

AMERICAN EXPRESS CO  
Form 10-Q  
July 25, 2017  
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 June 30, 2017

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 13-4922250  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

200 Vesey Street, New York, New York 10285  
(Address of principal executive offices) (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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post 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 Accelerated filer  
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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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	Outstanding at July 18, 2017
Common Shares (par value \$0.20 per share)	883,979,644 Shares

Table of Contents

AMERICAN EXPRESS COMPANY  
FORM 10-Q  
INDEX

Part I. <u>Financial Information</u>	Page No.
Item 1. <u>Financial Statements Consolidated Statements of Income – Three Months Ended June 30, 2017 and 2016</u>	1
<u>Consolidated Statements of Income – Six Months Ended June 30, 2017 and 2016</u>	2
<u>Consolidated Statements of Comprehensive Income – Three and Six Months Ended June 30, 2017 and 2016</u>	3
<u>Consolidated Balance Sheets – June 30, 2017 and December 31, 2016</u>	4
<u>Consolidated Statements of Cash Flows – Six Months Ended June 30, 2017 and 2016</u>	5
<u>Notes to Consolidated Financial Statements Management’s Discussion and Analysis of</u>	6
Item 2. <u>Financial Condition and Results of Operations</u>	28

	<u>Quantitative and Qualitative</u>	
Item 3.	<u>Disclosures about Market Risk</u>	59
Item 4.	<u>Controls and Procedures</u>	59
<u>Part II. Other Information</u>		
Item 1.	<u>Legal Proceedings</u>	62
Item 1A.	<u>Risk Factors</u>	62
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
Item 5.	<u>Other Information</u>	64
Item 6.	<u>Exhibits</u>	64
	<u>Signatures</u>	65
	<u>Exhibit Index</u>	E-1

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Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

AMERICAN EXPRESS COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

Three Months Ended June 30 (Millions, except per share amounts)	2017	2016
Revenues		
Non-interest revenues		
Discount revenue	\$4,815	\$4,824
Net card fees	771	715
Other fees and commissions	752	702
Other	439	545
Total non-interest revenues	6,777	6,786
Interest income		
Interest on loans	1,947	1,818
Interest and dividends on investment securities	23	34
Deposits with banks and other	82	33
Total interest income	2,052	1,885
Interest expense		
Deposits	176	150
Long-term debt and other	346	286
Total interest expense	522	436
Net interest income	1,530	1,449
Total revenues net of interest expense	8,307	8,235
Provisions for losses		
Charge card	163	153
Card Member loans	404	285
Other	17	25
Total provisions for losses	584	463
Total revenues net of interest expense after provisions for losses	7,723	7,772
Expenses		
Marketing and promotion	830	788
Card Member rewards	1,926	1,766
Card Member services and other	349	281
Salaries and employee benefits	1,293	1,451
Other, net	1,376	470
Total expenses	5,774	4,756
Pretax income	1,949	3,016
Income tax provision	609	1,001
Net income	\$1,340	\$2,015
Earnings per Common Share (Note 15): <sup>(a)</sup>		
Basic	\$1.47	\$2.11
Diluted	\$1.47	\$2.10

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Average common shares outstanding for earnings per common share:

Basic	890	938
Diluted	893	941
Cash dividends declared per common share	\$0.32	\$0.29

Represents net income less (i) earnings allocated to participating share awards of \$11 million and \$17 million for (a) the three months ended June 30, 2017 and 2016, respectively, and (ii) dividends on preferred shares of \$19 million for both the three months ended June 30, 2017 and 2016.

Table of ContentsAMERICAN EXPRESS COMPANY  
CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

Six Months Ended June 30 (Millions, except per share amounts)	2017	2016
Revenues		
Non-interest revenues		
Discount revenue	\$9,334	\$9,467
Net card fees	1,519	1,414
Other fees and commissions	1,465	1,382
Other	848	1,031
Total non-interest revenues	13,166	13,294
Interest income		
Interest on loans	3,807	3,756
Interest and dividends on investment securities	46	70
Deposits with banks and other	142	64
Total interest income	3,995	3,890
Interest expense		
Deposits	325	300
Long-term debt and other	640	561
Total interest expense	965	861
Net interest income	3,030	3,029
Total revenues net of interest expense	16,196	16,323
Provisions for losses		
Charge card	376	322
Card Member loans	741	512
Other	40	63
Total provisions for losses	1,157	897
Total revenues net of interest expense after provisions for losses	15,039	15,426
Expenses		
Marketing and promotion	1,530	1,515
Card Member rewards	3,733	3,469
Card Member services and other	670	563
Salaries and employee benefits	2,557	2,789
Other, net	2,783	1,890
Total expenses	11,273	10,226
Pretax income	3,766	5,200
Income tax provision	1,189	1,759
Net income	\$2,577	\$3,441
Earnings per Common Share (Note 15): <sup>(a)</sup>		
Basic	\$2.81	\$3.55
Diluted	\$2.80	\$3.54
Average common shares outstanding for earnings per common share:		
Basic	895	949
Diluted	898	952
Cash dividends declared per common share	\$0.64	\$0.58

Represents net income less (i) earnings allocated to participating share awards of \$21 million and \$28 million for (a) the six months ended June 30, 2017 and 2016, respectively, and (ii) dividends on preferred shares of \$40 million for both the six months ended June 30, 2017 and 2016.





Table of Contents

AMERICAN EXPRESS COMPANY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)

(Millions)	Three Months		Six Months	
	Ended June 30, 2017	2016	Ended June 30, 2017	2016
Net income	\$1,340	\$2,015	\$2,577	\$3,441
Other comprehensive income (loss):				
Net unrealized securities gains, net of tax		5	6	7
Foreign currency translation adjustments, net of tax	33	(130 )	349	(126 )
Net unrealized pension and other postretirement benefits, net of tax	9	6	1	32
Other comprehensive income (loss)	42	(119 )	356	(87 )
Comprehensive income	\$1,382	\$1,896	\$2,933	\$3,354

Table of ContentsAMERICAN EXPRESS COMPANY  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	June 30, 2017	December 31, 2016
(Millions, except share data)		
Assets		
Cash and cash equivalents		
Cash and due from banks	\$2,709	\$3,278
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2017, \$102; 2016, \$115)	26,363	20,779
Short-term investment securities	1,370	1,151
Total cash and cash equivalents	30,442	25,208
Accounts receivable		
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2017, \$7,949; 2016, \$8,874), less reserves: 2017, \$475; 2016, \$467	48,930	46,841
Other receivables, less reserves: 2017, \$32; 2016, \$45	2,832	3,232
Loans		
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2017, \$24,521; 2016, \$26,129), less reserves: 2017, \$1,320; 2016, \$1,223	64,651	64,042
Other loans, less reserves: 2017, \$54; 2016, \$42	1,855	1,419
Investment securities	3,360	3,157
Premises and equipment, less accumulated depreciation and amortization: 2017, \$5,596; 2016, \$5,145	4,445	4,433
Other assets (includes restricted cash of consolidated variable interest entities: 2017, \$55; 2016, \$38)	10,482	10,561
Total assets	\$166,997	\$158,893
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits	\$57,726	\$53,042
Travelers Cheques and other prepaid products	2,503	2,812
Accounts payable	12,106	11,190
Short-term borrowings	3,426	5,581
Long-term debt (includes debt issued by consolidated variable interest entities: 2017, \$16,002; 2016, \$15,113)	51,945	46,990
Other liabilities	18,116	18,777
Total liabilities	145,822	138,392
Contingencies (Note 8)		
Shareholders' Equity		
Preferred shares, \$1.66 <sup>2/3</sup> par value, authorized 20 million shares; issued and outstanding 1,600 shares as of June 30, 2017 and December 31, 2016		
Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 885 million shares as of June 30, 2017 and 904 million shares as of December 31, 2016	177	181
Additional paid-in capital	12,456	12,733
Retained earnings	10,970	10,371
Accumulated other comprehensive loss		
Net unrealized securities gains, net of tax of: 2017, \$8; 2016, \$5	13	7

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Foreign currency translation adjustments, net of tax of: 2017, \$(362); 2016, \$24	(1,913 )	(2,262 )
Net unrealized pension and other postretirement benefits, net of tax of: 2017, \$(194); 2016, \$(186)	(528 )	(529 )
Total accumulated other comprehensive loss	(2,428 )	(2,784 )
Total shareholders' equity	21,175	20,501
Total liabilities and shareholders' equity	\$166,997	\$158,893

Table of ContentsAMERICAN EXPRESS COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

Six Months Ended June 30 (Millions)	2017	2016
Cash Flows from Operating Activities		
Net income	\$2,577	\$3,441
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for losses	1,157	897
Depreciation and amortization	615	536
Deferred taxes and other	2	(852 )
Stock-based compensation	152	133
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Other receivables	832	293
Other assets	181	(107 )
Accounts payable and other liabilities	(902 )	(697 )
Travelers Cheques and other prepaid products	(330 )	(444 )
Net cash provided by operating activities	4,284	3,200
Cash Flows from Investing Activities		
Sales of available-for-sale investment securities	1	45
Maturities and redemptions of available-for-sale investment securities	1,502	567
Purchases of investments	(1,768 )	(791 )
Net (increase) decrease in Card Member receivables and loans, including held for sale <sup>(a)</sup>	(3,169 )	13,002
Purchase of premises and equipment, net of sales: 2017, \$1; 2016, \$2	(538 )	(649 )
Acquisitions/dispositions, net of cash acquired	(174 )	(162 )
Net (increase) decrease in restricted cash	(12 )	126
Net cash (used in) provided by investing activities	(4,158 )	12,138
Cash Flows from Financing Activities		
Net increase (decrease) in customer deposits	4,666	(594 )
Net decrease in short-term borrowings	(2,124 )	(2,520 )
Issuance of long-term debt	17,124	3,778
Principal payments on long-term debt	(12,349)	(1,558 )
Issuance of American Express common shares	44	75
Repurchase of American Express common shares	(1,767 )	(2,914 )
Dividends paid	(620 )	(601 )
Net cash provided by (used in) financing activities	4,974	(4,334 )
Effect of foreign currency exchange rates on cash and cash equivalents	134	1
Net increase in cash and cash equivalents	5,234	11,005
Cash and cash equivalents at beginning of period	25,208	22,762
Cash and cash equivalents at end of period	\$30,442	\$33,767

(a) Refer to Note 2 for additional information.

Table of Contents

AMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The Company

American Express Company (the Company) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment 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). The Company's 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 direct mail, online applications, in-house and third-party sales forces and direct response advertising.

The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the Annual Report). If not materially different, certain footnote disclosures included therein have been omitted from this Quarterly Report on Form 10-Q.

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 May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance on revenue recognition. The accounting standard establishes the principles to apply to determine the amount and timing of revenue recognition, specifying the accounting for certain costs related to revenue, and requiring additional disclosures about the nature, amount, timing and uncertainty of revenues and related cash flows. The guidance, as amended, supersedes most of the current revenue recognition requirements, and is effective January 1, 2018. Upon adoption of the new revenue recognition guidance, the Company anticipates using the full retrospective method, which applies the new standard to each prior reporting period presented. The Company has been working on the implementation of the standard since its issuance in 2014 and has made significant progress in evaluating the potential impact on its Consolidated Financial Statements. There will be changes to the recognition timing and classification of revenues and expenses, including potential changes to the presentation of certain credit and charge card related costs that are currently netted against discount revenue. The Company does not expect a significant impact to pretax income upon adoption. The Company is also in the process of implementing changes to its accounting policies, business processes, systems and internal controls to support the recognition, measurement and disclosure requirements under the new standard.

In January 2016, the FASB issued new accounting guidance on the recognition and measurement of financial assets and financial liabilities. The guidance, which is effective January 1, 2018, makes targeted changes to current GAAP, specifically to the classification and measurement of equity securities, and to certain disclosure requirements associated with the fair value of financial instruments. In the ordinary course of business, the Company makes investments in non-public companies currently recognized under cost method accounting. Under the new guidance, these investments will be prospectively adjusted for observable price changes upon identification of identical or similar transactions of the same issuer. The Company continues to evaluate the impact this guidance will have on its financial position, results of operations and cash flows, as well as the impact the standard will have on its accounting policies, business processes, systems and internal controls.

Table of Contents

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In February 2016, the FASB issued new accounting guidance on leases. The guidance, which is effective January 1, 2019, with early adoption permitted, requires virtually all leases to be recognized on the Consolidated Balance Sheets. The Company currently anticipates adopting the standard effective January 1, 2019, using the modified retrospective approach, which requires recording existing operating leases on the Consolidated Balance Sheets upon adoption and in the comparative period. The Company is in the process of upgrading its existing lease administration software for new lease accounting functionality, business processes and internal controls in preparation for the implementation. Specifically, the Company is currently reviewing its lease portfolio and is evaluating and interpreting the requirements under the guidance, including the available accounting policy elections, in order to determine the impacts to the Company's financial position, results of operations and cash flows upon adoption.

In June 2016, the FASB issued new accounting guidance for recognition of credit losses on financial instruments, which is effective January 1, 2020, with early adoption permitted on January 1, 2019. 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. The guidance requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. The Company does not intend to adopt the new standard early and is currently evaluating the impact the new guidance will have on its financial position, results of operations and cash flows; however, it is expected that the CECL model will alter the assumptions used in estimating credit losses on Card Member loans and receivables, among other financial instruments (e.g., investments in available-for-sale debt securities), and may result in material increases to the Company's credit reserves as the new guidance involves earlier recognition of expected losses for the life of the assets. The Company has established an enterprise-wide, cross-discipline governance structure to implement the new standard. The Company is currently identifying key interpretive issues, and is evaluating existing credit loss forecasting models and processes in relation to the new guidance to determine what modifications may be required.

## 2. Business Events

During the fourth quarter of 2015, it was determined the Company would sell the Card Member loans and receivables related to its cobrand partnerships with JetBlue Airways Corporation (JetBlue) and Costco Wholesale Corporation (Costco) in the United States (the HFS portfolios). As a result, the HFS portfolios were presented as held for sale (HFS) on the Consolidated Balance Sheets within Card Member loans and receivables HFS as of December 31, 2015.

During the first half of 2016, the Company completed the sales of substantially all of its outstanding Card Member loans and receivables HFS and recognized gains, as an expense reduction, in Other expenses, of \$127 million and \$1.1 billion during the three months ended March 31, 2016 and June 30, 2016, respectively. The impact of the sales, including the recognition of the proceeds received and the reclassification of the retained Card Member loans and receivables, is reported within the investing section of the Consolidated Statements of Cash Flows as a net decrease in Card Member receivables and loans, including HFS.

From the point of classification as HFS through the sale completion dates, the Company continued to recognize discount revenue, interest income, other revenues and expenses related to the HFS portfolios in the respective line items on the Consolidated Statements of Income, with changes in the valuation of the HFS portfolios recognized in Other expenses.





Table of ContentsAMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## 3. Loans and Accounts Receivable

The Company's 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 June 30, 2017 and December 31, 2016 consisted of:

(Millions)	2017	2016
U.S. Consumer Services <sup>(a)</sup>	\$48,348	\$48,758
International Consumer and Network Services	7,245	6,971
Global Commercial Services	10,378	9,536
Card Member loans	65,971	65,265
Less: Reserve for losses	1,320	1,223
Card Member loans, net	\$64,651	\$64,042
Other loans, net <sup>(b)</sup>	\$1,855	\$1,419

(a) Includes approximately \$24.5 billion and \$26.1 billion of gross Card Member loans available to settle obligations of a consolidated variable interest entity (VIE) as of June 30, 2017 and December 31, 2016, respectively.

(b) Other loans primarily represent personal and commercial financing products. Other loans are presented net of reserves for losses of \$54 million and \$42 million as of June 30, 2017 and December 31, 2016, respectively.

Card Member accounts receivable by segment and Other receivables as of June 30, 2017 and December 31, 2016 consisted of:

(Millions)	2017	2016
U.S. Consumer Services <sup>(a)</sup>	\$11,344	\$12,302
International Consumer and Network Services	5,988	5,966
Global Commercial Services	32,073	29,040
Card Member receivables	49,405	47,308
Less: Reserve for losses	475	467
Card Member receivables, net	\$48,930	\$46,841
Other receivables, net <sup>(b)</sup>	\$2,832	\$3,232

(a) Includes \$7.9 billion and \$8.9 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of June 30, 2017 and December 31, 2016, respectively.

Other receivables primarily represent amounts related to (i) Global Network Services (GNS) partner banks for items such as royalty and franchise fees, (ii) certain merchants for billed discount revenue, and (iii) loyalty coalition partners for points issued, as well as program participation and servicing fees. Other receivables are presented net of reserves for losses of \$32 million and \$45 million as of June 30, 2017 and December 31, 2016, respectively.

Table of ContentsAMERICAN EXPRESS COMPANYNOTES 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 June 30, 2017 and December 31, 2016:

2017 (Millions)	Current	30-59	60-89	90+	Total
		Days Past Due	Days Past Due	Days Past Due	
Card Member Loans:					
U.S. Consumer Services	\$47,797	\$ 155	\$ 119	\$ 277	\$48,348
International Consumer and Network Services	7,124	38	25	58	7,245
Global Commercial Services					
Global Small Business Services	\$10,207	\$ 35	\$ 25	\$ 57	\$10,324
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	\$	\$54
Card Member Receivables:					
U.S. Consumer Services	\$11,220	\$ 42	\$ 24	\$ 58	\$11,344
International Consumer and Network Services	5,903	25	16	44	5,988
Global Commercial Services					
Global Small Business Services	\$14,967	\$ 75	\$ 41	\$ 102	\$15,185
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	\$ 136	\$16,888
2016 (Millions)	Current	30-59	60-89	90+	Total
		Days Past Due	Days Past Due	Days Past Due	
Card Member Loans:					
U.S. Consumer Services	\$48,216	\$ 156	\$ 119	\$ 267	\$48,758
International Consumer and Network Services	6,863	32	24	52	6,971
Global Commercial Services					
Global Small Business Services	\$9,378	\$ 34	\$ 23	\$ 49	\$9,484
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	\$	\$52
Card Member Receivables:					
U.S. Consumer Services	\$12,158	\$ 45	\$ 30	\$ 69	\$12,302
International Consumer and Network Services	5,888	22	15	41	5,966
Global Commercial Services					
Global Small Business Services	\$14,047	\$ 77	\$ 47	\$ 102	\$14,273
Global Corporate Payments <sup>(a)</sup>	(b)	(b)	(b)	\$ 135	\$14,767

For Global Corporate Payments (GCP) 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 the Company initiates collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member loan and 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).

Delinquency data for periods other than 90 days past billing is not available due to system constraints. Therefore, (b)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.



Table of ContentsAMERICAN EXPRESS COMPANYNOTES 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 six months ended June 30:

	2017			2016			
	Net Write-Off Rate			Net Write-Off Rate			
	Principal Only <sup>(a)</sup>	Principal, Interest & Fees <sup>(a)</sup>	30+ Days Past Due as a % of Total	Principal Only <sup>(a)</sup>	Principal, Interest & Fees <sup>(a)</sup>	30+ Days Past Due as a % of Total	
<b>Card Member Loans:</b>							
U.S. Consumer Services	1.7	% 2.0	% 1.1	% 1.5	% 1.7	% 1.1	%
International Consumer and Network Services	2.0	% 2.5	% 1.7	% 2.0	% 2.4	% 1.7	%
Global Small Business Services	1.5	% 1.8	% 1.1	% 1.3	% 1.6	% 1.1	%
<b>Card Member Receivables:</b>							
U.S. Consumer Services	1.4	% 1.5	% 1.1	% 1.5	% 1.8	% 1.2	%
International Consumer and Network Services	2.0	% 2.2	% 1.4	% 2.2	% 2.4	% 1.4	%
Global Small Business Services	1.7	% 1.9	% 1.4	% 1.7	% 2.0	% 1.4	%

	2017 Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables	2016 Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables
<b>Card Member Receivables:</b>				
Global Corporate Payments	0.10	% 0.8	% 0.09	% 0.7

The Company presents 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 the Company considers uncollectible interest and/or fees in estimating its reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

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 the Company 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 the Company's various Troubled Debt Restructuring (TDR) modification programs.



Table of ContentsAMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

The following tables provide additional information with respect to the Company's impaired Card Member loans and receivables. Impaired Card Member receivables are not significant for International Consumer and Network Services (ICNS) as of June 30, 2017 and December 31, 2016; therefore, this segment's receivables are not included in the following tables.

As of June 30, 2017

2017 (Millions)	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>			
Card Member Loans:							
U.S. Consumer Services	\$175	\$ 156	\$153	\$ 132	\$ 616	\$ 560	\$ 47
International Consumer and Network Services	58				58	57	
Global Commercial Services	33	34	26	27	120	110	9
Card Member Receivables:							
U.S. Consumer Services			10	8	18	18	4
Global Commercial Services			25	15	40	40	9
Total	\$266	\$ 190	\$214	\$ 182	\$ 852	\$ 785	\$ 69

As of December 31, 2016

2016 (Millions)	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>			
Card Member Loans:							
U.S. Consumer Services	\$178	139	165	129	611	558	51
International Consumer and Network Services	52				52	51	
Global Commercial Services	30	30	26	26	112	103	9
Card Member Receivables:							

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U.S. Consumer Services			11	6	17	17	7
Global Commercial Services			28	10	38	38	21
Total	\$260	\$ 169	\$230	\$ 171	\$ 830	\$ 767	\$ 88

The Company's policy is generally to accrue interest through the date of write-off (typically 180 days past due). The (a) Company establishes reserves for interest that it believes will not be collected. Amounts presented exclude Card Member loans classified as a TDR.

Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside (b) collection agencies for which the Company has ceased accruing interest. Amounts presented exclude Card Member loans classified as a TDR.

Accounts classified as a TDR include \$18 million and \$20 million that are over 90 days past due and accruing (c) interest and \$7 million and \$11 million that are non-accruals as of June 30, 2017 and December 31, 2016, respectively.

(d) In Program TDRs include Card Member accounts that are currently enrolled in a modification program.

Out of Program TDRs include \$139 million and \$132 million of Card Member accounts that have successfully (e) completed a modification program and \$43 million and \$39 million of Card Member accounts that were not in compliance with the terms of the modification programs as of June 30, 2017 and December 31, 2016, respectively.

Table of ContentsAMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table provides information with respect to the Company's average balances of, and interest income recognized from, impaired Card Member loans and the average balances of impaired Card Member receivables for the three and six months ended June 30:

(Millions)	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
Card Member Loans:				
U.S. Consumer Services	\$ 618	\$ 16	\$ 616	\$ 32
International Consumer and Network Services	56	4	55	8
Global Commercial Services	120	4	117	8
Card Member Receivables:				
U.S. Consumer Services	18		18	
Global Commercial Services	41		40	
Total	\$ 853	\$ 24	\$ 846	\$ 48

(Millions)	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
Card Member Loans:				
U.S. Consumer Services	\$ 551	\$ 12	\$ 555	\$ 24
International Consumer and Network Services	54	4	53	8
Global Commercial Services	102	3	103	6
Card Member Receivables:				
U.S. Consumer Services	13		12	
Global Commercial Services	25		20	
Total	\$ 745	\$ 19	\$ 743	\$ 38

Card Member Loans and Receivables Modified as TDRs

The following table provides additional information with respect to the U.S. Consumer Services (USCS) and GCS Card Member loans and receivables modified as TDRs for the three and six months ended June 30, 2017 and 2016. The ICNS Card Member loans and receivables modifications were not significant; therefore, this segment is not included in the following TDR disclosures.

Three Months Ended June 30, 2017			Six Months Ended June 30, 2017			
Number of Outstanding Balances Accounts (in \$ in millions) <sup>(a)</sup> thousands)	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)	Number of Outstanding Balances Accounts (in \$ in millions) <sup>(a)</sup> thousands)	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)	



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Troubled Debt Restructurings:

Card Member Loans	7	\$ 46	10	(b)	15	\$ 103	11	(b)
Card Member Receivables	1	18	(c)	32	3	46	(c)	26
Total	8	\$ 64			18	\$ 149		

Three Months Ended  
June 30, 2016

Six Months Ended  
June 30, 2016

	Number of Outstanding Accounts Balances (\$ in millions) <sup>(a)</sup>	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)		Number of Outstanding Accounts Balances (\$ in millions) <sup>(a)</sup>	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)
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Troubled Debt Restructurings:

Card Member Loans	7	\$ 50	10	(b)	15	\$ 107	11	(b)
Card Member Receivables	2	27	(c)	17	5	65	(c)	17
Total	9	\$ 77			20	\$ 172		

(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.

(b) For Card Member loans, there have been no payment term extensions.

(c) The Company does not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.

Table of ContentsAMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

The following table provides information with respect to the USCS and GCS Card Member loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification, for the three and six months ended June 30, 2017 and 2016. 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 June 30, 2017		Six Months Ended June 30, 2017	
	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default (\$ in millions) <sup>(a)</sup>	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default (\$ in millions) <sup>(a)</sup>
Troubled Debt Restructurings That Subsequently Defaulted:				
Card Member Loans	2	\$ 10	4	\$ 21
Card Member Receivables	1	2	2	3
Total	3	\$ 12	6	\$ 24

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default (\$ in millions) <sup>(a)</sup>	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default (\$ in millions) <sup>(a)</sup>
Troubled Debt Restructurings That Subsequently Defaulted:				
Card Member Loans	1	\$ 9	2	\$ 18
Card Member Receivables	1	1	2	2
Total	2	\$ 10	4	\$ 20

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

Table of ContentsAMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

## 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 the Company's 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 six months ended June 30:

(Millions)	2017	2016
Balance, January 1	\$1,223	\$1,028
Provisions <sup>(a)</sup>	741	512
Net write-offs <sup>(b)</sup>		
Principal	(557 )	(437 )
Interest and fees	(106 )	(80 )
Other <sup>(c)</sup>	19	68
Balance, June 30	\$1,320	\$1,091

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

Principal write-offs are presented less recoveries of \$205 million and \$179 million, and include net write-offs from

(b) TDRs of \$21 million and \$17 million, for the six months ended June 30, 2017 and 2016, respectively. Recoveries of interest and fees were de minimis.

Includes foreign currency translation adjustments of \$10 million and \$(2) million and other adjustments of \$9 million and \$3 million for the six months ended June 30, 2017 and 2016, respectively. The six months ended June 30, 2016 also includes reserves of \$7 million in the first quarter and \$60 million in the second quarter associated with \$20 million and \$245 million of retained Card Member loans, respectively, reclassified from HFS to held for investment during those periods as a result of retaining certain loans in connection with the respective sales of JetBlue and Costco cobrand card portfolios.

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 June 30, 2017 and December 31, 2016:

(Millions)