$ 182.5	7%
Outside the U.S.	100.2	101.3	(1)
Total	\$ 295.7	\$ 283.8	4
Proprietary	\$ 253.3	\$ 236.9	7
GNS	42.4	46.9	(10)
Total	\$ 295.7	\$ 283.8	4
<b>Cards-in-force: (millions)</b>			
U.S.	54.1	51.3	5
Outside the U.S.	59.8	62.9	(5)
Total	113.9	114.2	—
Proprietary	69.7	66.4	5
GNS	44.2	47.8	(8)
Total	113.9	114.2	—
<b>Basic cards-in-force: (millions)</b>			
U.S.	42.5	40.4	5
Outside the U.S.	49.9	52.4	(5)
Total	92.4	92.8	—
<b>Average proprietary basic Card Member spending: (dollars)</b>			
U.S.	\$ 5,082	\$ 5,015	1
Outside the U.S.	3,927	3,869	1
Worldwide Average	\$ 4,741	\$ 4,677	1
<b>Card Member loans: (billions)</b>			
U.S.	\$ 70.8	\$ 63.9	11
Outside the U.S.	10.2	8.9	15
Total	\$ 81.0	\$ 72.8	11
Average discount rate	2.37%	2.37%	
Average fee per card (dollars) <sup>(a)</sup>	\$ 54	\$ 51	6%

(a) Average fee per card is computed based on proprietary basic net card fees divided by average proprietary basic cards-in-force.

**Table 6: Billed Business Growth**

	Three Months Ended March 31, 2019	
	Year over Year Percentage Increase (Decrease)	Year over Year Percentage Increase (Decrease) Assuming No Changes in FX Rates <sup>(a)</sup>
<b>Worldwide</b>		
Proprietary		
Proprietary consumer	7%	9%
Proprietary commercial	7	8
Total Proprietary	7	9
GNS	(10)	(4)
Worldwide Total	4	7
Airline-related volume (9% of Worldwide Total)	1	5
<b>U.S.</b>		
Proprietary		
Proprietary consumer	7	
Proprietary commercial	7	
Total Proprietary	7	
U.S. Total	7	
T&E-related volume (26% of U.S. Total)	5	
Non-T&E-related volume (74% of U.S. Total)	7	
Airline-related volume (8% of U.S. Total)	5	
<b>Outside the U.S.</b>		
Proprietary		
Proprietary consumer	8	16
Proprietary commercial	5	13
Total Proprietary	7	15
Outside the U.S. Total	(1)	6
Japan, Asia Pacific & Australia	(2)	4
Latin America & Canada	1	11
Europe, the Middle East & Africa	(2)	7

(a) The foreign currency adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the current period apply to the corresponding prior year period against which such results are being compared).

**Table 7: Selected Credit-Related Statistical Information**

	As of or for the Three Months Ended March 31,		Change 2019 vs. 2018
	2019	2018	2018
<i>(Millions, except percentages and where indicated)</i>			
<b>Worldwide Card Member loans:</b>			
Total loans ( <i>billions</i> )	\$ 81.0	\$ 72.8	11%
Loss reserves:			
Beginning balance	\$ 2,134	\$ 1,706	25
Provisions - principal, interest and fees	525	499	5
Net write-offs — principal less recoveries	(457)	(358)	28
Net write-offs — interest and fees less recoveries	(92)	(71)	30
Other <sup>(a)</sup>	11	10	10
Ending balance	\$ 2,121	\$ 1,786	19
Ending reserves — principal	\$ 1,999	\$ 1,691	18
Ending reserves — interest and fees	\$ 122	\$ 95	28
% of loans	2.6%	2.5%	
% of past due	178%	174%	
Average loans ( <i>billions</i> )	\$ 80.6	\$ 72.7	11
Net write-off rate — principal only <sup>(b)</sup>	2.3%	2.0%	
Net write-off rate — principal, interest and fees <sup>(b)</sup>	2.7%	2.4%	
30+ days past due as a % of total <sup>(b)</sup>	1.5%	1.4%	
<b>Worldwide Card Member receivables:</b>			
Total receivables ( <i>billions</i> )	\$ 56.8	\$ 54.2	5
Loss reserves:			
Beginning balance	\$ 573	\$ 521	10
Provisions - principal and fees	253	242	5
Net write-offs - principal and fees less recoveries	(216)	(199)	9
Other <sup>(a)</sup>	(2)	1	#
Ending balance	\$ 608	\$ 565	8%
% of receivables	1.1%	1.0%	
Net write-off rate — principal only <sup>(b)</sup>	1.8%	1.6%	
Net write-off rate — principal and fees <sup>(b)</sup>	2.0%	1.8%	
30+ days past due as a % of total <sup>(b)</sup>	1.5%	1.5%	
Net loss ratio as a % of charge volume — GCP <sup>(c)</sup>	0.08%	0.10%	
90+ days past billing as a % of total — GCP <sup>(c)</sup>	0.6%	0.8%	

# Denotes a variance of 100 percent or more

- (a) Other includes foreign currency translation adjustments.
- (b) We present a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, as our practice is to include uncollectible interest and/or fees as part of our total provision for losses, a net write-off rate including principal, interest and/or fees is also presented. The net write-off rates and 30+ days past due as a percentage of total for Card Member receivables relate to Global Consumer Services Group (GCSG) and Global Small Business Services (GSBS) Card Member receivables.
- (c) Global Corporate Payments (GCP) reflects global, large and middle market corporate accounts. For GCP Card Member receivables, delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member's billing statement date. In addition, if we initiate collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes. GCP delinquency data for periods other than 90+ days past billing is not available due to system constraints.

**Table 8: Net Interest Yield on Average Card Member Loans**

	Three Months Ended March 31,	
<i>(Millions, except percentages and where indicated)</i>	<b>2019</b>	2018
Net interest income	<b>\$ 2,059</b>	\$ 1,841
Exclude:		
Interest expense not attributable to our Card Member loan portfolio <sup>(a)</sup>	<b>453</b>	302
Interest income not attributable to our Card Member loan portfolio <sup>(b)</sup>	<b>(335)</b>	(213)
Adjusted net interest income <sup>(c)</sup>	<b>\$ 2,177</b>	\$ 1,930
Average Card Member loans ( <i>billions</i> )	<b>\$ 80.6</b>	\$ 72.7
Net interest income divided by average Card Member loans <sup>(c)</sup>	<b>10.2%</b>	10.1%
Net interest yield on average Card Member loans <sup>(c)</sup>	<b>10.9%</b>	10.8%

- (a) Primarily represents interest expense attributable to maintaining our corporate liquidity pool and funding Card Member receivables.
- (b) Primarily represents interest income attributable to Other loans, interest-bearing deposits and the fixed income investment portfolios.
- (c) Adjusted net interest income and net interest yield on average Card Member loans are non-GAAP measures. Refer to “Glossary of Selected Terminology” for the definitions of these terms. We believe adjusted net interest income is useful to investors because it represents the interest expense and interest income attributable to our Card Member loan portfolio and is a component of net interest yield on average Card Member loans, which provides a measure of profitability of our Card Member loan portfolio. Net interest yield on average Card Member loans reflects adjusted net interest income divided by average Card Member loans, computed on an annualized basis. Net interest income divided by average Card Member loans, computed on an annualized basis, a GAAP measure, 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 average Card Member loans.

## Business Segment Results

During 2018, we realigned our reportable operating segments to: GCSG, Global Commercial Services (GCS) and Global Merchant and Network Services (GMNS). Corporate functions and certain other businesses and operations are included in Corporate & Other. We also made changes to the methodology used to allocate certain corporate overhead costs to the operating segments and our intercompany settlement process. Effective for the first quarter of 2019, we moved intercompany assets and liabilities, previously recorded in the operating segments, to Corporate & Other.

For all of the above referenced changes, prior period amounts have been revised to conform to the current period presentation.

### Global Consumer Services Group

**Table 9: GCSG Selected Income Statement Data**

<i>(Millions, except percentages)</i>	Three Months Ended		Change 2019 vs. 2018	
	March 31, 2019	2018		
Revenues				
Non-interest revenues	<b>\$ 3,741</b>	\$ 3,491	\$ 250	7%
Interest income	<b>2,272</b>	1,949	323	17
Interest expense	<b>459</b>	327	132	40
Net interest income	<b>1,813</b>	1,622	191	12
Total revenues net of interest expense	<b>5,554</b>	5,113	441	9
Provisions for losses	<b>552</b>	530	22	4
Total revenues net of interest expense after provisions for losses	<b>5,002</b>	4,583	419	9
Expenses				
Marketing, business development, rewards and Card Member services	<b>2,785</b>	2,446	339	14
Salaries and employee benefits and other operating expenses	<b>1,177</b>	1,089	88	8
Total expenses	<b>3,962</b>	3,535	427	12
Pretax segment income	<b>1,040</b>	1,048	(8)	(1)
Income tax provision	<b>219</b>	222	(3)	(1)
Segment income	<b>\$ 821</b>	\$ 826	\$ (5)	(1)%
Effective tax rate	<b>21.1%</b>	21.2%		

GCSG primarily issues a wide range of proprietary consumer cards globally. GCSG also provides services to consumers, including travel-related services and non-card financing products, and manages certain international joint ventures and our partnership agreements in China.

Non-interest revenues increased, primarily driven by discount revenue, which increased 6 percent, reflecting an increase in proprietary consumer billed business of 7 percent. U.S. and non-U.S. proprietary consumer billed business increased 7 percent and 8 percent, respectively, both reflecting higher cards-in-force and higher average spend per card.

Net card fees increased, primarily driven by growth in the Platinum and Delta portfolios, as well as growth across certain key international countries. Other fees and commissions increased, primarily driven by higher travel commissions, delinquency fees and foreign exchange conversion revenue.

Net interest income increased, primarily driven by growth in average Card Member loans and higher yields, partially offset by higher interest expense, primarily driven by higher cost of funds.

Provisions for losses increased, driven by loan growth and higher net write-offs, partially offset by a smaller reserve build compared to the prior year, reflecting increased stability in the lending portfolio. The higher reserve build in the first quarter of last year was driven by an acceleration in loan growth and the seasoning of our lending book.

Marketing, business development, rewards and Card Member services expenses increased across all expense categories. The increase in marketing and business development expenses was primarily due to higher spending on growth initiatives and higher cobrand partner payments. The increase in Card Member services expense was primarily driven by higher usage of travel-related benefits. The Card Member rewards expense increase was primarily driven by higher proprietary and cobrand spending volumes.

Salaries and employee benefits and other operating expenses increased, primarily driven by higher technology and other servicing-related costs, prior-year gains on the re-measurement of certain equity investments and higher payroll costs.

The effective tax rate decreased, reflecting the resolution of certain prior years' tax items in the current year.

**Table 10: GCSG Selected Statistical Information**

	Three Months Ended		Change 2019 vs 2018
	March 31,		
	2019	2018	
<i>(Millions, except percentages and where indicated)</i>			
<b>Proprietary billed business: (billions)</b>			
U.S.	\$ 92.1	\$ 86.0	7 %
Outside the U.S.	35.9	33.3	8
Total	\$128.0	\$ 119.3	7
<b>Proprietary cards-in-force:</b>			
U.S.	38.0	36.1	5
Outside the U.S.	17.1	16.2	6
Total	55.1	52.3	5
<b>Proprietary basic cards-in-force:</b>			
U.S.	27.1	25.8	5
Outside the U.S.	11.9	11.2	6
Total	39.0	37.0	5
<b>Average proprietary basic Card Member spending: (dollars)</b>			
U.S.	\$3,402	\$ 3,371	1
Outside the U.S.	\$3,052	\$ 3,001	2
Average	\$3,296	\$ 3,259	1
<b>Total segment assets (billions)</b>			
	\$ 98.5	\$ 90.7	9
<b>Card Member loans:</b>			
<b>Total loans (billions)</b>			
U.S.	\$ 58.0	\$ 52.7	10
Outside the U.S.	9.9	8.6	15
Total	\$ 67.9	\$ 61.3	11
<b>Average loans (billions)</b>			
U.S.	\$ 58.3	\$ 52.9	10
Outside the U.S.	9.7	8.7	11
Total	\$ 68.0	\$ 61.6	10%
<b>Lending Credit Metrics:</b>			
<b>U.S.</b>			
Net write-off rate - principal only <sup>(a)</sup>	2.4%	2.0%	
Net write-off rate - principal, interest and fees <sup>(a)</sup>	2.8%	2.4%	
30+ days past due as a % of total	1.5%	1.4%	
<b>Outside the U.S.</b>			
Net write-off rate - principal only <sup>(a)</sup>	2.2%	2.1%	
Net write-off rate - principal, interest and fees <sup>(a)</sup>	2.8%	2.6%	
30+ days past due as a % of total	1.7%	1.6%	
<b>Total</b>			
Net write-off rate - principal only <sup>(a)</sup>	2.3%	2.0%	
Net write-off rate - principal, interest and fees <sup>(a)</sup>	2.8%	2.4%	
30+ days past due as a % of total	1.5%	1.4%	

	As of or for the Three Months Ended March 31,		Change 2019 vs 2018
	2019	2018	
<i>(Millions, except percentages and where indicated)</i>			
Card Member receivables: (billions)			
U.S.	\$ 12.7	\$ 11.7	9%
Outside the U.S.	7.2	7.0	3
Total receivables	\$ 19.9	\$ 18.7	6%
Charge Credit Metrics:			
U.S.			
Net write-off rate – principal only <sup>(a)</sup>	1.4%	1.3%	
Net write-off rate – principal and fees <sup>(a)</sup>	1.6%	1.5%	
30+ days past due as a % of total	1.2%	1.3%	
Outside the U.S.			
Net write-off rate – principal only <sup>(a)</sup>	2.2%	2.0%	
Net write-off rate – principal and fees <sup>(a)</sup>	2.4%	2.2%	
30+ days past due as a % of total	1.5%	1.5%	
Total			
Net write-off rate – principal only <sup>(a)</sup>	1.7%	1.6%	
Net write-off rate – principal and fees <sup>(a)</sup>	1.9%	1.7%	
30+ days past due as a % of total	1.3%	1.4%	

(a) Refer to Table 7 footnote (b).



**Table 11: GCSG Net Interest Yield on Average Card Member Loans**

	Three Months Ended	
	March 31,	
	2019	2018
<i>(Millions, except percentages and where indicated)</i>		
U.S.		
Net interest income	\$ 1,565	\$ 1,403
Exclude:		
Interest expense not attributable to our Card Member loan portfolio <sup>(a)</sup>	65	37
Interest income not attributable to our Card Member loan portfolio <sup>(b)</sup>	(53)	(39)
Adjusted net interest income <sup>(c)</sup>	\$ 1,577	\$ 1,401
Average Card Member loans ( <i>billions</i> )	\$ 58.3	\$ 52.9
Net interest income divided by average Card Member loans <sup>(c)</sup>	10.7%	10.6%
Net interest yield on average Card Member loans <sup>(c)</sup>	11.0%	10.7%
Outside the U.S.		
Net interest income	\$ 248	\$ 218
Exclude:		
Interest expense not attributable to our Card Member loan portfolio <sup>(a)</sup>	19	18
Interest income not attributable to our Card Member loan portfolio <sup>(b)</sup>	(3)	(3)
Adjusted net interest income <sup>(c)</sup>	\$ 264	\$ 233
Average Card Member loans ( <i>billions</i> )	\$ 9.7	\$ 8.6
Net interest income divided by average Card Member loans <sup>(c)</sup>	10.2%	10.1%
Net interest yield on average Card Member loans <sup>(c)</sup>	11.1%	11.0%
Total		
Net interest income	\$ 1,813	\$ 1,622
Exclude:		
Interest expense not attributable to our Card Member loan portfolio <sup>(a)</sup>	84	54
Interest income not attributable to our Card Member loan portfolio <sup>(b)</sup>	(56)	(41)
Adjusted net interest income <sup>(c)</sup>	\$ 1,841	\$ 1,635
Average Card Member loans ( <i>billions</i> )	\$ 68.0	\$ 61.6
Net interest income divided by average Card Member loans <sup>(c)</sup>	10.7%	10.5%
Net interest yield on average Card Member loans <sup>(c)</sup>	11.0%	10.8%

(a) Refer to Table 8 footnote (a).

(b) Refer to Table 8 footnote (b).

(c) Refer to Table 8 footnote (c).

## Global Commercial Services

**Table 12: GCS Selected Income Statement Data**

<i>(Millions, except percentages)</i>	Three Months Ended March 31,		Change 2019 vs. 2018	
	2019	2018	\$	%
Revenues				
Non-interest revenues	<b>\$ 3,020</b>	\$ 2,838	\$ 182	6%
Interest income	<b>454</b>	377	77	20
Interest expense	<b>241</b>	171	70	41
Net interest income	<b>213</b>	206	7	3
Total revenues net of interest expense	<b>3,233</b>	3,044	189	6
Provisions for losses	<b>254</b>	240	14	6
Total revenues net of interest expense after provisions for losses	<b>2,979</b>	2,804	175	6
Expenses				
Marketing, business development, rewards and Card Member services	<b>1,470</b>	1,374	96	7
Salaries and employee benefits and other operating expenses	<b>766</b>	722	44	6
Total expenses	<b>2,236</b>	2,096	140	7
Pretax segment income	<b>743</b>	708	35	5
Income tax provision	<b>157</b>	162	(5)	(3)
Segment income	<b>\$ 586</b>	\$ 546	\$ 40	7%
Effective tax rate	<b>21.1%</b>	22.9%		

GCS primarily issues a wide range of proprietary corporate and small business cards and provides payment and expense management services globally. In addition, GCS provides commercial financing products.

Non-interest revenues increased, primarily driven by higher discount revenue, reflecting growth in billed business from small and medium sized businesses and higher net card fees, primarily due to growth in the U.S. small business Platinum and Gold portfolios.

Net interest income increased, primarily driven by an increase in average Card Member loans, partially offset by higher cost of funds.

Provisions for losses increased, primarily driven by growth in Card Member loans and higher net write-offs in the small business lending portfolio.

Marketing, business development, rewards and Card Member services expenses increased, primarily driven by increases in marketing and business development expenses and Card Member rewards expense, which primarily reflected increased spending on growth initiatives and higher spending volumes, respectively.

Salaries and employee benefits and other operating expenses increased, primarily driven by higher technology and other servicing-related costs.

The effective tax rate decreased, primarily reflecting the resolution of certain prior years' tax items in the current year.

**Table 13: GCS Selected Statistical Information**

	As of or for the Three Months Ended		Change 2019 vs 2018
	March 31,		
	2019	2018	
<i>(Millions, except percentages and where indicated)</i>			
Proprietary billed business ( <i>billions</i> )	\$ 123.4	\$ 115.7	7%
Proprietary cards-in-force	14.6	14.1	4
Average Card Member spending ( <i>dollars</i> )	\$ 8,463	\$ 8,233	3
Total segment assets ( <i>billions</i> )	\$ 54.0	\$ 51.4	5
Card Member loans ( <i>billions</i> )	\$ 13.1	\$ 11.5	14
Card Member receivables ( <i>billions</i> )	\$ 36.9	\$ 35.5	4
GSBS Card Member loans:			
Total loans ( <i>billions</i> )	\$ 13.0	\$ 11.4	14
Average loans ( <i>billions</i> )	\$ 12.6	\$ 11.1	14
Net write-off rate - principal only <sup>(a)</sup>	1.8%	1.6%	
Net write-off rate - principal, interest and fees <sup>(a)</sup>	2.1%	1.9%	
30+ days past due as a % of total	1.3%	1.3%	
Calculation of Net Interest Yield on Average Card Member Loans:			
Net interest income	\$ 213	\$ 206	
Exclude:			
Interest expense not attributable to our Card Member loan portfolio <sup>(b)</sup>	175	126	
Interest income not attributable to our Card Member loan portfolio <sup>(c)</sup>	(52)	(37)	
Adjusted net interest income <sup>(d)</sup>	\$ 336	\$ 295	
Average Card Member loans ( <i>billions</i> )	\$ 12.6	\$ 11.2	
Net interest income divided by average Card Member loans <sup>(d)</sup>	6.8%	7.4%	
Net interest yield on average Card Member loans <sup>(d)</sup>	10.8%	10.7%	
GCP Card Member receivables:			
Total receivables ( <i>billions</i> )	\$ 19.6	\$ 19.3	2
90+ days past billing as a % of total <sup>(e)</sup>	0.6%	0.8%	
Net loss ratio (as a % of charge volume) <sup>(f)</sup>	0.08%	0.10%	
GSBS Card Member receivables:			
Total receivables ( <i>billions</i> )	\$ 17.3	\$ 16.2	7%
Net write-off rate - principal only <sup>(a)</sup>	1.9%	1.7%	
Net write-off rate - principal and fees <sup>(a)</sup>	2.1%	1.9%	
30+ days past due as a % of total	1.6%	1.8%	

(a) Refer to Table 7 footnote (b).

(b) Refer to Table 8 footnote (a).

(c) Refer to Table 8 footnote (b).

(d) Refer to Table 8 footnote (c).

(e) Refer to Table 7 footnote (c).

(f) Represents the ratio of GCP charge card write-offs, consisting of principal (resulting from authorized transactions) and fee components, less recoveries, on Card Member receivables expressed as a percentage of gross amounts billed to corporate Card Members.

## Global Merchant and Network Services

**Table 14: GMNS Selected Income Statement and Other Data**

<i>(Millions, except percentages and where indicated)</i>	Three Months Ended		Change	
	2019	2018	2019 vs. 2018	
Revenues				
Non-interest revenues	\$ 1,525	\$ 1,532	\$ (7)	—%
Interest income	9	9	—	—
Interest expense	(93)	(59)	(34)	58
Net interest income	102	68	34	50
Total revenues net of interest expense	1,627	1,600	27	2
Provisions for losses	4	5	(1)	(20)
Total revenues net of interest expense after provisions for losses	1,623	1,595	28	2
Expenses				
Marketing, business development, rewards and Card Member services	305	267	38	14
Salaries and employee benefits and other operating expenses	482	620	(138)	(22)
Total expenses	787	887	(100)	(11)
Pretax segment income	836	708	128	18
Income tax provision	205	192	13	7
Segment income	\$ 631	\$ 516	\$ 115	22%
Effective tax rate	24.5%	27.1%		
Total segment assets ( <i>billions</i> )	22.1	19.5		

GMNS operates a global payments network that processes and settles card transactions, acquires merchants and provides multi-channel marketing programs and capabilities, services and data analytics, leveraging our global integrated network. GMNS manages our partnership relationships with third-party card issuers, merchant acquirers and a prepaid reloadable and gift card program manager, licensing the American Express brand and extending the reach of the global network. GMNS also manages loyalty coalition businesses in certain countries.

Non-interest revenues were flat compared to the prior year, but increased by 3 percent on an FX-adjusted basis.<sup>3</sup> The increase on an FX-adjusted basis was primarily driven by growth in billed business, partially offset by lower breakage on prepaid products.

Net interest income increased, reflecting a higher interest expense credit relating to internal transfer pricing, which results in a net benefit for GMNS due to its merchant payables.

Marketing, business development, rewards and Card Member services expenses increased primarily driven by payments related to the partnership agreement with our prepaid reloadable and gift card program manager, partially offset by lower levels of spending on growth initiatives.

Salaries and employee benefits and other operating expenses decreased, primarily driven by the prior-year loss on a transaction involving the operations of our prepaid reloadable and gift card business.

The effective tax rate decreased, reflecting the resolution of certain prior year tax items in the current year, and a discrete tax charge in the prior year.

## Corporate & Other

Corporate functions and certain other businesses are included in Corporate & Other.

Corporate & Other net expense was \$488 million for the three months ended March 31, 2019, compared to \$254 million in the same period a year ago. The increase was primarily driven by a litigation-related charge and increased technology costs.

<sup>3</sup> Refer to footnote 1 on page 30 for details regarding foreign currency adjusted information.



## CONSOLIDATED CAPITAL RESOURCES AND LIQUIDITY

Our balance sheet management objectives are to maintain:

- A solid and flexible equity capital profile;
- A broad, deep and diverse set of funding sources to finance our assets and meet operating requirements; and
- Liquidity programs that enable us to continuously meet expected future financing obligations and business requirements for at least a twelve-month period in the event we are unable to continue to raise new funds under our traditional funding programs during a substantial weakening in economic conditions.

### Capital

The following table presents our regulatory risk-based capital ratios and leverage ratios and those of our significant bank subsidiary, American Express National Bank (AENB) as of March 31, 2019.

**Table 15: Regulatory Risk-Based Capital and Leverage Ratios**

	Basel III Minimum	Ratios as of March 31, 2019
<b>Risk-Based Capital</b>		
Common Equity Tier 1	7.0%	
<i>American Express Company</i>		10.8%
<i>American Express National Bank</i>		12.1
Tier 1	8.5	
<i>American Express Company</i>		11.8
<i>American Express National Bank</i>		12.1
Total	10.5	
<i>American Express Company</i>		13.4
<i>American Express National Bank</i>		14.2
<b>Tier 1 Leverage</b>	4.0	
<i>American Express Company</i>		10.0
<i>American Express National Bank</i>		9.4
<b>Supplementary Leverage Ratio</b>	3.0%	
<i>American Express Company</i>		8.6
<i>American Express National Bank</i>		7.8%

**Table 16: Regulatory Risk-Based Capital Components and Risk Weighted Assets**

American Express Company (\$ in Billions)	March 31, 2019
<b>Risk-Based Capital</b>	
Common Equity Tier 1	\$ 17.4
Tier 1 Capital	19.0
Tier 2 Capital <sup>(a)</sup>	2.6
Total Capital	21.6
<b>Risk-Weighted Assets</b>	161.3
<b>Average Total Assets to calculate the Tier 1 Leverage Ratio</b>	189.4
<b>Total Leverage Exposure to calculate supplementary leverage ratio</b>	\$ 221.4

- (a) Tier 2 capital is the sum of the allowance for loan and receivable losses (limited to 1.25 percent of risk-weighted assets), minority interest that is not included in Tier 1 capital and \$600 million of subordinated notes adjusted for capital held by insurance subsidiaries.

We seek to maintain capital levels and ratios in excess of the minimum regulatory requirements and finance such capital in a cost efficient manner; failure to maintain minimum capital levels at American Express or AENB could affect our status as a financial holding company and cause the regulatory agencies with oversight of American Express or AENB to take actions that could limit our business operations.



Our primary source of equity capital has been the generation of net income. Capital generated through net income and other sources, such as the exercise of stock options by employees, is used to maintain a strong balance sheet, support asset growth and engage in acquisitions, with excess available for distribution to shareholders through dividends and share repurchases. We currently expect that the portion of generated capital we allocate to support asset growth will be greater going forward than it has been historically due to projected asset growth.

We maintain certain flexibility to shift capital across our businesses as appropriate. For example, we may infuse additional capital into subsidiaries to maintain capital at targeted levels in consideration of debt ratings and regulatory requirements. These infused amounts can affect the capital profile and liquidity levels at the American Express parent company level.

The following are definitions for our regulatory risk-based capital ratios and leverage ratio, which are calculated as per standard regulatory guidance:

**Risk-Weighted Assets** — Assets are weighted for risk according to a formula used by the Federal Reserve to conform to capital adequacy guidelines. On- and off-balance sheet items are weighted for risk, with off-balance sheet items converted to balance sheet equivalents, using risk conversion factors, before being allocated a risk-adjusted weight. Off-balance sheet exposures comprise a minimal part of the total risk-weighted assets.

**Common Equity Tier 1 Risk-Based Capital Ratio** — Calculated as Common Equity Tier 1 capital (CET1), divided by risk-weighted assets. CET1 is the sum of common shareholders' equity, adjusted for ineligible goodwill and intangible assets, certain deferred tax assets, as well as certain other comprehensive income items as follows: net unrealized gains/losses on securities and derivatives, foreign currency translation adjustments and net unrealized pension and other postretirement benefit/losses, all net of tax.

**Tier 1 Risk-Based Capital Ratio** — Calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of CET1, our perpetual preferred stock and third-party non-controlling interests in consolidated subsidiaries adjusted for capital held by insurance subsidiaries and deferred tax assets from net operating losses not deducted from CET1. The minimum requirement for the Tier 1 risk-based capital ratio is 1.5 percent higher than the minimum for the CET1 risk-based capital ratio. We have \$1.6 billion of preferred shares outstanding to help address a portion of the Tier 1 capital requirements in excess of common equity requirements.

**Total Risk-Based Capital Ratio** — Calculated as the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets. Tier 2 capital is the sum of the allowance for loan and receivable losses (limited to 1.25 percent of risk-weighted assets), minority interest that is not included in Tier 1 capital and \$600 million of subordinated notes, adjusted for capital held by insurance subsidiaries.

**Tier 1 Leverage Ratio** — Calculated by dividing Tier 1 capital by our average total consolidated assets for the most recent quarter.

**Supplementary Leverage Ratio** — Calculated by dividing Tier 1 capital by total leverage exposure under Basel III. Total leverage exposure reflects average total consolidated assets with adjustments for Tier 1 capital deductions, average off-balance sheet derivative exposures, average securities purchased under agreements to resell, and average credit equivalents of conditionally and unconditionally cancellable undrawn commitments.

In December 2018, federal banking regulators issued a final rule that would provide an optional three-year phase-in period for the day-one adverse regulatory capital effects upon adopting the Current Expected Credit Losses (CECL) model pursuant to new accounting guidance for the recognition of credit losses on financial instruments, effective January 1, 2020. The Federal Reserve also released a statement indicating that it plans to maintain the current framework for calculating credit loss allowances on loans in supervisory stress tests through the 2021 stress test cycle. See Note 1 to our "Consolidated Financial Statements" for further information about CECL.

### **Share Repurchases and Dividends**

We return capital to common shareholders through dividends and share repurchases. The share repurchases reduce common shares outstanding and more than offset the issuance of new shares as part of employee compensation plans.

During the three months ended March 31, 2019, we returned \$1.6 billion to our shareholders in the form of common stock dividends of \$0.3 billion and share repurchases of \$1.3 billion. We repurchased 12 million common shares at an average price of \$104.03 in the first quarter of 2019. These dividend and share repurchase amounts collectively represent approximately 105 percent of total capital generated during the quarter.



In addition, during the three months ended March 31, 2019, we paid \$21 million in dividends on non-cumulative perpetual preferred shares outstanding.

In February 2019, the Federal Reserve changed regulatory requirements, including disclosure requirements, related to supervisory stress testing and company-run stress testing for the 2019 stress test cycle and provided related relief from certain capital planning and regulatory reporting requirements that would otherwise apply in the 2019 stress test cycle. Additionally, we are not required to submit a capital plan to the Federal Reserve in 2019 or participate in the 2019 Comprehensive Capital Analysis and Review (CCAR 2019), although we remain subject to the requirement to maintain a capital plan that is approved by our board of directors. In lieu of the quantitative stress test, the Federal Reserve provided us with a formula that defines our maximum payout capacity during the period July 1, 2019 through June 30, 2020.

### ***Funding Strategy***

Our principal funding objective is to maintain broad and well-diversified funding sources to allow us to meet our maturing obligations, cost-effectively finance current and future asset growth in our global businesses as well as to maintain a strong liquidity profile.

We meet our funding needs through a variety of sources, including direct and third-party distributed deposits and debt instruments, such as senior unsecured debentures, asset securitizations, borrowings through secured borrowing facilities and a long-term committed bank borrowing facility. While we diversify our funding sources by maintaining scale and relevance in unsecured debt, asset securitizations and deposits, we currently expect that the Personal Savings High Yield Savings Account program will become a larger proportion of our funding over time.

### ***Summary of Consolidated Debt***

We had the following consolidated debt and customer deposits outstanding as of March 31, 2019 and December 31, 2018:

**Table 17: Summary of Consolidated Debt and Customer Deposits**

<i>(Billions)</i>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Short-term borrowings	\$ 2.0	\$ 3.1
Long-term debt	58.4	58.4
Total debt	60.4	61.5
Customer deposits	72.9	70.0
<b>Total debt and customer deposits</b>	<b>\$ 133.3</b>	<b>\$ 131.5</b>

We may redeem from time to time certain debt securities within 31 days prior to the original contractual maturity dates in accordance with the optional redemption provisions of those debt securities.

During the three months ended March 31, 2019, we issued (i) \$1.5 billion of asset-backed securities from the American Express Credit Account Master Trust (the Lending Trust) consisting of \$1.5 billion of three year Class A Certificates at a fixed rate of 2.87 percent, and (ii) \$2.0 billion of senior unsecured notes from American Express Company consisting of \$1.25 billion of five year notes at a fixed rate of 3.40 percent and \$750 million of two year notes at a fixed rate of 3.00 percent.

Our funding plan for the full year 2019 includes, among other sources, approximately \$6 billion to \$12 billion of unsecured term debt issuance and approximately \$5 billion to \$10 billion of secured term debt issuance. Our funding plans are subject to various risks and uncertainties, such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by us, regulatory changes, ability to securitize and sell receivables, and the performance of receivables previously sold in securitization transactions. Many of these risks and uncertainties are beyond our control.

Our equity capital and funding strategies are designed, among other things, to maintain appropriate and stable unsecured debt ratings from the major credit rating agencies: Moody's Investor Services (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch). Such ratings help support our access to cost-effective unsecured funding as part of our overall funding strategy. Our asset securitization activities are rated separately.

**Table 18: Unsecured Debt Ratings**

Credit Agency	American Express Entity	Short-Term Ratings	Long-Term Ratings	Outlook
Fitch	All rated entities	F1	A	Stable
Moody's	TRS and rated operating subsidiaries <sup>(a)</sup>	Prime-1	A2	Stable
Moody's	American Express Company	Prime-2	A3	Stable
S&P	TRS <sup>(a)</sup>	N/A	A-	Stable
S&P	Other rated operating subsidiaries	A-2	A-	Stable
S&P	American Express Company	A-2	BBB+	Stable

(a) American Express Travel Related Services Company, Inc.

Downgrades in the ratings of our unsecured debt or asset securitization program securities could result in higher funding costs, as well as higher fees related to borrowings under our unused lines of credit. Declines in credit ratings could also reduce our borrowing capacity in the unsecured debt and asset securitization capital markets. We believe our funding mix, including the proportion of U.S. retail deposits insured by the Federal Deposit Insurance Corporation to total funding, should reduce the impact that credit rating downgrades would have on our funding capacity and costs.

### *Liquidity Management*

Our liquidity objective is to maintain access to a diverse set of on- and off-balance sheet liquidity sources. We seek to maintain liquidity sources in amounts sufficient to meet our expected future financial obligations and business requirements for liquidity for a period of at least twelve months in the event we are unable to raise new funds under our regular funding programs during a substantial weakening in economic conditions.

Our liquidity management strategy includes a number of elements, including, but not limited to:

- Maintaining diversified funding sources (refer to the “Funding Strategy” section for more details);
- Maintaining unencumbered liquid assets and off-balance sheet liquidity sources;
- Projecting cash inflows and outflows under a variety of economic and market scenarios;
- Establishing clear objectives for liquidity risk management, including compliance with regulatory requirements; and
- Incorporating liquidity risk management as appropriate into our capital adequacy framework.

The amount and type of liquidity resources we maintain can vary over time, based upon the results of stress scenarios required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) and other various regulatory liquidity requirements, such as the Liquidity Coverage Ratio, as well as additional stress scenarios required under our liquidity risk policy.

The investment income we receive on liquidity resources is less than the interest expense on the sources of funding for these balances. The net interest costs to maintain these resources have been substantial. The level of future net interest costs depends on the amount of liquidity resources we maintain and the difference between our cost of funding these amounts and their investment yields.

### *Securitized Borrowing Capacity*

As of March 31, 2019, we maintained a committed, revolving, secured borrowing facility, with a maturity date of July 15, 2020, which gives us the right to sell up to \$3.0 billion face amount of eligible AAA notes from the American Express Issuance Trust II (the Charge Trust). We also maintained a committed, revolving, secured borrowing facility, with a maturity date of September 15, 2020, which gives us the right to sell up to \$2.0 billion face amount of eligible AAA certificates from the Lending Trust. Both facilities are used in the ordinary course of business to fund seasonal working capital needs, as well as to further enhance our contingent funding resources. As of March 31, 2019, no amounts were drawn on either facility.

### *Federal Reserve Discount Window*

As an insured depository institution, AENB may borrow from the Federal Reserve Bank of San Francisco, subject to the amount of qualifying collateral that it may pledge. The Federal Reserve has indicated that both credit and charge card receivables are a form of qualifying collateral for secured borrowings made through the discount window. Whether specific assets will be considered qualifying collateral and the amount that may be borrowed against the collateral, remain at the discretion of the Federal Reserve.

We had approximately \$72.5 billion as of March 31, 2019 in U.S. credit card loans and charge card receivables that could be sold over time through our securitization trusts or pledged in return for secured borrowings to provide further liquidity, subject in each case to applicable market conditions and eligibility criteria.

### *Committed Bank Credit Facility*

In addition to the secured borrowing facilities described above, we maintained a committed syndicated bank credit facility as of March 31, 2019 of \$3.5 billion, which expires on October 16, 2020. As of March 31, 2019, no amounts were drawn on this facility.

### *Unused Credit Outstanding*

As of March 31, 2019, we had approximately \$308 billion of unused credit outstanding as part of established lending product agreements. Total unused credit does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn. Our charge card products generally have no pre-set limit, and therefore are not reflected in unused credit available to Card Members.

### *Cash Flows*

The following table summarizes our cash flow activity for the three months ended March 31:

**Table 19: Cash Flows**

<i>(Billions)</i>	<b>2019</b>	2018
Total cash provided by (used in):		
Operating activities	\$ 8.5	\$ 2.0
Investing activities	(2.7)	(0.7)
Financing activities	—	(2.9)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	—	(0.2)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 5.8	\$ (1.8)

### *Cash Flows from Operating Activities*

Our cash flows from operating activities primarily include net income adjusted for (i) non-cash items included in net income, such as provisions for losses, depreciation and amortization, deferred taxes and stock-based compensation and (ii) changes in the balances of operating assets and liabilities, which can vary significantly in the normal course of business due to the amount and timing of payments.

The increase in net cash provided by operating activities compared to the prior year, was primarily driven by the amount and timing of payments of accounts payable and other liabilities.

### *Cash Flows from Investing Activities*

Our cash flows from investing activities primarily include changes in Card Member receivables and loans, as well as changes in our available-for-sale investment securities portfolio.

The increase in net cash used in investing activities was driven by a larger net increase in the investment securities portfolio and growth in Card Member receivables and loans compared to a decline in the prior year.

### *Cash Flows from Financing Activities*

Our cash flows from financing activities primarily include changes in customer deposits, long-term debt and short-term borrowings, as well as dividend payments and share repurchases.

The decrease in net cash used in financing activities was primarily driven by a smaller decrease in debt and larger customer deposits, partially offset by a higher level of share repurchases.

## OTHER MATTERS

### *Certain Legislative, Regulatory and Other Developments*

We are subject to extensive government regulation and supervision in jurisdictions around the world, and the costs of compliance are substantial. In recent years, the financial services industry has been subject to rigorous scrutiny, high regulatory expectations, and a stringent and unpredictable enforcement environment.

Governmental authorities have focused, and we believe will continue to focus, considerable attention on reviewing compliance by financial services firms with laws and regulations. Reviews to assess compliance with laws and regulations by governmental authorities, as well as our own internal reviews, have resulted in, and are likely to continue to result in, changes to our practices, products and procedures, restitution to our customers and increased costs related to regulatory oversight, supervision and examination. We have also been subject to regulatory actions and may continue to be the subject of such actions, including governmental inquiries, investigations, enforcement proceedings and the imposition of fines or civil money penalties, in the event of noncompliance or alleged noncompliance with laws or regulations.

For example, we have been cooperating with certain governmental authorities that have requested information from, or served subpoenas on, us, seeking information relating to a small, specialized part of our business, known as foreign exchange international payments (FXIP), which offers cross-border payments services primarily to small and middle market business customers in five countries, including the United States. In particular, we received investigative subpoenas from both the civil and criminal divisions of the U.S. Department of Justice as well as inquiries from the Federal Reserve, the Office of the Comptroller of the Currency, the Consumer Financial Protection Bureau (CFPB), the Federal Deposit Insurance Corporation and others.

FXIP accounts for less than one half of one percent of our total revenue net of interest expense and is unrelated to our card businesses. Relatedly, we are conducting a review with an outside law firm of FXIP's pricing practices. We do not believe this matter will have a material adverse impact on our operations or results.

Please see the "Supervision and Regulation" and "Risk Factors" sections of our Annual Report on Form 10-K for the year ended December 31, 2018 (the 2018 Form 10-K) for further information.

### *Payments Regulation*

Legislators and regulators in various countries in which we operate have focused on the operation of card networks, including through antitrust actions, legislation and regulations to change certain practices or pricing of card issuers, merchant acquirers and payment networks, and, in some cases, to establish broad and ongoing regulatory oversight regimes for payment systems.

The European Union, Australia and other jurisdictions have focused on interchange fees (that is, the fee paid by the bankcard merchant acquirer to the card issuer in payment networks like Visa and Mastercard), as well as the rules, contract terms and practices governing merchant card acceptance. Regulation and other governmental actions relating to pricing or practices could affect all networks directly or indirectly, as well as adversely impact consumers and merchants. Among other things, regulation of bankcard fees has negatively impacted and may continue to negatively impact the discount revenue we earn, including as a result of downward pressure on our discount rate from decreases in competitor pricing in connection with caps on interchange fees. In some cases, regulations also extend to certain aspects of our business.

Broad regulatory oversight over payment systems can also include, in some cases, requirements for international card networks to localize aspects of their operations, such as processing infrastructure and data storage, which could increase our costs and diminish the value of our closed loop. The development and enforcement of payment system regulatory regimes generally continue to grow and may adversely affect our ability to compete effectively and maintain and extend our global network.

For more information on payments regulation, as well as the potential impacts on our results of operations and business, please see the "Supervision and Regulation" and "Risk Factors" sections of the 2018 Form 10-K.

### *Surcharging*

In various countries, such as certain Member States in the EU and Australia, merchants are permitted by law to surcharge card purchases. In addition, the laws of a number of states in the United States that prohibit surcharging have been challenged in litigation brought by merchant groups and some such laws have been overturned. Surcharging is an adverse customer experience and could have a material adverse effect on us if it becomes widespread, particularly where it only or disproportionately impacts our business. In addition, other steering practices that are permitted by regulation in some countries could also have a material adverse effect on us if they become widespread.

For more information on the potential impacts of surcharging and other actions that could impair the Card Member experience, please see the “Risk Factors” section of the 2018 Form 10-K.

### *Consumer Financial Products Regulation*

In the United States, our marketing, sale and servicing of consumer financial products and our compliance with certain federal consumer financial laws are supervised and examined by the CFPB, which has broad rulemaking and enforcement authority over providers of credit, savings and payment services and products and authority to prevent “unfair, deceptive or abusive” acts or practices. In addition, a number of U.S. states have significant consumer credit protection, disclosure and other laws (in certain cases more stringent than U.S. federal laws). U.S. federal law also regulates abusive debt collection practices, which along with bankruptcy and debtor relief laws, can affect our ability to collect amounts owed to us or subject us to regulatory scrutiny.

For more information on consumer financial products regulation, as well as the potential impacts on our results of operations and business, please see the “Supervision and Regulation” and “Risk Factors” sections of the 2018 Form 10-K.

### *Antitrust Litigation*

The U.S. Department of Justice and certain states’ attorneys general brought an action against us in 2010 alleging that the provisions in our card acceptance agreements with merchants that prohibit merchants from engaging in various actions to discriminate against our card products violate the U.S. antitrust laws. On June 25, 2018, the Supreme Court found in favor of American Express in that case. We continue to vigorously defend similar antitrust claims initiated by merchants. See Note 8 to the "Consolidated Financial Statements" for descriptions of the cases. It is possible that actions impairing the Card Member experience, or the resolution of one or any combination of these merchant claims for damages, could have a material adverse effect on our business. For more information on the potential impacts of an adverse decision in the merchant litigations on our business, please see the “Risk Factors” section of the 2018 Form 10-K.

### *Privacy, Data Protection, Information and Cyber Security*

Regulatory and legislative activity in the areas of privacy, data protection and information and cyber security continues to increase worldwide. We have established and continue to maintain policies that provide a framework for compliance with applicable laws, meet evolving customer expectations and support and enable business innovation and growth. Global financial institutions like us have experienced a significant increase in information and cyber security risk in recent years and will likely continue to be the target of increasingly sophisticated cyber attacks, including computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing, impersonation and identity takeover attempts), hacking, website defacement, denial-of-service attacks and other attacks and similar disruptions from the misconfiguration or unauthorized use of or access to computer systems. For more information on privacy, data protection and information and cyber security regulation and the potential impacts of a major information or cyber security incident on our results of operations and business, please see the “Supervision and Regulation” and “Risk Factors” sections of the 2018 Form 10-K.

### ***Recently Issued Accounting Standards***

Refer to the Recently Issued Accounting Standards section of Note 1 to the “Consolidated Financial Statements.”

### **Glossary of Selected Terminology**

*Adjusted net interest income* — A non-GAAP measure that represents net interest income attributable to our Card Member loans (which includes, on a GAAP basis, interest that is deemed uncollectible), excluding the impact of interest expense and interest income not attributable to our Card Member loans. We believe adjusted net interest income is useful to investors because it represents the interest expense and interest income attributable to our Card Member loan portfolio and it is a component of net interest yield on average Card Member loans.

*Asset securitizations* — Asset securitization involves the transfer and sale of loans or receivables to a special-purpose entity created for the securitization activity, typically a trust. The trust, in turn, issues securities, commonly referred to as asset-backed securities that are secured by the transferred loans and receivables. The trust uses the proceeds from the sale of such securities to pay the purchase price for the underlying loans or receivables. The loans and receivables of our Lending Trust and Charge Trust (collectively, the Trusts) securitized are reported as assets and the securities issued by the Trusts are reported as liabilities on our “Consolidated Balance Sheets.”

*Average discount rate* — This calculation is generally designed to reflect the average pricing at all merchants accepting American Express cards and represents the percentage of proprietary and GNS billed business retained by us from merchants we acquire, or from merchants acquired by third parties on our behalf, net of amounts retained by such third parties.

*Billed business* — Represents transaction volumes (including cash advances) on cards and other payment products issued by American Express (proprietary billed business) and cards issued under network partnership agreements with banks and other institutions, including joint ventures (GNS billed business). In-store spending activity within GNS retail cobrand portfolios, from which we earn no revenue, is not included in billed business. Billed business is reported as in the United States or outside the United States based on the location of the issuer.

*Capital ratios* — Represents the minimum standards established by the regulatory agencies as a measure to determine whether the regulated entity has sufficient capital to absorb on- and off-balance sheet losses beyond current loss accrual estimates. Refer to the “Capital Strategy” section under “Consolidated Capital Resources and Liquidity” for further related definitions under Basel III.

*Cards-in-force* — Represents the number of cards that are issued and outstanding by American Express (proprietary cards-in-force) and cards issued and outstanding under network partnership agreements with banks and other institutions, including joint ventures (GNS cards-in-force), except for GNS retail cobrand cards that had no out-of-store spending activity during the prior twelve months. *Basic cards-in-force* excludes supplemental cards issued on consumer accounts.

*Card Member* — The individual holder of an issued American Express-branded charge, credit and certain prepaid cards.

*Card Member loans* — Represents the outstanding amount due from Card Members for charges made on their American Express credit cards, as well as any interest charges and card-related fees. Card Member loans also include revolving balances on certain American Express charge card products.

*Card Member receivables* — Represents the outstanding amount due from Card Members for charges made on their American Express charge cards, as well as any card-related fees, other than revolving balances on certain American Express charge cards with Pay Over Time features. Such revolving balances are included within Card Member loans.

*Charge cards* — Represents cards that generally carry no pre-set spending limits and are primarily designed as a method of payment and not as a means of financing purchases. Charge Card Members generally must pay the full amount billed each month. No finance charges are assessed on charge cards. Each charge card transaction is authorized based on its likely economics reflecting a Card Member’s most recent credit information and spend patterns. Some charge card accounts have additional Pay Over Time feature(s) that allow revolving of certain charges.

*Cobrand cards* — Cards issued under cobrand agreements with selected commercial firms. Pursuant to the cobrand agreements, we make payments to our cobrand partners, which can be significant, based primarily on the amount of Card Member spending and corresponding rewards earned on such spending and, under certain arrangements, on the number of accounts acquired and retained. The partner is then liable for providing rewards to the Card Member under the cobrand partner’s own loyalty program.

*Credit cards* — Represents cards that have a range of revolving payment terms, grace periods, and rate and fee structures.

*Discount revenue* — Primarily represents revenue earned from fees charged to merchants who have entered into a card acceptance agreement. The discount fee is generally deducted from our payment for Card Member purchases.

*Interest expense* — Includes interest incurred primarily to fund Card Member loans and receivables, general corporate purposes and liquidity needs, and is recognized as incurred. Interest expense is divided principally into two categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, and (ii) debt, which primarily relates to interest expense on our long-term financing and short-term borrowings, (e.g., commercial paper, federal funds purchased, bank overdrafts and other short-term borrowings), as well as the realized impact of derivatives hedging interest rate risk on our long-term debt.

*Interest income* — Includes (i) interest on loans, (ii) interest and dividends on investment securities and (iii) interest income on deposits with banks and other.

*Interest on loans* — Assessed using the average daily balance method for Card Member loans. Unless the loan is classified as non-accrual, interest is recognized based upon the principal amount outstanding in accordance with the terms of the applicable account agreement until the outstanding balance is paid or written off.

*Interest and dividends on investment securities* — Primarily relates to our performing fixed-income securities. Interest income is recognized as earned using the effective interest method, which adjusts the yield for security premiums and discounts, fees and other payments, so a constant rate of return is recognized on the outstanding balance of the related investment security throughout its term. Amounts are recognized until securities are in default or when it is likely that future interest payments will not be made as scheduled.

*Interest income on deposits with banks and other* — Recognized as earned, and primarily relates to the placement of cash in excess of near-term funding requirements in interest-bearing time deposits, overnight sweep accounts, and other interest-bearing demand and call accounts.

*Liquidity Coverage Ratio* — Represents the minimum standards established by the regulatory agencies as a measure to determine whether the regulated entity has sufficient liquidity to meet liquidity needs in periods of financial and economic stress.

*Merchant acquisition* — Represents our process of entering into agreements with merchants to accept American Express-branded cards.

*Net card fees* — Represents the card membership fees earned during the period. These fees are recognized as revenue over the covered card membership period (typically one year), net of the provision for projected refunds for Card Membership cancellation and deferred acquisition costs.

*Net interest yield on average Card Member loans* — A non-GAAP measure that is computed by dividing adjusted net interest income by average Card Member loans, computed on an annualized basis. Reserves and net write-offs related to uncollectible interest are recorded through provisions for losses, and are thus not included in the net interest yield calculation. We believe net interest yield on average Card Member loans is useful to investors because it provides a measure of profitability of our Card Member loan portfolio.

*Net loss ratio* — Represents the ratio of GCP charge card write-offs, consisting of principal (resulting from authorized transactions) and fee components, less recoveries, on Card Member receivables expressed as a percentage of gross amounts billed to corporate Card Members.

*Net write-off rate — principal only* — Represents the amount of proprietary consumer or small business Card Member loans or receivables written off, consisting of principal (resulting from authorized transactions), less recoveries, as a percentage of the average loan or receivables balance during the period.

*Net write-off rate — principal, interest and fees* — Includes, in the calculation of the net write-off rate, amounts for interest and fees in addition to principal for Card Member loans and fees in addition to principal for Card Member receivables.

*Operating expenses* — Represents salaries and employee benefits, professional services, occupancy and equipment, and other expenses.

*Return on average equity* — Calculated by dividing one-year period net income by one-year average total shareholders' equity.



## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. Our market risk exposures include (i) interest rate risk due to changes in the relationship between the interest rates on our assets (such as loans, receivables and investment securities) and the interest rates on our liabilities (such as debt and deposits); and (ii) foreign exchange risk related to transactions, funding, investments and earnings in currencies other than the U.S. dollar. There were no material changes in these market risks since December 31, 2018.

## **ITEM 4. CONTROLS AND PROCEDURES**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Cautionary Note Regarding Forward-looking Statements**

This report 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 our current expectations regarding business and financial performance, among other matters, contain words such as “believe,” “expect,” “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. We undertake 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:

our ability to grow earnings per share in the future, which will depend in part on revenue growth, credit performance and the effective tax rate remaining consistent with current expectations, the company’s ability to control operating expense growth and generate operating leverage, and the company’s ability to continue executing its share repurchase program, any of which could be impacted by, among other things, the factors identified in the subsequent paragraphs as well as the following: issues impacting brand perceptions and our reputation; the impact of any future contingencies, including, but not limited to, restructurings, impairments, changes in reserves, legal costs, the imposition of fines or civil money penalties and increases in Card Member reimbursements; the amount and efficacy of investments in customer engagement; changes in interest rates beyond current expectations (including the impact of hedge ineffectiveness and deposit rate increases); a greater impact from new or renegotiated cobrand agreements than expected, which could be affected by spending volumes and customer acquisition; and the impact of regulation and litigation, which could affect the profitability of our business activities, limit our ability to pursue business opportunities, require changes to business practices or alter our relationships with partners, merchants and Card Members;

our ability to grow revenues net of interest expense, 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 and grow spending and revolve balances, growth in Card Member loans and the yield on Card Member loans not remaining consistent with current expectations, the average discount rate changing by a greater amount than expected, the strengthening of the U.S. dollar beyond expectations, the willingness of Card Members to pay higher card fees, lower spending on new cards acquired than estimated, and our inability to address competitive pressures and implement our strategies and business initiatives, including within the premium consumer segment, commercial payments, the global network and digital environment;



changes in the substantial and increasing worldwide competition in the payments industry, including competitive pressure that may impact the prices we charge merchants that accept American Express cards, competition for new and existing cobrand relationships, competition from new and non-traditional competitors and the success of marketing, promotion and rewards programs;

the average discount rate changing by a greater amount than anticipated, including as a result of changes in the mix of spending by location and industry, merchant negotiations (including merchant incentives, concessions and volume-related pricing discounts), pricing initiatives, competition, pricing regulation (including regulation of competitors' interchange rates in the European Union and elsewhere) and other factors;

our delinquency and write-off rates and growth of provisions for losses being higher or lower than current expectations, which will depend in part on changes in the level of loan and receivable balances and delinquencies generally, as well as macroeconomic factors, the mix of balances, newer vintages and balance transfers, loans and receivables related to new Card Members and other borrowers performing as expected, credit performance of new and enhanced lending products, unemployment rates, the volume of bankruptcies, collections capabilities and recoveries of previously written-off loans and receivables;

our ability to continue to grow loans, which may be affected by increasing competition, brand perceptions and reputation, our ability to manage risk, the behavior of Card Members and their actual spending and borrowing patterns, and our ability to issue new and enhanced card products, offer attractive non-card lending products, capture a greater share of existing Card Members' spending and borrowings, reduce Card Member attrition and attract new customers;

our net interest yield on average Card Member loans not remaining consistent with current expectations, which will be influenced by, among other things, the difference between the prime rate and our cost of funds, changes in consumer behavior that affect loan balances (such as paydown rates), our Card Member acquisition strategy, product mix, credit actions, including line size and other adjustments to credit availability, changes in the level of loans at promotional rates and other pricing changes, which could be impacted by, among other things, changes in benchmark interest rates, competitive pressure and regulatory constraints;

the actual amount to be spent on customer engagement, which will be based in part on management's assessment of competitive opportunities; overall business performance and changes in macroeconomic conditions; our ability to cost effectively enhance card products and services to make them attractive to Card Members; Card Member behavior as it relates to their spending patterns (including the level of spend in bonus categories) and the redemption of rewards and offers, as well as the degree of interest of Card Members in the value propositions we offer; the costs related to reward point redemptions, advertising and Card Member acquisition; our ability to continue to shift Card Member acquisition to digital channels; new and renegotiated contractual obligations with business partners; and the pace and cost of the expansion of our global lounge collection;

our ability to control operating expense growth, which could be impacted by increases in costs, such as cyber, fraud or compliance expenses or consulting, legal and other professional fees, including as a result of increased litigation or internal and regulatory reviews; higher than expected employee levels; an inability to innovate efficient channels of customer interactions, such as chat supported by artificial intelligence, or customer acquisition; 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; greater-than-expected inflation; and the level of M&A activity and related expenses;

our ability to satisfy our commitments to certain of our cobrand partners as part of the ongoing operations of the business, which will be impacted in part by competition, brand perceptions and reputation, and our ability to develop and market value propositions that appeal to current cobrand Card Members and new customers and offer attractive services and rewards programs, which will depend in part on ongoing investments, new product innovation and development, Card Member acquisition efforts and enrollment processes, including through digital channels, and infrastructure to support new products, services and benefits;

changes affecting our plans regarding the return of capital to shareholders through dividends and share repurchases, which will depend on factors such as our capital levels and regulatory capital ratios; changes in the stress testing and capital planning process and the continued non-objection by our primary regulators to our capital plans; the amount of capital required to support asset growth; the amount we spend on acquisitions of companies; and our results of operations and financial condition; and the economic environment and market conditions in any given period;

our tax rate not remaining consistent with current expectations, which could be impacted by, among other things, the company's geographic mix of income, further changes in tax laws and regulation, unfavorable tax audits and other unanticipated tax items;

a failure in or breach of our operational or security systems, processes or infrastructure, or those of third parties, including as a result of cyberattacks, which could compromise the confidentiality, integrity, privacy and/or security of data, disrupt our operations, reduce the use and acceptance of American Express cards and lead to regulatory scrutiny, litigation, remediation and response costs, and reputational harm;

our deposit rates increasing faster or slower than current expectations and changes affecting our ability to grow Personal Savings deposits due to market demand, changes in benchmark interest rates, competition or regulatory restrictions on our ability to obtain deposit funding or offer competitive interest rates, which could affect our net interest yield and ability to fund our businesses;

our funding plan 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 we offer, regulatory changes, ability to securitize and sell receivables and the performance of receivables previously sold in securitization transactions;

changes in global economic and business conditions, consumer and business spending generally, the availability and cost of capital, unemployment rates, geopolitical conditions, Brexit, prolonged or recurring government shutdowns, trade policies, foreign currency rates and interest rates, all of which may significantly affect demand for and spending on American Express cards, delinquency rates, loan and receivable balances and other aspects of our business and results of operations;

changes in capital and credit market conditions, which may significantly affect our ability to meet our liquidity needs, expectations regarding capital and liquidity ratios, access to capital and cost of capital, including changes in interest rates; changes in market conditions affecting the valuation of our assets; or any reduction in our credit ratings or those of our subsidiaries, which could materially increase the cost and other terms of our funding or restrict our access to the capital markets;

legal and regulatory developments, which could require us to make fundamental changes to many of our business practices, including our ability to continue certain cobrand and agent relationships in their current form in the EU; exert further pressure on the average discount rate and GNS volumes; result in increased costs related to regulatory oversight, litigation-related settlements, judgments or expenses, restitution to Card Members or the imposition of fines or civil money penalties; materially affect our capital or liquidity requirements, results of operations or ability to pay dividends or repurchase stock; or result in harm to the American Express brand;

changes in the financial condition and creditworthiness of our business partners, such as bankruptcies, restructurings or consolidations, including merchants that represent a significant portion of our business, such as the airline industry, or our partners in GNS or financial institutions that we rely on for routine funding and liquidity, which could materially affect our financial condition or results of operations; and

factors beyond our control such as fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, health pandemics or terrorism, any of which could significantly affect demand for and spending on American Express cards, delinquency rates, loan and receivable balances and other aspects of our business and results of operations or disrupt our global network systems and ability to process transactions.

A further description of these uncertainties and other risks can be found in the 2018 Form 10-K and our other reports filed with the Securities and Exchange Commission.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

For information that updates the disclosures set forth under Part I, Item 3. “Legal Proceedings” in our 2018 Form 10-K, refer to Note 8 to the “Consolidated Financial Statements” in this Form 10-Q.

### **ITEM 1A. RISK FACTORS**

For a discussion of our risk factors, see Part I, Item 1A. “Risk Factors” of the 2018 Form 10-K. There are no material changes from the risk factors set forth in the 2018 Form 10-K. However, the risks and uncertainties that we face are not limited to those set forth in the 2018 Form 10-K. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our securities.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### (c) ISSUER PURCHASES OF SECURITIES

The table below sets forth the information with respect to purchases of our common stock made by or on behalf of us during the three months ended March 31, 2019.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(c)</sup>	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2019				
Repurchase program <sup>(a)</sup>	5,026,421	\$ 97.86	5,026,421	64,913,213
Employee transactions <sup>(b)</sup>	—	—	—	N/A
February 1-28, 2019				
Repurchase program <sup>(a)</sup>	3,374,325	\$ 106.89	3,374,325	61,538,888
Employee transactions <sup>(b)</sup>	1,070,070	\$ 100.55	—	N/A
March 1-31, 2019				
Repurchase program <sup>(a)</sup>	3,566,485	\$ 110.03	3,566,485	57,972,403
Employee transactions <sup>(b)</sup>	18	\$ 99.83	—	N/A
Total				
Repurchase program <sup>(a)</sup>	11,967,231	\$ 104.03	11,967,231	57,972,403
Employee transactions <sup>(b)</sup>	1,070,088	\$ 100.55	—	N/A

(a) On September 26, 2016, the Board of Directors authorized the repurchase of up to 150 million shares of common stock from time to time, subject to market conditions and the Federal Reserve’s non-objection to our capital plans. This authorization replaced the prior repurchase authorization and does not have an expiration date. See “MD&A – Consolidated Capital Resources and Liquidity” for additional information regarding share repurchases.

(b) Includes: (i) shares surrendered by holders of employee stock options who exercised options (granted under our incentive compensation plans) in satisfaction of the exercise price and/or tax withholding obligation of such holders and (ii) restricted shares withheld (under the terms of grants under our incentive compensation plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. Our incentive compensation plans provide that the value of the shares delivered or attested to, or withheld, be based on the price of our common stock on the date the relevant transaction occurs.

(c) Share purchases under publicly announced programs are made pursuant to open market purchases or privately negotiated transactions (including employee benefit plans) as market conditions warrant and at prices we deem appropriate.

## **ITEM 5. OTHER INFORMATION**

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Exchange Act, an issuer is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted outside the United States by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

American Express Global Business Travel (GBT) and certain entities that may be considered affiliates of GBT have informed us that during the quarter ended March 31, 2019, approximately four visas were obtained from Iranian embassies and consulates around the world in connection with certain travel arrangements on behalf of clients. GBT had negligible gross revenues and net profits attributable to these transactions and intends to continue to engage in these activities on a limited basis so long as such activities are permitted under U.S. law.

## **ITEM 6. EXHIBITS**

The list of exhibits required to be filed as exhibits to this report are listed on page E-1 hereof, under “Exhibit Index” which is incorporated herein by reference.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN EXPRESS COMPANY

\_\_\_\_\_  
(Registrant)

Date: April 23, 2019

By /s/ Jeffrey C. Campbell  
Jeffrey C. Campbell  
Executive Vice President and  
Chief Financial Officer

Date: April 23, 2019

By /s/ Richard Petrino  
Richard Petrino  
Executive Vice President and  
Corporate Controller  
(Principal Accounting Officer)

## EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report:

Exhibit	Description
10.1	<a href="#">Amendment No. 1, dated March 29, 2019, to the Time Sharing Agreement, dated February 27, 2018, by and between American Express Travel Related Services Company, Inc. and Stephen J. Squeri.</a>
10.2	<a href="#">Contract of Employment, dated March 11, 2018, by and between American Express Services Europe Limited and Anna Marrs.</a>
31.1	<a href="#">Certification of Stephen J. Squeri pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>
31.2	<a href="#">Certification of Jeffrey C. Campbell pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.</a>
32.1	<a href="#">Certification of Stephen J. Squeri pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Jeffrey C. Campbell pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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## Section 2: EX-10.1 (EX-10.1)

EXHIBIT 10.1

### AMENDMENT NO. 1 TO THE TIME SHARING AGREEMENT

This Amendment No. 1 (including the Schedules A and B attached hereto, collectively hereinafter "Amendment No. 1"), dated as of March 29, 2019, to the Time Sharing Agreement will amend that certain Time Sharing Agreement, dated as of February 13, 2018, by and between American Express Travel Related Services Company, Inc., ("AETRSC") and Stephen J. Squeri ("User") (including any Schedules attached to the foregoing, collectively hereinafter "Time Sharing Agreement").

#### WITNESSETH:

WHEREAS, pursuant to Section 1 of the Time Sharing Agreement, AETRSC and User desire to amend the Time Sharing Agreement, as provided herein, to reflect (i) the addition of the Gulfstream Aerospace [redacted] aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted] to Schedule A, and (ii) the deletion of the Gulfstream Aerospace [redacted] aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted] from Schedule A;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree that, from and as of the date hereof, the Time Sharing Agreement shall be, and hereby is, amended as set forth below.

1. AETRSC and User hereby expressly agree that the Schedule A attached hereto amends and replaces the Schedule A attached to the Time Sharing Agreement.
2. All notices and other communications given pursuant to Section 12 of the Time Sharing Agreement under this Amendment No. 1 and/or the Time Sharing Agreement shall be addressed to the parties as provided on the signature page of this Amendment No. 1.
3. All capitalized terms not defined herein shall have the meanings ascribed to them in the Time Sharing Agreement.

4. Except as expressly amended by this Amendment No. 1, the Time Sharing Agreement remains in full force and effect, and this Amendment No. 1 shall not be construed to alter or amend any of the other terms or conditions set forth in the Time Sharing Agreement. In the event of a conflict between the terms of the Time Sharing Agreement and this Amendment No. 1, the provisions of this Amendment No. 1 shall prevail.
5. This Amendment No. 1 may be executed in counterparts, each of which will be deemed to be an original, but both of which together shall constitute one and the same instrument.



6. TRUTH-IN-LEASING STATEMENT PURSUANT TO SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS.

THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO HAVE BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12-MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT OR, IF THE AIRCRAFT ARE LESS THAN 12 MONTHS OLD, SINCE NEW. AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC., 1 EXPRESS DR., NEWBURGH, NY 12550, CERTIFIES THAT ALL OF THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO ARE COMPLIANT WITH APPLICABLE MAINTENANCE AND INSPECTION REQUIREMENTS OF FAR PART 91 FOR THE OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT. ALL OF THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

DURING THE DURATION OF THIS AGREEMENT, AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC., 1 EXPRESS DR., NEWBURGH, NY 12550, IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF ALL OF THE AIRCRAFT UNDER THIS AGREEMENT.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE RESPONSIBLE FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE "INSTRUCTIONS FOR COMPLIANCE WITH TRUTH-IN-LEASING REQUIREMENTS" ATTACHED HERETO IN SCHEDULE B ARE INCORPORATED HEREIN BY REFERENCE.

THE UNDERSIGNED, AS A DULY AUTHORIZED OFFICER OF AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC., 1 EXPRESS DR., NEWBURGH, NY 12550, CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF ALL OF THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed on the day and year first above written. The persons signing below warrant their authority to sign.

**AMERICAN EXPRESS TRAVEL RELATED SERVICES COMPANY, INC.**

**STEPHEN J. SQUERI**

By: /s/ Richard J. Walsh  
Name: Richard J. Walsh  
Title: Vice President

/s/ Stephen J. Squeri

Address: American Express Travel Related Services Company, Inc.  
Attn: VP of Flight Operations  
1 Express Dr.  
Newburgh, NY 12550  
Phone: [redacted]  
Facsimile: [redacted]  
Email: [redacted]@aexp.com

Address: Stephen J. Squeri  
c/o American Express Company  
200 Vesey St., [redacted]  
New York, NY 10285  
Phone: 212-640-2000  
Facsimile: [redacted]  
Email: [redacted]@aexp.com

**A legible copy of this Amendment No. 1  
shall be kept in the Aircraft for all operations conducted hereunder.**

**SCHEDULE A**

One (1) Gulfstream Aerospace [redacted] aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted];

One (1) Sikorsky [redacted] aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted];

One (1) Gulfstream Aerospace [redacted] aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted]; and

One (1) Gulfstream Aerospace [redacted] aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted].

**SCHEDULE B**

**INSTRUCTIONS FOR COMPLIANCE  
WITH "TRUTH-IN-LEASING" REQUIREMENTS**

1. Mail a copy of the lease to the following address via certified mail, return receipt requested, immediately upon execution of the lease (14 C.F.R. 91.23 requires that the copy be sent within twenty-four hours after it is signed):  
  
Federal Aviation Administration  
Aircraft Registration Branch  
ATTN: Technical Section  
P.O. Box 25724  
Oklahoma City, Oklahoma 73125
2. Telephone or fax the nearest Flight Standards District Office at least forty-eight hours prior to the first flight under this lease.
3. Carry a copy of the lease in the aircraft at all times.

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### **Section 3: EX-10.2 (EX-10.2)**

**EXHIBIT 10.2**

Ms. Anna Marrs  
March 8, 2018

#### **Contract of Employment**

##### **1. Parties**

This Contract of Employment is made between:

- a) American Express Services Europe Limited 'the Employer'  
and
- b) Anna Marrs, 'the Employee'.

Reference to 'the Company' includes the Employer and its holding company, and subsidiary and associate companies.

##### **2. Band**

Your Band is 99.

##### **3. Job title**

Your job title is President, Global Commercial Services.

##### **4. Start date**

Your start date and continuous service date is TBD. This is the date that will be used to determine your UK benefits eligibility. This contract replaces all contracts of employment and terms and conditions previously issued by the Company.

##### **5. Place of work**

Your place of work is Belgrave House, London, or any place or places in the UK that the Company reasonably directs.

You may be required to travel to any location globally on the Company's business.

##### **6. Hours of work**

Your hours of work will be such hours as may be necessary for the proper performance of your duties.

**Salary and Benefits**

**7. Salary**

Your salary is £580,000 per annum, payable monthly in arrears, currently on the last working day of each month by bank transfer.

## 8. FYB Flex

The Company has a flexible benefits program known as FYB Flex, access to which is obtained through the Company's intranet. FYB Flex details your core benefits and allows you to choose to contribute to a range of additional benefits as well as nominating your beneficiaries for the Life Assurance Scheme. The month after you join the Company you will receive an invitation to enable you to access FYB Flex and amend or chose additional benefits including selecting personal pensions contributions.

Some of your benefits, including any employee pension contributions, are provided via salary sacrifice. Under salary sacrifice you will receive a lower gross salary in return for the provision of the benefit.

Subject to the rules of the scheme including any provider requirements, you will be entitled to participate in the Company's Healthcare and life assurance schemes. You are able to extend Healthcare cover to include your partner and/or dependent children, or increase the amount of life insurance cover, on the FYB Flex site. Please ensure that you input your nominated beneficiaries.

You are also entitled to a standard annual health screen, which you can upgrade via salary sacrifice.

Full details of salary sacrifice, benefits and the terms upon which they are provided are available through the FYB Flex site.

## 9. Pension

You will be automatically enrolled into the American Express UK Stakeholder Pension Plan ("SHP") on the first day of the month after your start date (or the first day of the second month after your start date if you started after the 25<sup>th</sup> of the month), (the "Deferral Date). The SHP complies with the current Auto-Enrolment requirements. If you wish to join the SHP prior to your Deferral Date, you should notify [smartsavinguk@aexp.com](mailto:smartsavinguk@aexp.com) including the phrase "I confirm I personally submitted this notice to join a workplace pension scheme". The earliest joining date will be your start date.

The Company currently provides a core contribution to the SHP equivalent to 4% of basic salary. In addition, the Company currently matches any regular monthly contributions you make up to 7% of basic salary. Elections to start personal contributions are made via FYB Flex. Personal contributions will be made via the American Express salary sacrifice arrangement. You can opt-out of salary sacrifice via FYB Flex when you first sign up or during the annual flex enrolment period. Full details on the SHP and further information on pensions and saving for retirement can be found on FYB Flex.

You may cancel your membership of the SHP within the first 30 days of your membership using the form provided in the welcome pack from Prudential. Any cancellation will take effect after you have become a member of the SHP and not before. If you cancel your membership you may be automatically re-enrolled back into the SHP at a later date (currently every three years). Participation, enrolment, investment options and contributions are subject to the rules of the SHP. The Company reserves the right to amend, suspend, supplement, modify or terminate the SHP as it deems appropriate, both prospectively and retrospectively, at its sole and absolute discretion.

## 10. Company Car / Cash Allowance

Subject to the rules of the scheme your current role entitles you to *either* a Company car allowance or a cash allowance as described below:

Company Car Allowance: £650 per month

Cash allowance: £800 per month

The scheme rules and further details may be accessed via FYB Flex through the company's intranet.

## **11. Holidays**

Your holiday entitlement is calculated in accordance with the Company's Annual Holiday Entitlement policy (available on the intranet) and is currently the pro rata equivalent of 25 days per full calendar year in addition to public and bank holidays.

If your working pattern is such that you do not work 5 days per week or the same hours each day throughout the year then your holiday entitlement will be calculated in hours. An hourly entitlement includes credit for public holidays.

If, on leaving the Company, you have taken more holiday than your entitlement, you must repay the equivalent amount of salary, which will, where possible, be deducted from your final salary payments.

## **12. Notice period**

You may terminate your employment at any time by giving the Company 13 weeks notice in writing.

The Company may terminate your employment at any time by giving you 13 weeks notice in writing.

The Company will be under no obligation to provide you with work during your notice period and may at its discretion place you on garden leave. In cases of gross misconduct the Company reserves the right to terminate employment without notice and without payment in lieu of notice. During any notice period the Company may:

- Withdraw or change any powers or duties assigned to, or otherwise vested in, you.
- Request the return of Company property and/or remove your access to Company information.
- Instruct that you remain away from the workplace.

The Company may pay basic salary in lieu of all or part of your notice period whether notice is given by either you or the Company.

If your employment is terminated under circumstances making you eligible to participate in the Senior Executive Severance Plan ("Plan"), as amended from time to time, you would be eligible for one and a half years of severance under the current terms of the Plan. Severance would be comprised of one and a half years of salary and one and a half years of target bonus paid out on a serial basis over 78 weeks ("Severance Period") commencing at the end of your Notice. Unless otherwise specified at the time an ICP award is granted, during your Notice and the Severance Period you will continue to vest in any outstanding equity and Portfolio Grant awards, including those grants specified in this offer, until you secure full-time employment at another organization.

## **13. Confidentiality**

During your employment you will be exposed to information about the Company, and suppliers and customers of the Company, which is confidential or is commercially sensitive and which if disclosed could cause significant harm to the Company.

You are required to familiarise yourself with, and comply with the provisions of, all Company policies in relation to Confidentiality, details of which are available on the Company's intranet. You must not whether during or after your employment, except as authorised, reveal to any person, firm, Company, organisation or otherwise make use of any trade secrets, secret or confidential operations, processes or dealings or any information (other than that within the public domain) concerning the organisation, finances, transactions or affairs of the Company (including lists of the customers or clients of the Company) which may come into your knowledge during your employment. Nothing in this clause will prevent you from disclosing information to comply with a Court Order or perform any statutory obligation on you to do so.

#### **14. Criminal Record Check and Disclosure of Convictions**

You consent to the Company conducting periodic criminal record checks upon you. Your ongoing employment is subject to the results of any checks proving satisfactory to the Company, as well as your compliance with the Company's Criminal Record Checks and Disclosure of Criminal Convictions Policy.

#### **15. Eligibility to work in the U.K.**

Your ongoing employment is subject to you being legally entitled to live and work in the U.K.

If you are a national of a non-EEA country and you are being sponsored by American Express, you are obliged by law to notify askimmigration@aexp.com of any changes to your working arrangements, prior to them taking effect.

In addition you will be required to notify askimmigration@aexp.com if;

- You are planning to take maternity, paternity or parental leave.
- You receive a pay increase outside of the annual salary review
- If you resign from American Express or if the Company ceases to sponsor you.

You are also obliged by law to ensure that all absences, either sickness or holiday, current home address and telephone number are correctly recorded on the relevant Company systems.

#### **16. Incapacity for work**

If you are absent from work due to sickness or injury you must adhere to the Company's Absence & Ill-Health at Work Policy which can be found on the intranet. You will be paid in line with that policy. You may be required to have a medical examination with a physician nominated by the Company.

#### **17. Grievance and disciplinary procedures and compliance**

A full copy of the current grievance and disciplinary procedures can be found on the intranet. The Company may suspend an employee, with pay, for any period of investigation into his or her conduct, and may instruct an employee to remain away from the workplace during suspension. The Company may also withhold incentive payments and/or defer any decision to award an increase in pay for merit during any period in which an employee is involved in a disciplinary procedure, including any specified periods for improvement.

You are required to be aware of and comply with all legislation, regulations and codes of practice issued by the Company or any regulatory body which is relevant to your employment. You accept that the Company may make enquiries to satisfy itself that the required standards are being met.

You must comply with any reasonable directions of the Company and with all the policies and procedures of the Company and its affiliates, including (without limitation) the Code of Conduct and the policies on the Company intranet, and failure to comply may result in disciplinary action.

#### **18. Deductions from salary**

You authorise the Company to make deductions, without notice, from your salary or other earnings, including salary payable on termination of employment of any amounts owed by you to the Company, including but not limited to Company car contributions, salary over-payments or advances, amounts owing under the Relocation Policy, holiday pay, claw-back of bonuses, overdue amounts on any Corporate American Express card or any other amounts owing to the Company.



## 19. Data Protection

You agree that you have read and understood the Employee Privacy Notice contained in the Appendix to this agreement. You understand the conditions of the Employee Privacy Notice will become a material condition of your employment contract with American Express. The Company may change the policies in force at any time and you will be notified of any changes.

You understand and recognize that the Company will process personal information relating to you in the context of your employment relationship, including sensitive personal information (according to the conditions set out by the **Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016** (the General Data Protection Regulation). You also understand that the Company will make certain information available, solely for the purpose of administering your employment relationship, to:

- the American Express group of companies worldwide;
- those who provide products or services to the Company (such as advisers, payroll administrators or lawyers and consulting firms);
- regulatory authorities;
- potential or future employers, in case you request a referral for a new job outside our Company; and
- governmental or quasi-governmental organisations.

The Company has taken appropriate steps to ensure that your information is adequately protected in accordance with applicable laws.

## 20. Monitoring

The Company and its contractors may monitor and/or record incoming/outgoing telephone calls, images, electronic communication systems and internet use. This is for the purposes of staff training, quality assurance, prevention of crime and to ensure that the Company's policies on the use of such systems are being complied with. You consent to the Company carrying out the steps described in this clause. You will be advised if you work in an area where calls/images are monitored and/or recorded.

## 21. Other employment/positions

You may not, without the express prior written permission of your leader:

- a) Undertake other employment, whether paid or unpaid, or have any outside business interest.
- b) Serve as a Director or Officer (paid or otherwise) of any business other than American Express.

Such permission will not be unreasonably withheld.

## 22. Auditor independence rules

In line with good Corporate Governance, the Company needs to maintain independence from its Auditors. In order that the Company may comply with its reporting obligations you must advise your leader if:

- a) You have been an employee, partner, principal or shareholder of PriceWaterhouseCoopers or any of its affiliates or legacy firms within the past three years; or
- b) You have a close family member (e.g., spouse, parent, child or sibling) employed by PriceWaterhouseCoopers or any of its affiliates or legacy firms.

### **23. Financial Conduct Authority (FCA) Regulation**

The Company is regulated by the FCA, and has established compliance arrangements (including Company policies and procedures) in order to ensure that the Company and its employees adhere to the rules and regulations of the FCA. Guidance on the Company's compliance arrangements is available on the Square and from the Company's Compliance Department.

Where specific FCA standards of training, competence or repute are required by the Company for your role, you will be required to demonstrate on a continuing basis that you satisfy these standards, or to obtain these standards within a reasonable time period. You agree that the Company will be entitled to carry out regular checks, including credit and criminal record checks, to ensure such standards are maintained, and you agree to take any steps reasonably requested by the Company in relation to such checks.

If the Company determines that you do not meet the FCA's required standards, your employment may be terminated in line with your contractual notice period.

### **24. Emergency contact and personal information**

The Company has an electronic system (myHR) to enable you to manage your own personal and company related information. On joining American Express, your leader will receive your login details for you to access our company intranet 'The Square' which would have a link to MyHR. You can access MyHR by clicking on the following links >You & Amex> MyHR> Go To MyHR>My Profile, here you will be able to enter your up-to-date address, dependants, telephone number, emergency contact details and American Express Public Profile.

### **25. Collective agreements**

There are no collective agreements relating to your employment.

### **26. Third party rights**

The Contracts (Rights of Third Parties) Act 1999 shall not apply to this agreement and no person other than you and the Company shall have any rights under it.

### **27. Jurisdiction**

This agreement and any dispute or claim arising out of or in connection with it shall be governed by and construed in accordance with the laws of England and Wales. The parties agree to the exclusive jurisdiction of the courts of England and Wales.

### **28. Right to amend**

The Company reserves the right to review, revise, amend or replace the provisions of your contract of employment to reflect the changing needs of the business or to reflect changing legislation and business practice. Any change will be notified to you in writing, or in any other form of communication, within one month of the change.

The Company may introduce new benefits, policies and plans, change external providers, or modify or discontinue existing benefits, policies and plans. Accordingly, the Company reserves the right to revise, supplement, modify or discontinue any plans, policies, or benefits as it deems appropriate, at its sole and absolute discretion.

In relation to benefit plans, this document describes only certain highlights of benefit plans. It does not supersede the detailed provisions of the applicable plan documents, which in all cases are the final authority.

Additionally, you may be subject to other local business requirements on an ongoing basis which impact the area in which you work. In such circumstances your Leader will forward the details to you.

**Acceptance of the Contract**

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**Declaration**

I wish to accept employment on the terms and conditions laid out in this Contract, offer letter and Appendix (Data Protection Disclosure Statement).

**Anna Marrs**

**Confirmation of start date**

I confirm that my start date will be:

Start date: 10 September 2018

Signed /s/ Anna Marrs  
Dated 11 March 2018

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**Addendum**

As previously agreed, you will receive the second of two special cash new hire payments of \$500,000 or GBP equivalent payable after the first anniversary of your start date. As indicated in your offer letter, the special cash payments are subject to applicable withholdings and deductions and are contingent upon your continuous employment through the respective payment dates. Also, these special cash payments are required to be repaid in full if you voluntarily resign or are terminated for 'Good Cause' within 24 months after receipt of the special cash payments. 'Good Cause' is defined in the American Express Senior Executive Severance Plan.

**Appendix**

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**Employee Privacy Notice**

American Express Company (we, our, us) and any affiliate, subsidiary, and any other company owned or controlled by us (American Express Family of Companies) would like to take this opportunity to tell you about the personal information we collect about you and how we use it.

## 1. Information We Collect

We will collect information about you from your resume, new hire form and associated documentation, your benefits enrolment forms and when you interact with us in the development of your employment relationship (for instance, when you interact with Employee Relations or Payroll Services). We also may collect information about you from people you have named as references, from previous employers and educational and professional institutes. Depending on your position, we may also collect information in the following ways:

- (a) through credit checks with credit reference agencies;
- (b) through additional checks with external agencies, such as background verification agencies, sanctions screening agencies, and in rare cases, medical examiners;

If you are an existing employee applying for a different role at American Express, we may also carry out these checks if they are appropriate for the new role to which you are applying.

We may also ask you to provide us with personal information of an emergency contact. By providing us with emergency contact details you are confirming that you have gained the authority of your emergency contact(s) to provide us with this information.

## 2. Information We Share

We do not share your personal information with anyone except as described below. We will share your personal information only to administer the employment relationship with you or as required or permitted by applicable law, such as:

- with credit reference agencies and similar institutions to report or ask about your financial circumstances;
- with worker representatives, regulatory authorities, courts, law enforcement and governmental agencies to comply with legal orders, legal or regulatory requirements, and law enforcement requests;
- within the American Express Family of Companies to provide services or as noted below;
- with our service providers who help manage our employment relationships (such as human resource consultants, payroll companies, lawyers, consulting firms, employee benefits companies, printing, mailing and other communications services or data processing and outsourced technology services); and
- any party approved by you (such as your bank or your beneficiaries).

If you transfer to another company within the American Express Family of Companies, you understand that we may send, at the request of your new employer, your personnel file (which contains personal information about you) to your new employer, so that they can administer your new employment relationship. We will retain any information that is required for compliance with statutory requirements or legitimate business purposes.

### **3. How We Use Your Information**

Your personal information will be solely used for the purpose of administering and fulfilling the employment relationship, as required by law, or for our legitimate interests, including:

- to verify your credentials, prior employment and personal history;
- to provide payroll and employee benefits, including insurance and pensions;
- for training and development, planning and organisation (including the creation of employee profiles to facilitate this);
- for communications related to your employment, such as performance ratings, service anniversaries, goal setting and rewards;
- for compliance with internal policies and statutory requirements, such as record keeping and reporting for public health care, pension programs and tax purposes;
- for management and analysis of employee expenses;
- for the creation of aggregated reports for human resources' analytics;
- for the monitoring of employee activity and electronic communications in the workplace (including records of incoming/outgoing telephone calls, images, electronic communication systems and internet use) in accordance with our internal policies and applicable law, for security, prevention of misconduct or crime, staff training and quality assurance. You will be advised if you work in an area where video/images are monitored and/or recorded in accordance with applicable law; and
- for security purposes, such as crisis preparedness and emergency notifications, or for the protection of your health or the safety of others.

Additionally, American Express will also process your personal information in certain circumstances when you provide your consent for us to do so (for instance, when taking part on company surveys or company pilots).

Any information that we are required to collect about you regarding health, race, ethnic origin, religion, trade union membership, the commission of any offences or your emergency contact details will be collected, used and stored only to satisfy legal requirements or for other purposes essential to administering the employment relationship with you.

### **4. International Transfers**

We process, transfer and access your personal information through our systems in the UK and outside the European Economic Area, such as in the United States (where our main operational data centres are located) to administer your employment relationship. Regardless of where we process your information, we will take appropriate steps to ensure the adequate level of protection for your information in other countries outside the UK or European Economic Area including the USA, where data protection laws may not be as comprehensive as the UK or EEA.

Please note that data transfers within the American Express Family of Companies are made under our Binding Corporate Rules which are available on the privacy section of our corporate website and on our intranet.

## 5. Safeguarding and Retention

We use organizational, administrative, technical and physical security measures to protect your personal information. These measures include computer safeguards and secured files and facilities. We only give authorized personnel access to your personal information, and require them to only use it for the purposes we specify. Personal information will not be kept for longer than is appropriate for the purposes set forth above, as required by applicable laws or regulations, or for litigation and regulatory investigations.

When your personal information is no longer necessary for these purposes, we will take reasonable steps to securely destroy such information or permanently de-identify it. For more information about our data retention practices, you can request additional information through the channels identified below.

## 6. Your Rights

As an employee, you have certain rights over the personal information that we have about you in the context of this employment relationship. More specifically, you have the right to:

- access the personal information we keep about you;
- correct inaccurate personal information we have about you;
- restrict and/or object to the use of your personal information;
- request a copy of your personal information, in a structured, commonly used and machine-readable format; and
- withdraw your consent for those activities where we obtained your consent to process your personal information.

You are encouraged to access MyHR, an on-line web based, User ID and password protected tool, which will allow you to check and update your personal information. Please note that if you decide to restrict or object to the processing of your personal information, we may not be able to administer properly the employment relationship with you.

## 7. Questions

If you have questions about this privacy notice please, contact your Leader, Human Resources or our Data Protection Officer at DPO-Europe@aexp.com. You may also write to American Express Services Europe Limited, Dept. 2007, Upper Ground Floor, 1 John Street, Brighton, East Sussex, BN88 1NH. You also have the right to contact the Information Commissioner directly at [www.ico.gov.uk](http://www.ico.gov.uk).

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## Section 4: EX-31.1 (EX-31.1)

**EXHIBIT 31.1**

### CERTIFICATION

I, Stephen J. Squeri, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Express Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2019

/s/ Stephen J. Squeri  
Stephen J. Squeri  
Chief Executive Officer

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## Section 5: EX-31.2 (EX-31.2)

**EXHIBIT 31.2**

### CERTIFICATION

I, Jeffrey C. Campbell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Express Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 23, 2019

/s/ Jeffrey C. Campbell  
Jeffrey C. Campbell  
Chief Financial Officer

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## Section 6: EX-32.1 (EX-32.1)

**EXHIBIT 32.1**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of American Express Company (the "Company") for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stephen J. Squeri, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen J. Squeri

Name: Stephen J. Squeri  
Title: Chief Executive Officer  
Date: April 23, 2019

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-Q or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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## Section 7: EX-32.2 (EX-32.2)

**EXHIBIT 32.2**



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of American Express Company (the "Company") for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeffrey C. Campbell, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey C. Campbell

Name: Jeffrey C. Campbell

Title: Chief Financial Officer

Date: April 23, 2019

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-Q or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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