



## FOR IMMEDIATE RELEASE

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**AMERICAN EXPRESS FIRST QUARTER EPS OF \$1.45, FULL YEAR OUTLOOK REAFFIRMED**

**REVENUES RISE ON STRONG NET INTEREST INCOME GROWTH**

**3 MILLION NEW CARDS ACQUIRED ON HIGH INVESTMENT SPENDING**

(Millions, except percentages and per share amounts)

	Quarters Ended March 31,		Percentage Inc/(Dec)
	2016	2015	
Total Revenues Net of Interest Expense	\$ 8,088	\$ 7,950	2
Net Income	\$ 1,426	\$ 1,525	(6)
Earnings Per Common Share – Diluted:			
Net Income Attributable to Common Shareholders <sup>1</sup>	\$ 1.45	\$ 1.48	(2)
Average Diluted Common Shares Outstanding	963	1,023	(6)
Return on Average Equity	23.6%	29.0%	

**New York – April 20, 2016 – American Express Company (NYSE: AXP)** today reported first-quarter net income of \$1.4 billion, down 6 percent from \$1.5 billion a year ago. Diluted earnings per share was \$1.45, down from \$1.48 a year ago.

First-quarter consolidated total revenues net of interest expense were \$8.1 billion, up 2 percent from \$8.0 billion a year ago. FX-adjusted consolidated total revenues increased 4 percent, reflecting a rise in net interest income, Card Member spending and net card fees.<sup>2</sup>

<sup>1</sup> Represents net income less (i) earnings allocated to participating share awards of \$11 million for the three months ended March 31, 2016 and 2015, and (ii) dividends on preferred shares of \$21 million and nil for the three months ended March 31, 2016 and 2015, respectively.

<sup>2</sup> As reported in this release, FX-adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translations into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the three months ended March 31, 2016 apply to the period(s) against which such results are being compared). Certain amounts included in the calculations of FX-adjusted revenues and expenses, which constitute non-GAAP measures, are subject to management allocations. The company believes the presentation of information on an FX-adjusted basis is helpful to investors by making it easier to compare the company's performance in one period to that of another period without the variability caused by fluctuations in currency exchange rates.



Consolidated provisions for losses were \$434 million, up 3 percent from \$420 million a year ago. The current quarter reflected the accounting for certain cobrand loan portfolios as “held for sale,” where credit costs are now reported in other operating expenses. The increase from last year was also impacted by a smaller reserve release than a year ago.

Consolidated expenses were \$5.5 billion, up 5 percent, from \$5.2 billion a year ago. The current quarter’s expenses included:

- A \$118 million increase in marketing and promotion costs to support initiatives to grow the business;
- An \$84 million (\$55 million after-tax) restructuring charge;
- A \$63 million increase in rewards expenses, driven primarily by higher Card Member spending; and
- A benefit of \$127 million (\$79 million after-tax) from a gain on the sale of the JetBlue cobrand portfolio, which was reported in other operating expenses.

The effective tax rate for the quarter was 35 percent, up from 34 percent a year ago.

The company's return on average equity (ROE) was 23.6 percent, down from 29.0 percent a year ago.

“First quarter results were in line with the financial outlook we provided last month at our Investor Day,” said Kenneth I. Chenault, chairman and chief executive officer. “Despite strong competition throughout the payments industry, we generated a 4 percent increase in FX-adjusted revenues.<sup>2</sup> Those revenues reflected strong, underlying growth in our lending portfolio, along with higher Card Member spending and fee income. Our 6 percent rise in Card Member spending was partially offset by a lower merchant discount rate and the higher costs associated with cash back rewards.

“Investment spending was up significantly and reflected initiatives to grow the business by expanding our Card Member base and gaining a greater share of their overall spending and borrowing. We added 3 million new proprietary cards this quarter, with almost two thirds of the consumer acquisitions coming through digital channels. Our underlying loan portfolio grew 11 percent and credit metrics remained excellent.

“In addition, we continued to make very good progress on expanding our merchant network here in the United States and internationally. Operating expenses continued to be well managed and the restructuring charge this quarter reflected an initial phase of actions to take \$1 billion out of our cost base by 2017. Our priorities for this year and next continue to be accelerating revenue growth, resetting our cost base and optimizing the investments we’re making in the business.

“Given the actions we are taking and the strength of our business model, I believe our outlook for 2016 of EPS between \$5.40 to \$5.70 and EPS of at least \$5.60 in 2017 remains appropriate. And, as we said last month at Investor Day, this outlook excludes the impact of restructuring charges or other contingencies.”



## Segment Results

As previously announced, effective for the first quarter of 2016, the company realigned its segment presentation to reflect the organizational changes announced during the fourth quarter of 2015. Prior periods have been restated to conform to the new reportable operating segments, which are as follows:

- **U.S. Consumer Services**, including the proprietary U.S. Consumer Card Services business and travel services in the United States.
- **International Consumer and Network Services**, including the proprietary International Consumer Card Services business, Global Network Services business and travel services outside the United States.
- **Global Commercial Services**, including the proprietary Global Corporate Payments business, small business services businesses in the United States and internationally, merchant financing products and foreign exchange services operations.
- **Global Merchant Services**, including the Global Merchant Services business and the Global Loyalty Coalition businesses.

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

**U.S. Consumer Services** reported first-quarter net income of \$694 million, up 5 percent from \$659 million a year ago.

Total revenues net of interest expense increased 3 percent to \$3.3 billion from \$3.2 billion a year ago. The rise primarily reflected higher net interest income from growth in the loan portfolio.

Provisions for losses totaled \$190 million, down 2 percent from \$193 million a year ago. The decrease resulted from the previously mentioned accounting for certain cobrand loans as "held for sale." That impact was partially offset by higher loan balances, excluding the "held for sale" loans in both periods.

Total expenses were \$2 billion, up 2 percent from a year ago. The current quarter reflected higher marketing, rewards and Card Member services costs, partially offset by the previously mentioned gain on the sale of the JetBlue cobrand portfolio.

The effective tax rate was 36 percent, down from 37 percent a year ago.

**International Consumer and Network Services** reported first-quarter net income of \$188 million, down 5 percent from \$197 million a year ago. The decline reflected the impact of the stronger U.S. dollar.

Total revenues net of interest expense were \$1.3 billion, down 1 percent compared to a year ago. FX-adjusted revenues increased 8 percent, primarily reflecting higher Card Member spending and an increase in net card fees.<sup>2</sup>

Total expenses were \$987 million, up 1 percent from \$977 million a year ago. FX-adjusted expenses increased 6 percent.<sup>2</sup> The current quarter's expenses reflected higher marketing and rewards costs.



The effective tax rate was 26 percent, down from 30 percent a year ago.

**Global Commercial Services** reported first-quarter net income of \$485 million, down 6 percent from \$517 million a year ago.

Total revenues net of interest expense were \$2.4 billion, up 2 percent compared to a year ago. The increase reflected higher net interest income and Card Member spending.

Provisions for losses totaled \$160 million, up 6 percent from \$151 million a year ago, primarily driven by higher merchant financing loan balances and delinquencies, partially offset by lower write-offs in the Card Member receivables portfolio.

Total expenses were \$1.5 billion, up 7 percent from \$1.4 billion a year ago. The current quarter's expenses reflected higher rewards and investment spending, primarily on technology development.

The effective tax rate was 36 percent, down from 37 percent a year ago.

**Global Merchant Services** reported first-quarter net income of \$357 million, down 3 percent from \$369 million a year ago. The decline reflected the impact of the stronger U.S. dollar.

Total revenues net of interest expense were \$1.1 billion, down 3 percent compared to a year ago. FX-adjusted revenues were flat compared to a year ago.<sup>2</sup> The current quarter's revenues were impacted by a lower net merchant discount rate, which offset the benefit of higher Card Member spending.

Total expenses were \$521 million, down 3 percent from \$537 million a year ago. FX-adjusted expenses decreased 2 percent.<sup>2</sup> The decrease reflected lower merchant acquirer payments related to OptBlue, the company's initiative to expand merchant coverage in the United States.

The effective tax rate was 38 percent, up from 37 percent a year ago.

**Corporate and Other** reported first-quarter net loss of \$298 million, compared to a net loss of \$217 million a year ago.

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#### **About American Express**

American Express is a global services company, providing customers with access to products, insights and experiences that enrich lives and build business success. Learn more at [americanexpress.com](http://americanexpress.com) and connect with us on [facebook.com/americanexpress](https://facebook.com/americanexpress), [foursquare.com/americanexpress](https://foursquare.com/americanexpress), [linkedin.com/company/american-express](https://linkedin.com/company/american-express), [twitter.com/americanexpress](https://twitter.com/americanexpress), and [youtube.com/americanexpress](https://youtube.com/americanexpress).



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An investor conference call will be held at 5:00 p.m. (ET) today to discuss first-quarter earnings results. Live audio and presentation slides for the investor conference call will be available to the general public on the American Express Investor Relations website at <http://ir.americanexpress.com>. A replay of the conference call will be available later today at the same website address.

### Cautionary Note Regarding Forward-looking Statements

This release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance and which include management's outlook for 2016-2017, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements, include, but are not limited to, the following:

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



Members; the Company's tax rate being in the 34-35% range, which could be impacted by, among other things, the Company's geographic mix of income being weighted more to higher tax jurisdictions than expected and unfavorable tax audits and other unanticipated tax items; the impact of accounting changes and reclassifications; and the Company's ability to continue executing its share repurchase program;

- the actual amount to be spent on growth initiatives, as well as the timing of any such spending, which will be based in part on management's assessment of competitive opportunities, overall business performance, the amount of any potential gain arising from a sale of the Costco U.S. Card Member loan portfolio management decides to invest in the business, contractual obligations with business partners and other fixed costs relative to revenue levels, management's ability to identify attractive investment opportunities and make such investments, which could be impacted by business, regulatory or legal complexities and the Company's performance, and the Company's ability to realize efficiencies, optimize investment spending and control expenses to fund such spending;
- the ability of the Company to reduce its overall cost base by \$1 billion by the end of 2017 and to realize the full benefit of the Company's actions by the beginning of 2018, which will depend in part on the timing and financial impact of future reengineering plans (including whether the Company will recognize restructuring charges in future periods and the expected size of any such charges), which could be impacted by factors such as the Company's inability to mitigate the operational and other risks posed by potential staff reductions, the Company's inability to develop and implement technology resources to realize cost savings, underestimating hiring needs related to some of the job positions being eliminated and other employee needs not currently anticipated, lower than expected attrition rates and higher than expected redeployment rates; the ability of the Company to identify synergies and redundancies within its organizational structure, as well as reduce management layers; the ability of the Company to reduce annual operating expenses, which could be impacted by, among other things, the factors identified below; and the ability of the Company to optimize and lower marketing and promotion expenses, which could be impacted by higher advertising and mailing costs, competitive pressures that may require additional expenditures or limit the Company's ability to reduce costs, the availability of opportunities to invest at a higher level due to favorable business results and changes in macroeconomic conditions;
- the ability to reduce annual operating expenses, which could be impacted by increases in significant categories of operating expenses, such as consulting or professional fees, including as a result of increased litigation, compliance or regulatory-related costs, technology costs or fraud costs; the ability of the Company to develop, implement and achieve substantial benefits from reengineering plans; higher than expected employee levels; the impact of changes in foreign currency exchange rates on costs; the payment of civil money penalties, disgorgement, restitution, non-income tax assessments and litigation-related settlements; impairments of goodwill or other assets; management's decision to increase or decrease spending in such areas as technology, business and product development and sales forces depending on overall business performance; greater than expected inflation or merit increases; the Company's ability to balance expense control and investments in the business; the impact of accounting changes and reclassifications; and the level of M&A activity and related expenses;
- the Company's lending write-off rates changing differently than current expectations and provision expense being higher or lower than current expectations, which will depend in part on changes in the level of loan balances, delinquency rates of Card Members, loans related to new Card Members performing as expected, unemployment rates, the volume of bankruptcies and recoveries of previously written-off loans;



- the Company's ability to execute against its lending strategy to grow Card Member loans held for investment without change the overall risk profile of the Company as well as non-card loans, which may be affected by increasing competition, brand perceptions and reputation, the Company's ability to manage risk in a growing Card Member loan portfolio, and the behavior of Card Members and their actual spending and borrowing patterns, which in turn may be driven by the Company's ability to issue new and enhanced card products, offer attractive services and rewards programs, attract new Card Members, reduce Card Member attrition and capture a greater share of existing Card Members' spending and borrowings;
- uncertainties associated with the timing and impact of the expected sale of the Costco U.S. Card Member loan portfolio, such as operational issues related to the transfer of Card Member loans and accounts, the parties' ability to satisfy the closing conditions and the amount of any gain recognized by the Company as a result of a sale, which could be impacted by the credit quality and performance of the portfolio, the amount of any volume decline experienced by the cobrand portfolio and the timing of the potential sale as the gain will be determined by the amount of the aggregate outstanding loans transferred at closing;
- the possibility that the Company will not execute on its plans to significantly increase merchant coverage, which will depend in part on the success of OptBlue merchant acquirers in signing merchants to accept American Express, which could be impacted by the pricing set by the merchant acquirers, the value proposition offered to small merchants and the efforts of OptBlue merchant acquirers to sign merchants to accept American Express, as well as the willingness of Card Members to use American Express cards at small merchants and of those merchants to accept American Express cards;
- the erosion of the average discount rate by a greater amount than anticipated during 2016, including as a result of changes in the mix of spending by location and industry, merchant incentives and concessions, volume-related pricing discounts, strategic investments, certain pricing initiatives, competition, pricing regulation (including regulation of competitors' interchange rates in the European Union and elsewhere) and other factors;
- uncertainty relating to the ultimate outcome of the antitrust lawsuit filed against the Company by the U.S. Department of Justice and certain state attorneys general, including the success or failure of our appeal and the impact on existing private merchant cases and potentially additional litigation and/or arbitrations;
- changes affecting the ability or desire of the Company to return capital to shareholders through dividends and share repurchases, including the opportunity for incremental capital returns related to the Costco U.S. portfolio sale, which will depend on factors such as approval of the Company's capital plans by its primary regulators, the amount the Company spends on acquisitions and the Company's results of operations and capital needs in any given period; and
- factors beyond the Company's control such as changes in global economic and business conditions, including consumer and business spending, the availability and cost of capital, unemployment and political conditions, foreign currency rates, fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, health pandemics, terrorism, cyber attacks or fraud, which could significantly affect spending on American Express cards, delinquency rates, loan balances and travel-related spending or disrupt the Company's global network systems and ability to process transactions.



A further description of these uncertainties and other risks can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, the Company's other filings with the Securities and Exchange Commission and the Company's presentation slides for the investor conference call available on the American Express Investor Relations website at <http://ir.americanexpress.com>.