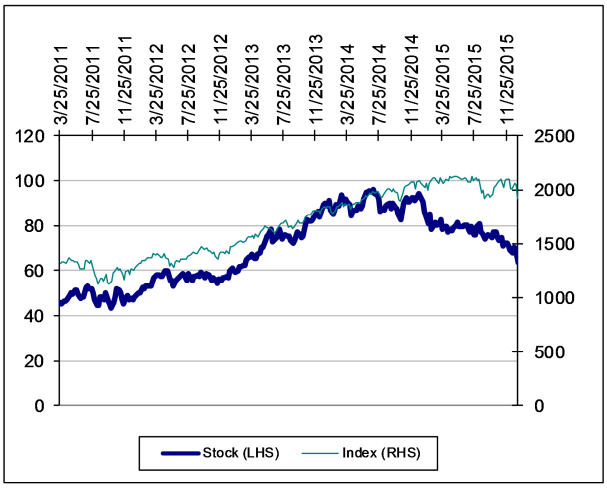
AMERICAN EXPRESS CO	AXP US	UNITED STATES	**Rating**	**BUY**	*Foyston, Gordon & Payne Inc.*		
Price	60.66		**FGP Target**	**75.00**	Analyst	Val De Franco	
S&P LT Rating	BBB+		Valuation	SOTP	Date	23-Mar-16	
FGP Investment Grade	2			$73-$77			
			Downside	**54.00**			

Equity Review - Basic Report

5 YR PRICE CHART



Security Information

Market Capitalization	76,701	m (CAD)	
Shares Outstanding	958.3	m	
Float Outstanding	804.6	m	
Daily Average Volume	596.8	m (CAD)	
52wk High (3/23/2015)	83.54	USD	
52wk Low (2/11/2016)	50.27	USD	
Return on Equity (5 year)	26.5%		
Return on Equity (TTM)	24.5%		
Book Value / Share	**21.33**	2.8 x	Ex Date
Dividend	1.16	1.9% →	**4/6/2016**
Net Debt to Equity	146%		**0.29**

	Street EPS	Street P/E	FGP EPS	FGP P/E	Reg DPS	Yield
LFY	5.40	11.2 x				
LTM	5.39	11.3 x			1.13	
2015	5.34	11.4 x	4.78	12.7 x	1.16	1.9%
2016	5.59	10.8 x	5.23	11.6 x		

Company Description

American Express Company is a global payment and travel company. 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.

Relative Market Value

	Price	TRR 1yr	12M Fwd P/E	Next Year P/E	Yld (%)
SPX	2,037	(0.6)	17.2	15.2	2.2
AXP US	60.66	(25.6)	11.2	10.8	1.9
		Delta	Relative	Relative	Relative
		25.0%	65%	72%	86%

Thesis

- Despite various setbacks related to Costco and stepped up competitive intensity by other banks, AXP's business is still generating high returns and can resume eps growth in 2017.
- The disappointing 2015 results have caused excessive valuation discount given the first statement above. AXP trades in-line with US regional banks despite having a vastly superior business model. The discount to Visa & Mastercard has expanded despite for the most part sharing in the same industry fundamentals.
- There is enough momentum within the payments industry itself to generate billings growth. Card penetration growth is poised to continue in the US & various international markets. On-line purchases will boost the penetration rate of cards.
- On top of industry drivers, AXP has its own initiatives to drive volumes, particularly in small and medium business (where it is the #1 player) and internationally where it is less penetrated.
- AXP in the majority of cases operates a closed loop network. This means that AXP is both the card issuer and card acquirer and collects some SKU data which allows AXP to employ a more effective loyalty program beneficial for merchants, cardholders and AXP.
- Related to closed loop, AXP has the largest spend per card. This has traditionally allowed AXP to negotiate with vendors have a higher merchant discount rate.

- AXP is regulated by the FED but it is very well capitalized. Last year AXP paid out > 100% of its earnings (dividends and buybacks) and this should continue this year.
- **FAIR VALUE = $75.00.** See Exhibit 9.5 on page 26

Risks

- Several large card issuers (JPM, C, COF) have targeted the high-end card user, as banks look for capital light revenue streams. As they have lower consolidated returns compared to AXP, they are willing to compete on price (primarily for cardholders but also some merchants). There has been steady erosion in AXP's "Net Discount Rate" over the last few years.
- Earlier this year AXP lost a key co-brand relationship Costco which was worth 8% of billed volumes and > 20% of credit card loans. It also lost the Jet Blue co-brand relationship (impact not disclosed). The remaining co-brands account for 14% of billings and 26% of loans. However, AXP has signed up 85% of these partners in the last 18 months, and the contracts last 5 years or more. That being said, Starwood (which was re-signed) is likely to be purchased by Marriott and there is a decent chance that AXP would lose this co-brand (2% billings, 4% loans).
- The history of AXP enabled it to attract high income earners as cardholders. This created an exclusivity status halo for the card attracting other high income earners which in turn allowed AXP to charge a higher MDR to merchants and so on. Today, generational attitudes have changed, frowning upon the exclusivity halo that was offered by AXP and thus is a medium/long term threat to AXP's positive feedback loop.
- For now, the technology disruptors, Apple, Paypal have inserted themselves in the payments network loop and extracted value primarily from issuers and acquirers for V/MA (but have not dis-intermediated the network). The offset is that they will likely add volumes, so they are not obviously a negative, they may even be a positive. However there are many emerging payment technologies that could in the future dis-intermediate the network.
- AXP is subject to regulatory risk. Last year, the EU regulated open loop (Visa, Mastercard) MDRs lower. AXP is not affected but will have to respond to competitive conditions. Australia may also lower MDRs. In the US, last year a lower court ruled in favour of the DOJ claiming that AXP's anti-steering contractual provisions with merchants violate anti-trust laws. AXP has appealed this. V & MA settled with the DOJ and they removed their anti-steering provisions (with no impact on volumes). Given that AXP generally has the highest inter-change, the final court ruling is could be detrimental to either billed volumes or net discount rate.
- Finally, a recession could hurt AXP's significantly with lower purchase volumes, and higher credit provisioning on its loans. Moreover, AXP's NIM could be severely impacted should wholesale funding markets shut down.
- **Downside = $54.00.** See Exhibit 9.6 on page 26.

American Express

INVESTMENT GRADE CHECKLIST

	1	3	5	Rating	Trend	Comments
BUSINESS FUNDAMENTALS:				2		
Market Position	Leader	2nd-Tier	Marginal	2	Positive	Top 3 player player in most markets as measured by networks size, but #1 card issuer in most mar
Barriers to Entry / Exit	High	Medium	Low	1	Positive	Reputation, brand, scale, regulatory are barriers.
Pricing Power	High	Medium	Low	3	Negative	Competition has driven rates down slowly although growing volumes have offset.
Capital Intensity	Low	Medium	High	2	Negative	Banking capital standards rising but AXP has ≈ 80% non-bank revenues.
Cyclicality (OPEX vs. CAPEX, Recurring revenue, end markets etc.)	Defensive/Stab	Cyclical	Deep Cyclical	3	Neutral	Payment revenues are correlated with consumer spending but there is still an underlying trend to increase % of credit card payments.
Product/Customer/Supplier concentration	Low	Medium	High	3	Neutral	There is some co-brand partner risk although majority has been signed in last 18 months.
Regulatory Environment	Stable		Uncertain	3	Negative	More so outside US where pricing ceilings are determined in some jurisdictions.
Geo-Political Risk (rule of law, respect of contracts, corruption etc)	Low	Medium	High	1	Neutral	Majority of revnues are in developed markets and the business is not a social concern.
GROWTH (Past 10 YEARS):				2		
Revenue per share	>10%	5-7%	<3%	3	Negative	5 Year CAGR is 7%; Costco losses will have adverse impact.
Pre-provision pre-tax /share	>10%	5-7%	<3%	2	Negative	5 Year CAGR is 9%; Costco losses will have adverse impact.
EPS	>10%	5-7%	<3%	2	Negative	5 Year CAGR is 9%; Costco losses will have adverse impact.
BVPS	>10%	5-7%	<3%	1	Negative	5 Year CAGR is 10%; AXP will pay out higher % of eps.
DPS	>10%	5-7%	<3%	2	Positive	5 Year CAGR is 9%; AXP will pay out higher % of eps.
Secular Trends (technology, obsolescence, supply, demand etc.)	Positive	Neutral	Negative	2		Payments & Banking demand is relatively stable.
PROFITABILITY:				3		
ROA	>8%	5-6%	<4%	5	Negative	5 Year Average ROA = 3.3%; this is about 3X what a regional banks makes
ROE	>20%	14%-16%	<8%	1	Negative	5 Year Average ROE =26.8%; this is about 2.5X what a regional banks makes
Operating Leverage (Margin, Incremental profit, fixed vs. Variable cost)	Low	Medium	High	3		AXP needs increasing payment volumes to offset negative pricing; has operating leverage to credit losses (expense).
OPERATIONAL IGR				2		
FINANCIAL STRENGTH:						
Credit Rating	A+	BBB	B	2	Neutral	Rated BBB+/ A3 Stable in both cases
Provisioning Trend	Low/Falling	Stable	High/Rising	3	Negative	Last 6 years is 1.7%; likely to go higher due to stage in credit cycle.
Provisioning vs. Peers	<75%	100%	>125%	1	Positive	On average has had better provisioning than the industry.
Liquidity: Loan to Deposits (total)	<90%	100%	>110%	5	Positive	AXP is not a typical bank but has strengthened its % of deposit funding
Liquidity: Loan to Deposits (fx)	<90%	100%	>110%	n/a		
Capital: Basel III Core Tier 1	High	Adequate	Low	1	Positive	Core Tier 1 Equity Ratio is 12.4%.
Capital: Leverage Ratio	High	Adequate	Low	2	Neutral	The SLR is 9.8%. Assets: Equity = 7.7X
Off BS exposure	Low	Average	High	5		$64B of purchase obligations next five years; $297B of lending capacity (highly unlikely to be fully used); $48B of potential guarantee exposure (card member protection); derivative use is relatively minor
FINANCIAL IGR				3		
CORPORATE GOVERNANCE:						
Ownership Structure	Appropriate	Apportioned	Low	3	Neutral	Berkshire Hatheway owns 15.7%; Insiders own < 1% but total ownership ≈ 5X comp for CEO; 2X+ other Execs
Share Structure	Single Share		Multi-vote	1	Neutral	Single class structure
Government Influence (Moral suasion etc for political benefits)	Low	Medium	High	1		
Board Composition (Depth, Independence, Stability)	Excellent		Poor	2	Neutral	12 of 13 Members are independent, many are present as executives/brd. Members of other public companies.
Accountability to Shareholders/Minority Rights	Respected		Ignored	2		
Accounting / Disclosure		Straightforward	Complex	3		Disclosure is reasonable.
Compensation Policy (Options, Share grants, Targeted return metrics)	Aligned	Normal	Misaligned	2		Long term targets based on ROE, TSR relative to peers, EPS vs. budget, and other strategic goals; hi % is equity based with some clawbacks and 1 year (short term comp.) and 3 years (long term comp CEO must retain some shares after retirement.
Capital Allocation History (M&A+disposals, B/S efficiency)	Good	Average	Poor	3		Modest M&A last six years; share buybacks and dividends have steadily increased.
Socially Responsible Investment	Limited risks	Moderate risks	Significant risks	2	Neutral	Card Payments, Banking is neutral
GOVERNANCE IGR				2		
SHARE LIQUIDITY: ***(Days to establish 1% position @ 1/3rd Vol)***	1 Day	3 Days	5 Days	1		Trades ≈ $C500M/day.
OVERALL INVESTMENT GRADE:				2		**Solid positioning in an attractive industry.**

1. Secular Industry Growth

Cash and Cheques as % is coming down

- In the US, cash & cheques as a % of volumes have come down from 35% to 28%. The US is actually behind a few countries and several major geographies have even lower penetration including Europe. While "grey" economies still form a large % of the overall economy in these international markets, the ease of use and security provide a long–term runway of growth for the industry.
- As online sales continue to grow as a % of total spend, this will also accelerate the conversion to cards.

US Debit growth rates should start to slow down to the benefit of credit cards

- While there is an argument for debit cards – spend within actual available money, the Durbin amendment effectively capped the returns on debit cards. The economics for credit cards are much better for banks which will incent them to push credit[1] cards at the expense of debit cards.
- Americans in particular love rewards which are only available on credit cards (larger profit pool). The age of digital information is aligned with the rewards preference as the administrative costs of rewards are now cheaper, and the ease of using the rewards is also easier.

The network is hard to replace

- The network provides several advantages that for now are very difficult to replace.
- They generally are available the vast majority of the time → > 99.5% and can provide cross-border, multi - currency transactions.
- The processing speed is ≈ 4 milliseconds.
- When a transaction goes through the network, a series of fraud tests are conducted that protect both the consumer and merchant.
- The network also acts an arbiter of disputes.
- These positive operating statistics creates a sense of trust for merchants and consumers thereby creating a natural preference for the network. As the process repeats, the acceptance of merchants and consumers enlarges the network which then in turn self-reinforces the advantages of the network.
- It would be very difficult to for a merchant to bypass the network. Globally, the card issuers are somewhat fragmented and retailers are very fragmented – the top ten only have 9% market share.[2] Thus to create a direct network would be very cumbersome and complicated.

No threat of disintermediaton yet. (Reference Appendix 1)

- Paypal: is a merchant acquirer but it acts as an aggregator of small and online merchants. Instead of a merchant acquirer interacting directly with the merchant, Paypal (or other similar competitors) insert themselves in between. So the merchant acquirer/network pays Paypal and Paypal in turn pays the merchant a smaller amount. In exchange Paypal does the administrative work and it allows these merchants to enter the network as they would be too small for a normal merchant acquirer to distribute to.
- Apple/Google Wallet: have inserted themselves between the issuing banks and the ultimate card holders. Instead of using a physical credit card to conduct a transaction, they simply store the card info on the phone and use the phone to conduct a purchase. Note that the card holder still has a relationship with a bank since ultimately only banks participate on the network. Apple typically receives about 15bps/transaction.

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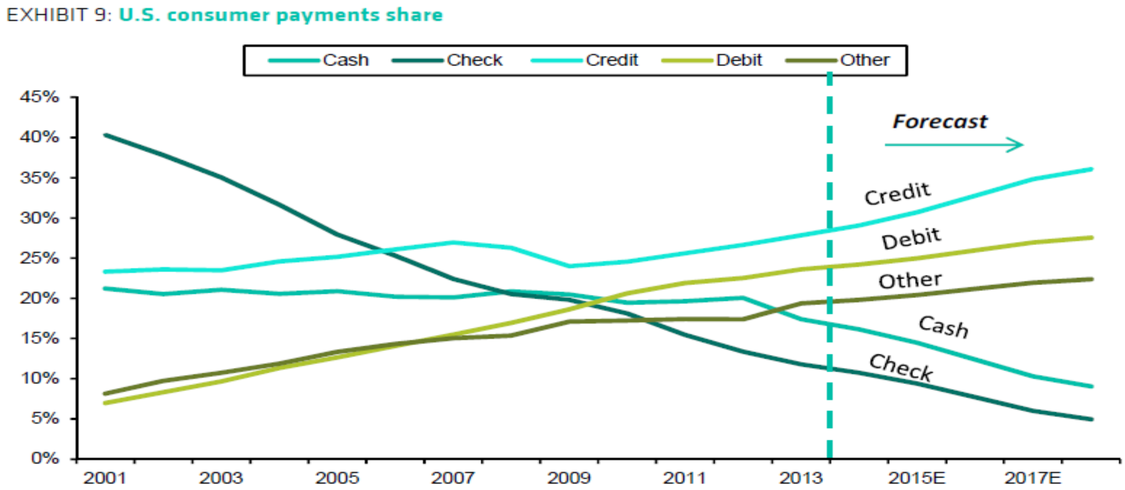
[1] In this report credit card refers to either a charge card (balance is paid in full) or a normal credit card (only minimum payments need to be made).
[2] Source: Sanford Bernstein.

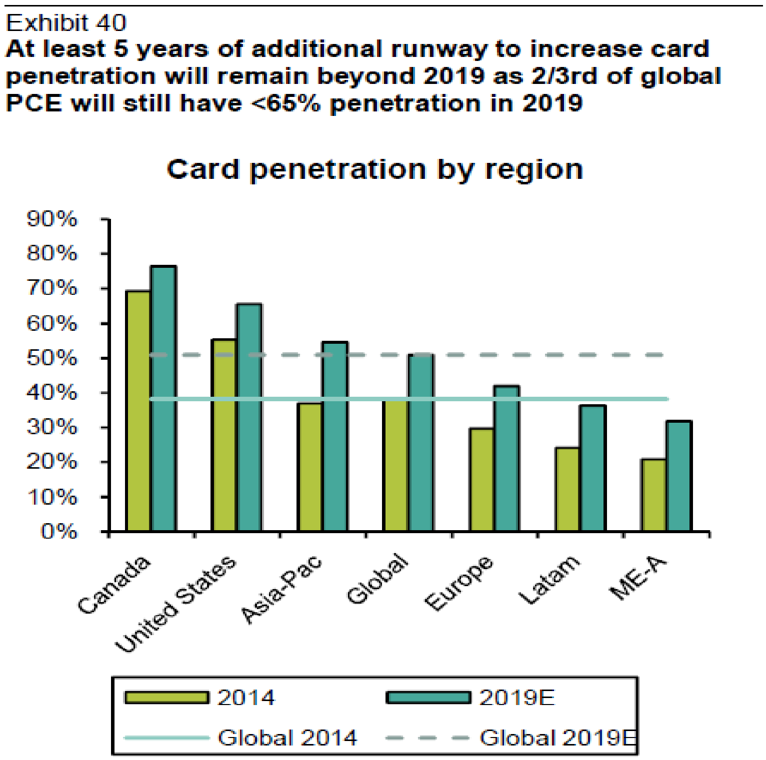
In exchange it offers is some anti-fraud security but more likely is exploiting the fear of missing out on customers that don't offer Apple Pay.

EXHIBIT 1.1



Source: Nilson Report and Bernstein analysis and estimates.

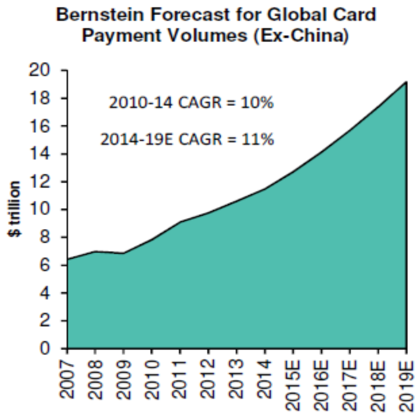
EXHIBIT 1.2



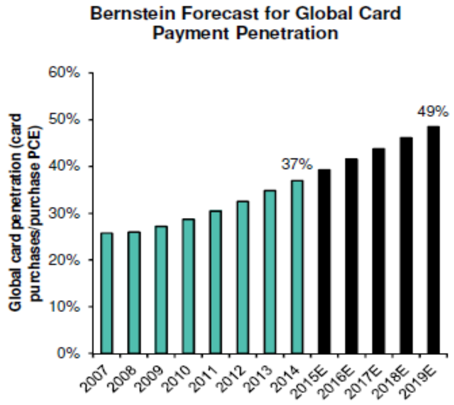
Source: WEO, Worldbank, Nilson, Corporate reports and Bernstein estimates

EXHIBIT 1.3

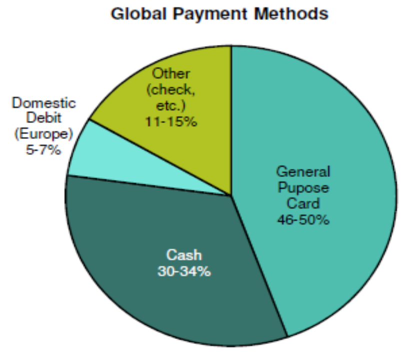
We expect global payment volume (ex China) growth to sustain a 11% CAGR through 2018



Ex China, we expect global card payment penetration to be ~49% in 2019, up from 37% in 2014



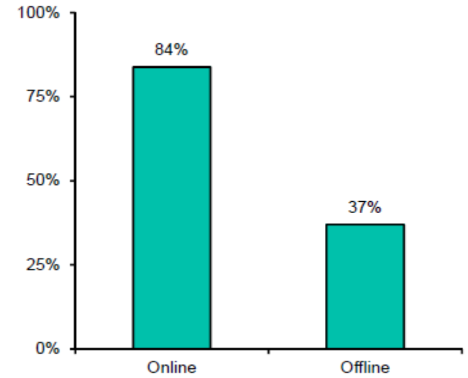
Majority of the opportunity is cash



Source: WEO, Worldbank, Nilson, Corporate reports and Bernstein estimates

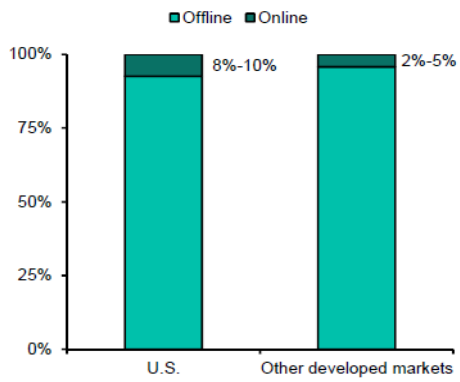
EXHIBIT 1.4

EXHIBIT 11: **Online purchases are 2.3x more likely to be made with a card**



Source: Mercator 2013 Survey and Bernstein analysis and estimates.

EXHIBIT 12: **Online purchases still have a strong runway for growth**



Source: Mercator 2013 Survey and Bernstein analysis and estimates.

2. Amex traditionally focussed on higher spend customers

US market leader in spend, but not transactions

- In terms of # of merchant acceptance, AXP is ≈ 75% of Visa/Mastercard (V/MA) acceptance in the US, and ≈ 40% internationally. However the growth rates from 2005 – 2015 (International 2005 – 2013) has been higher than the two main brands.

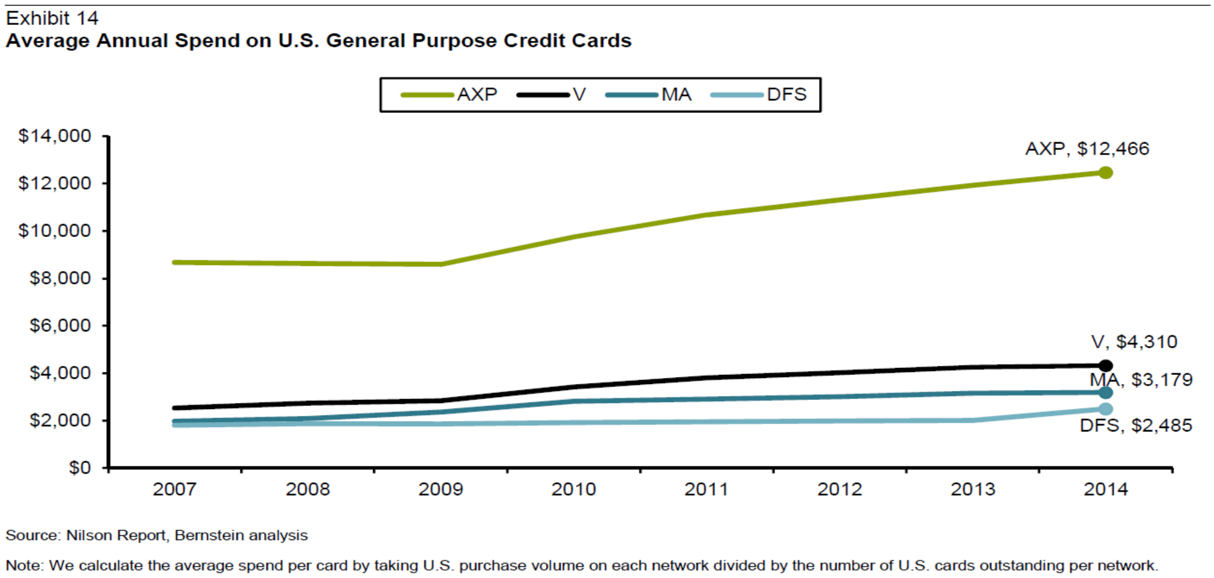
EXHIBIT 2.1

OF ACCEPTING MERCHANTS

Merchant Acceptance Locations								
Source: Nilson Report								
	U.S. (mil.)				**Global (mil.)**			
	Visa	**MasterCard**	**American Express**	**Discover/Diners**	**Visa**	**MasterCard**	**American Express**	**Discover/Diners**
2005	6.1	6	3.9	4.7	24.4	24.7	9.2	8.8
2013	9.4	9.4	6.4	9.2	38.1	38.1	16.1	25.7
2014	9.5	9.5	6.9	9.3				
2015	9.8	9.8	7.3	9.6				
Growth 2005 - 2013	**5.6%**	**5.8%**	**6.4%**	**8.8%**	**5.7%**	**5.6%**	**7.2%**	**14.3%**
Growth 2005 - 2015	**4.9%**	**5.0%**	**6.5%**	**7.4%**				

- However, AXP is the king of spend. At around $13,600, it is nearly 3X the next largest card, Visa.
- This is because traditionally AXP has lead in the high income segment.

EXHIBIT 2.2



Note: at 2015, AXP now at $13,600 (excludes Costco).

- The main reason why AXP's acceptance rate is lower is due to history. V/MA use a bank led distribution model for growing card holders and merchants. V/MA were owned by the banks up until a few years ago, so it was in the banks' best interest to grow the V/MA network. In 2004 the Supreme Court Ruled that V/MA violated anti-trust laws by barring their member banks from offering credit cards that could be used on rival payment networks. AXP negotiated settlement payments with both V/MA for a total of $4B (paid out over several years) in 2007 & 2008.

- However, winning banks over is still somewhat of a challenge as V/MA offer good rates (discounts) to the banks to keep them locked-in. Also because these networks are larger today, this is a natural advantage at the margin for winning new merchants and cardholders.
- AXP grew their payments business starting with travel services to the corporate segment – thus they had a first mover advantage in the high income and corporate segments. This has led to higher spend which had generally been AXP's sales pitch to win new merchants – high spend/card. AXP also charged more because of this higher spend.

AXP has made efforts to go beyond high income spender

- AXP has introduced basic cards and has signed up merchants beyond the travel and entertainment industry. This expansion has seen AXP accelerate the # of merchants (See Exhibit 2.1).
- There are consequences though, as the "net" discount rate has been creeping lower and direct marketing expenses haven't been declining as fast. (See Section 3).

3. Competition is heating up

- Earlier this year, AXP failed to renew its Costco US co-brand relationship (expires March 2016) which hit the stock hard. This follows on losing the Costco Canada relationship last year. The Costco US relationship will result in a loss of 8% of billed $volume. 70% of the volume was spent outside of Costco, although the 30% spent at Costco had a very low MDR.
- AXP initially talked up its success in retaining some of Costco Canada's card-holders and that it would apply these efforts to Costco US card holders. Subsequently AXP completely reversed its rhetoric around retention efforts given potential legal constraints about its post contract marketing.
- Another co-brand relationship that is still is at risk is Starwood Hotels which was purchased by Marriott in November 2015. Starwood makes up 2% of billed business and 5% of loans. All remaining co-branded relationships make up 14% of purchase volumes and 33% of Card loans. In the last 18 months, AXP has resigned 85% of its remaining co-brands (although this includes Starwood) and the contracts typically last at least five years, so further co-brand partner loss risk has been mostly dealt with.
- On top of losing the two Costco accounts, Citi & JPM are going after AXP's main market – the high end spender. Prior to the GFC, Citi and JPM viewed the credit card business primarily for Net Interest Income – so they focussed on mass market. Under a new capital regime, it only makes sense that the two banks go after the spending portion as it is capital light. The tables below (Ex. 3.1 & 3.2) compare some competitive offerings.
- In terms of the P&L impact, we can see that the gap between AXP's Merchant Discount Rate (MDR) and the Net Discount Rate (NDR = actual discount revenues/divided by billings) has grown. (Ex. 3.4 & 3.5).
- Part of the decline in the lower MDR is due to more basic cards being granted and the type of merchants being signed up (i.e., gas stations & grocery stores vs. restaurants and hotels).
- Part of the reason for the growing gap between MDR and NDR are cash cards, higher co-brand partner incentives, and the growth in the GNMS segment.
- Cash—back cards have grown in popularity and the cash rewards are treated as contra-revenue.
- Competition for co-brand partners has resulted in AXP giving higher incentives to them, and these are also treated as contra-revenues.
- Finally, the GNMS segment is the segment where AXP uses partners for card issuance, or merchant acquiring, or both. This has been a fast growing segment and is very profitable. In GNMS, AXP shares the revenues but also the costs. In some cases, there are no "discount" revenues (but there are other

revenue streams) and in some cases AXP operates like a pure open network and receives "competitive" fees for discount revenues. I have assumed 25bps for these particular billings and then calculated the "implied" NDR for non GNMS billings.

- Also putting pressure on profitability are direct marketing costs, including rewards expense. The total of these two cost items as a % of billings has come down, but not by the same degree as NDR – thus the "implied" gross margin has been falling.

EXHIBIT 3.1

Figure 4. Citi's Prestige card compares favorably to AXP's Platinum card, with more perks for the $450 annual fee

Card	Platinum Card	Prestige Card	Palladium Card	United MileagePlus Club	Visa Black Card
Issuer	Amex	Citi	Chase	Chase	Barclays
Annual Fee	$450	$450	$595	$450	$495
Differentiated Rewards Categories	2x points on travel	3x points on travel, 2x on dining	2x points on travel	1.5 miles per $1	2x points on airfare
Sign up Perks	40k points	50k points	35K points annually w/ $100K spend	$100 statement credit	25k points
APR	-	15.24%		15.99%	14.99%
Perks					
Hotel upgrades/discounts	X	X	X	X	X
Airport Lounge Access	X	X	X	X	X
Waived foreign transaction fee	X	X	X	X	
TSA PreCheck/Global Entry Fee Waiver	X	X			
Concierge service for booking	X	X	X		X
Airline fee credit	$200	$250		Free baggage check	
Complimentary Companion Ticket	X	X	X		
Airport Concierge Service		X			
Private Jet Perks	X	X	X		

Source: Company data, Evercore ISI Research

EXHIBIT 3.2

Source: Company data, Evercore ISI Research

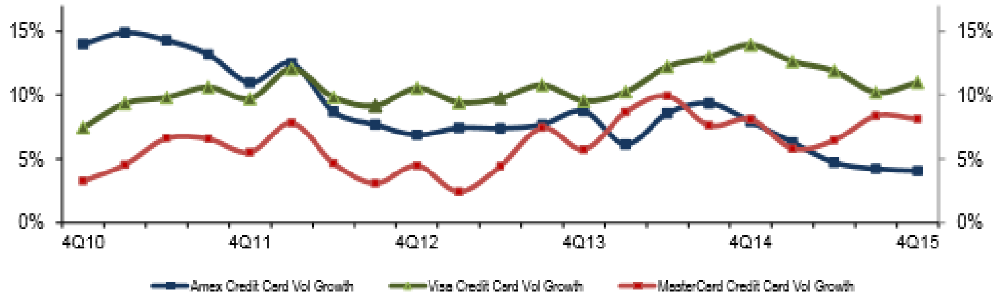
Figure 5. Basic Cards: Discover's IT and Citi's Double Cash card offer comparable rewards versus AXP's basic card products

Issuer	American Express	American Express	Discover	Citi
Card	EveryDay	Blue Cash Everyday	IT	Double Cash
Annual Fee	$0	$0	$0	$0
Rewards	1 point / $1, with 2x points at supermarkets; 20% more points if 20 purchases/month	1 point per $1; 3x for supermarkets, 2x for gas and department stores.	1 point per $1; 5x on different categories each quarter	1% when you buy + 1% when you pay (2% cash back)
APR	12.99% - 21.99%	12.99% - 21.99%	10.99%-22.99%	12-99% - 22.99%
Promos	10K Rewards Points after spending $1000	$100 back after spending $1000	2x cash back for Year 1	
Intro APR and Balance transfers	0% for 15 months	0% for 15 months	0% for 12 months	0% for 15 months
Balance Transfer Fee	3%	3%	3%	3%
Perks				
Roadside Assistance	x	x	x	x
Car Rental Loss and Damage Insurance	x	x	x	x
Travel Accident Insurance	x	x	x	x
Travel and Emergency Assistance	x	x	x	x
Discounts and presales to events	x	x		x
Extended Warranty	x	x	x	x
Purchase protection against theft	x	x	x	x
Free FICO credit score			x	
Paying late won't raise APR			x	
No late fee for first late payment			x	x
Lower price refund				x
No foreign transaction fee			x	
Return protection within 90 days	x	x	x	

Source: Company data, Evercore ISI Research

EXHIBIT 3.3

Figure 5: U.S. Purchase Volume Y/Y Growth

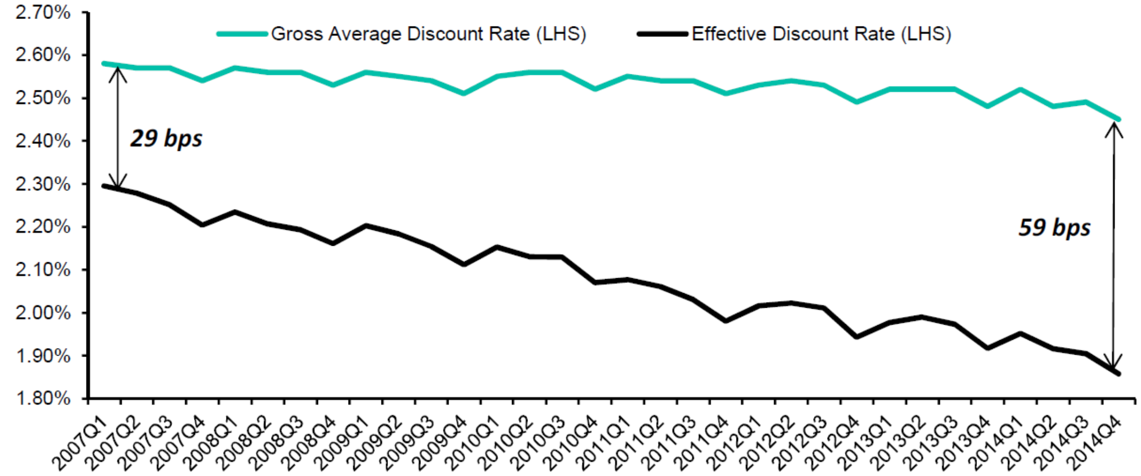


Note: Amex purchase volume is U.S. billed business. Source: Company data, Credit Suisse estimates

EXHIBIT 3.4

Exhibit 3

AXP's Published & Effective Discount Rate, and Discount Revenues



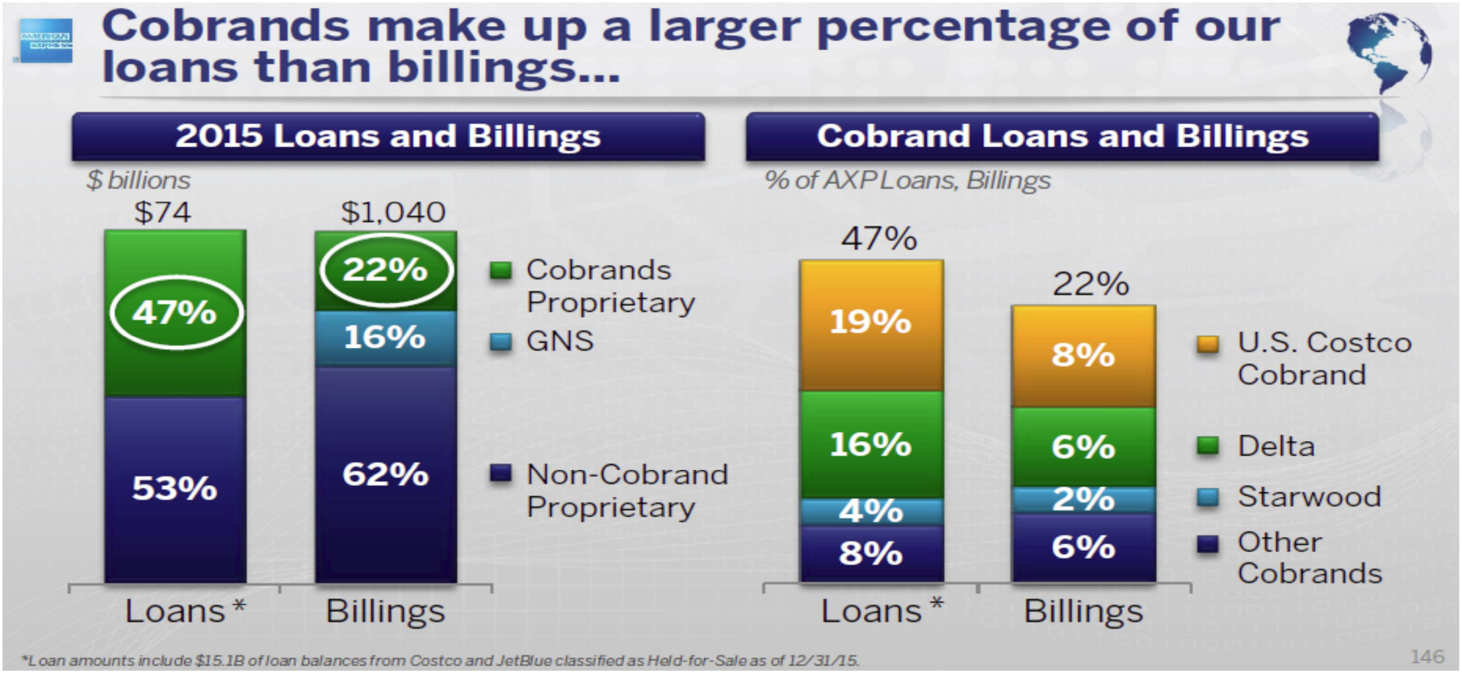
Source: Company reports, Bernstein analysis

EXHIBIT 3.5

For the Fiscal Period Ending	12 months Dec-31-2008	12 months Dec-31-2009	12 months Dec-31-2010	12 months Dec-31-2011	12 months Dec-31-2012	12 months Dec-31-2013	12 months Dec-31-2014	Release 12 months	F16E	F17E
Currency	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*		
Net Discount Rate	2.20%	2.13%	2.09%	2.04%	2.00%	1.96%	1.91%	1.86%	1.79%	1.76%
Adjusted Net Discount Rate (for GNMS)		2.38%	2.36%	2.33%	2.29%	2.27%	2.21%	2.16%	2.10%	2.06%
Discount Revenue GNMS (assumed 25bps)	-	0.18	0.23	0.29	0.32	0.36	0.40	0.42	0.43	0.47
Discount Revenue Non GNMS	-	13.02	14.65	16.44	17.42	18.33	19.09	18.88	18.14	18.89
Rewards Expense	0.64%	0.65%	0.71%	0.76%	0.71%	0.68%	0.68%	0.67%	0.68%	0.68%
Service Expense	0.08%	0.08%	0.08%	0.09%	0.09%	0.08%	0.08%	0.10%	0.11%	0.11%
Billings: Gross Margin	1.48%	1.40%	1.30%	1.19%	1.20%	1.20%	1.15%	1.09%	1.01%	0.98%

Source: company reports and FGP estimates

EXHIBIT 3.6



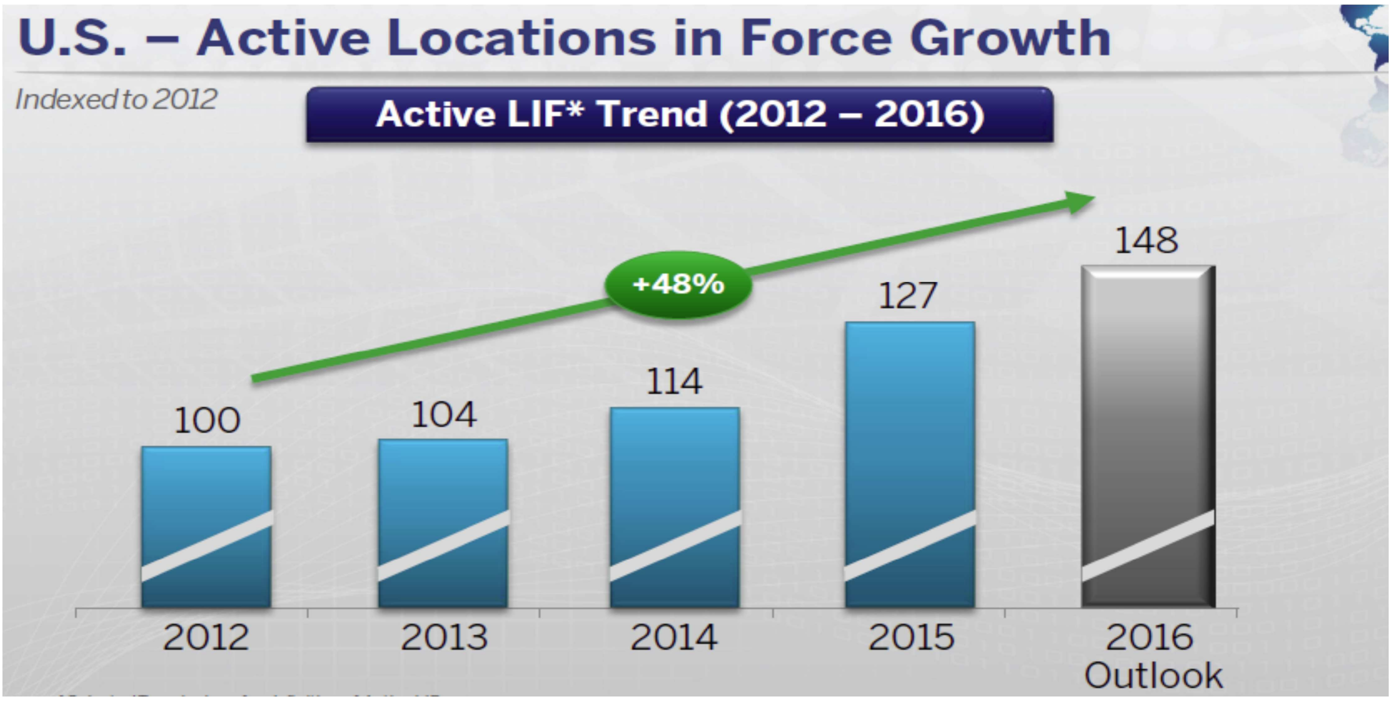
4. Volume Growth

- As seen is Section 2 (& Ex. 4.2), AXP has grown acceptance points at a faster pace than V/MA in merchant acceptance points. Obviously some of this is from a lower starting point. Still, the larger the network becomes, the more self-reinforcing it becomes.
- In terms of purchase volumes, 2015 was not a great year for AXP, but over the last five years and nine years, AXP has been #2 in terms of growth.
- Note that intl. volumes, data is not up to date. *(Source: Nilson Report from Bernstein).*
- It appears on the US consumer, AXP is going to try to defend its high income spender and just ride the wave of industry momentum. However, AXP does have plans to grow in the 1) small and medium business side for both US & Intl; and 2) grow through other merchant acquirers/card issuers primarily in International markets – the old GNMS segment.

EXHIBIT 4.1

U.S. General Purpose Credit Cards												
Source: Nilson												
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Last 5 Years CAGR**	**Last 9 Years CAGR**
Visa												
Purchase Volume (bil.)	$754.0	$807.0	$823.7	$764.2	$809.3	$888.0	$981.3	$1,078.6	$1,212.7	$1,343.9		
		7.0%	2.1%	-7.2%	5.9%	9.7%	10.5%	9.9%	12.4%	10.8%	10.7%	6.6%
MasterCard												
Purchase Volume (bil.)	$508.0	$548.1	$547.3	$476.9	$479.3	$508.0	$534.1	$560.1	$607.1	$652.8		
		7.9%	-0.1%	-12.9%	0.5%	6.0%	5.1%	4.9%	8.4%	7.5%	6.4%	2.8%
American Express												
Purchase Volume (bil.)	$402.0	$453.2	$465.2	$419.8	$476.2	$540.1	$588.2	$633.3	$684.4	$717.3		
		12.7%	2.7%	-9.8%	13.4%	13.4%	8.9%	7.7%	8.1%	4.8%	8.5%	6.6%
Discover												
Purchase Volume (bil.)	$95.4	$101.8	$106.1	$100.4	$107.2	$114.2	$130.5	$127.1	$129.2	$118.5		
		6.7%	4.2%	-5.4%	6.8%	6.5%	14.3%	-2.6%	1.7%	-8.3%	2.0%	2.4%

EXHIBIT 4.2



4.1 Small and Medium Business

- Generally, small and medium sized business are under-penetrated for the use of cards to complete payments. On the small business side, it is estimated ≈ 10%.
- Both of these segments have also been growing faster that AXP's billings growth. There are still many accounts to penetrate, but in general the average spend/card is also higher than US consumer spend/card.
- AXP is #1 both small and medium business (and in large corporates as well). In both segments, AXP has the brand and customer service. (AXP is generally been #1 in customer service for many years in JD Power rankings). Also, these customer segments like membership rewards that can either be used as savings or used as benefits for employees (or owners of a small business).
- For the medium sized business, AXP has been able to transfer some its best practices/infrastructure in the corporate space, which enables companies to better analyze and reduce their spend. (AXP closed loop network is an advantage. AXP also offers software that can can integrate with a client's ERP systems, billing and payables). As AXP is also #1 in corporate, they have a scale advantage to invest in software and service to keep this advantage going.
- In the small business segment, AXP "carefully" (based on its analysis of client's spending; also in the event of non-payment, AXP can cease authorization of charge cards completely, whereas for a bank line, the client only has to pay interest and can keep borrowing until the borrowing limit is reached) uses no spending limits which is important for companies that have more unpredictable spending patters. This particularly is a (sales) advantage over banks that offer credit lines but with a borrowing ceiling.
- Finally, on parity with banks, AXP does offer foreign exchange services.

EXHIBIT 4.3

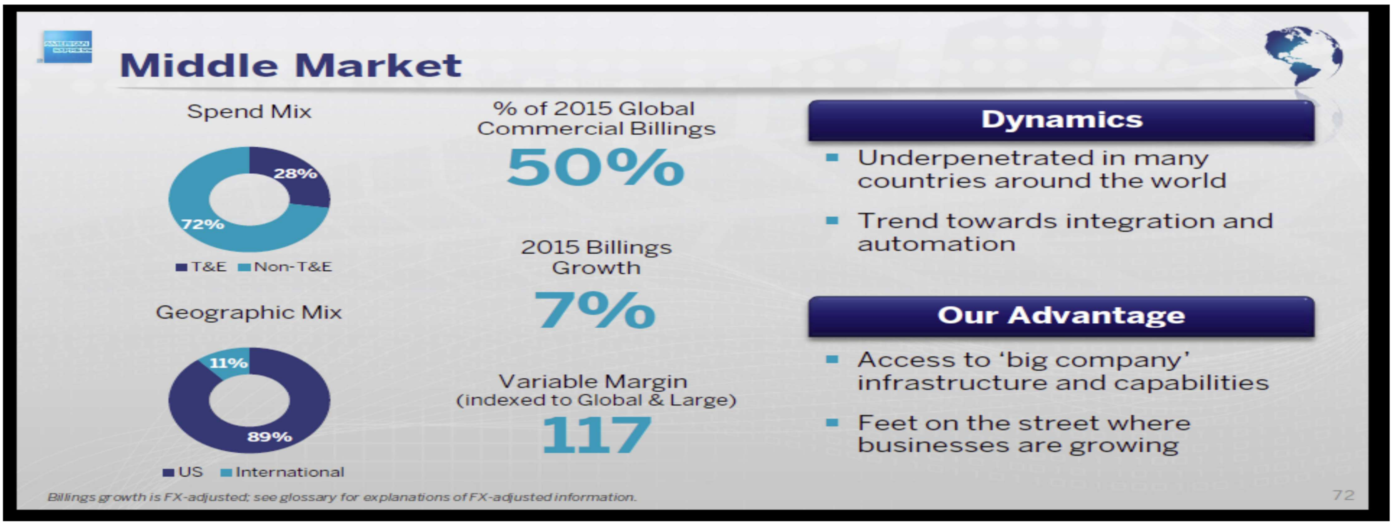


EXHIBIT 4.4

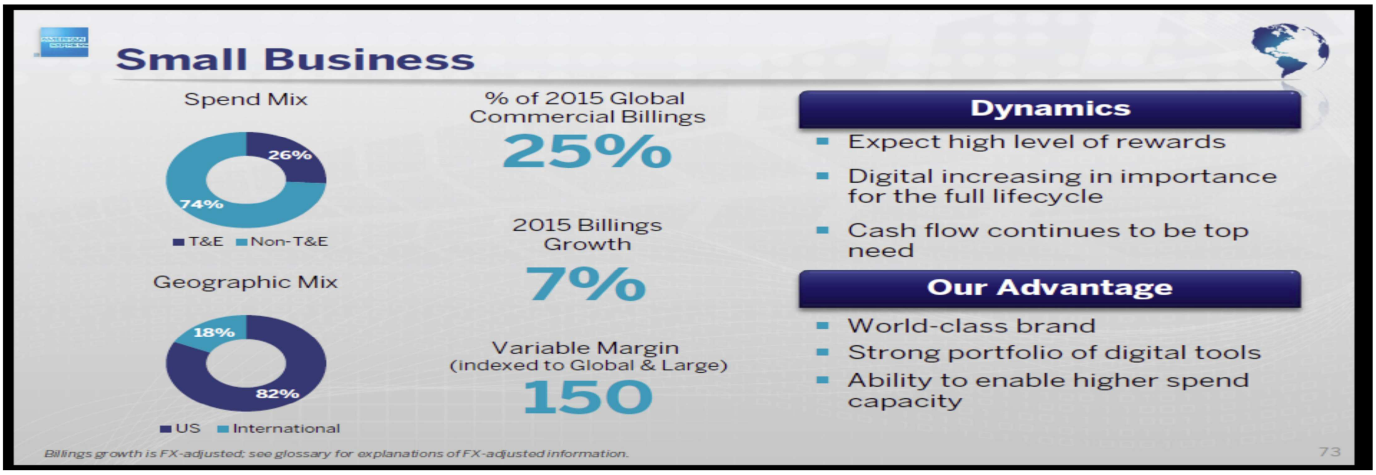
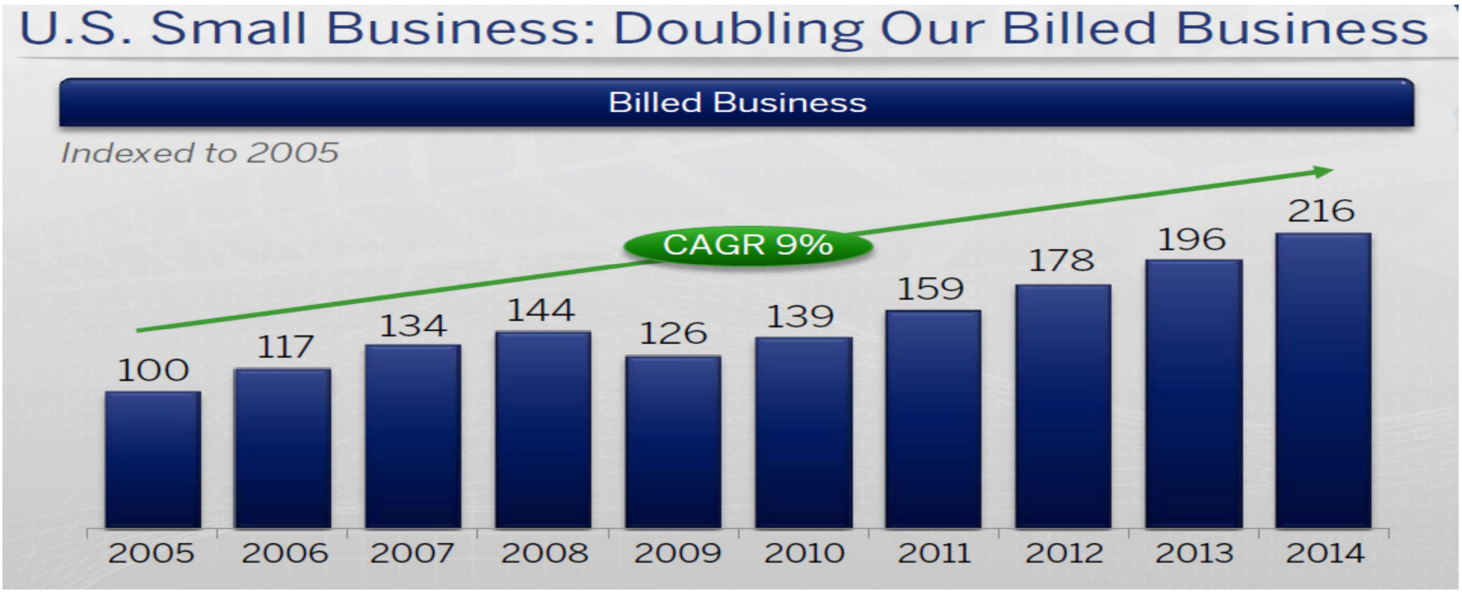


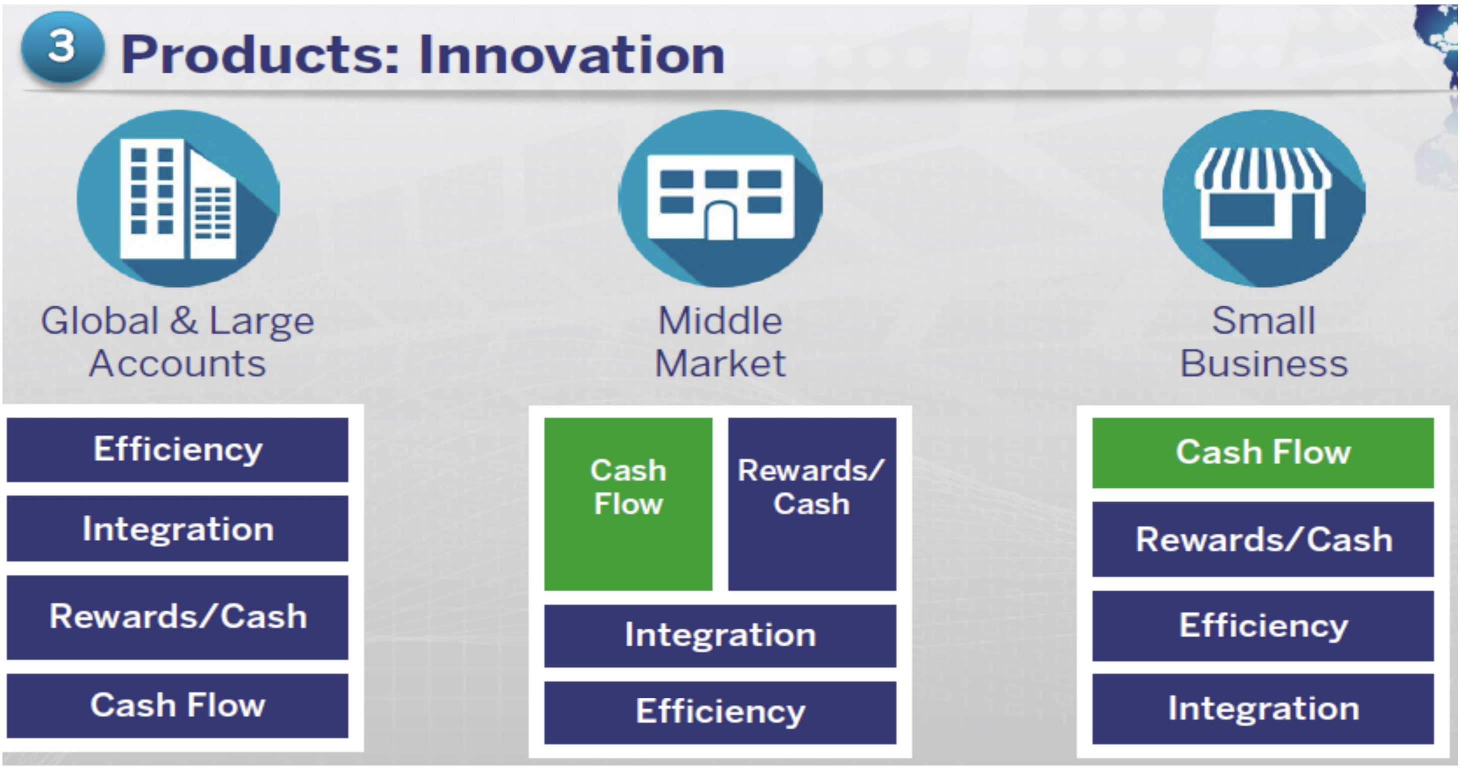
EXHIBIT 4.5

EXHIBIT 4.6



Note: no slide provided in 2016 Investor Day Presentation

EXHIBIT 4.7



4.2 Other Partners & OptBlue

- Under the previous segmentation, AXP had one segment called Global Merchant and Network Services (GNMS). Under GNMS AXP uses partners to either be the card issuer or the merchant acquiror, or both. This segment has been the fastest growing segment, and it the most profitable (at least based upon AXP's transfer prices). In this segment, AXP shares the discount revenue with its partners, but the costs are much lower, generating the higher returns.

- AXP benefits because they can take advantage of extended marketing reach by partners. Partners benefit because they add volumes to their client base using AXP's marketing muscle.
- Under the GNMS umbrella and somewhat related to 4.1, Opt-blue is focussed on small business.
- Some small merchants prefer to deal with one merchant acquirer, so this is an easier way for AXP to grow its acceptance points. In OptBlue, the partner determines pricing for the merchant (often times a bundled price for all of the networks which helps to blur AXP's MDR). However, AXP still maintains the information ownership to preserve its closed loop.

EXHIBIT 4.8

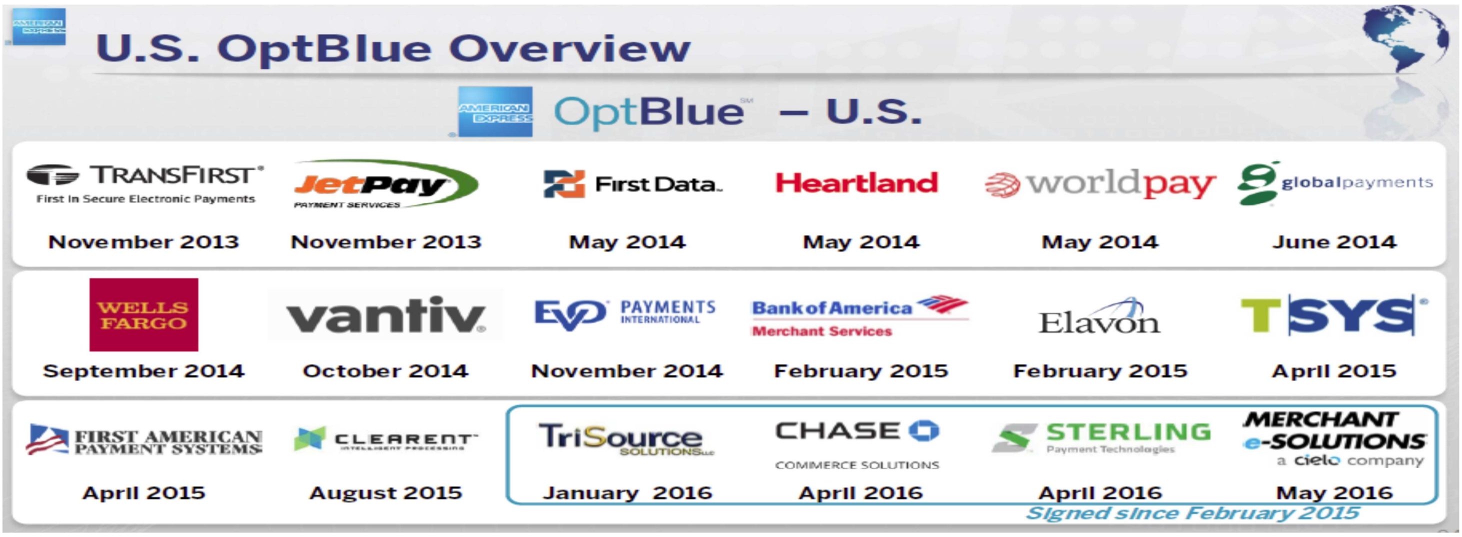
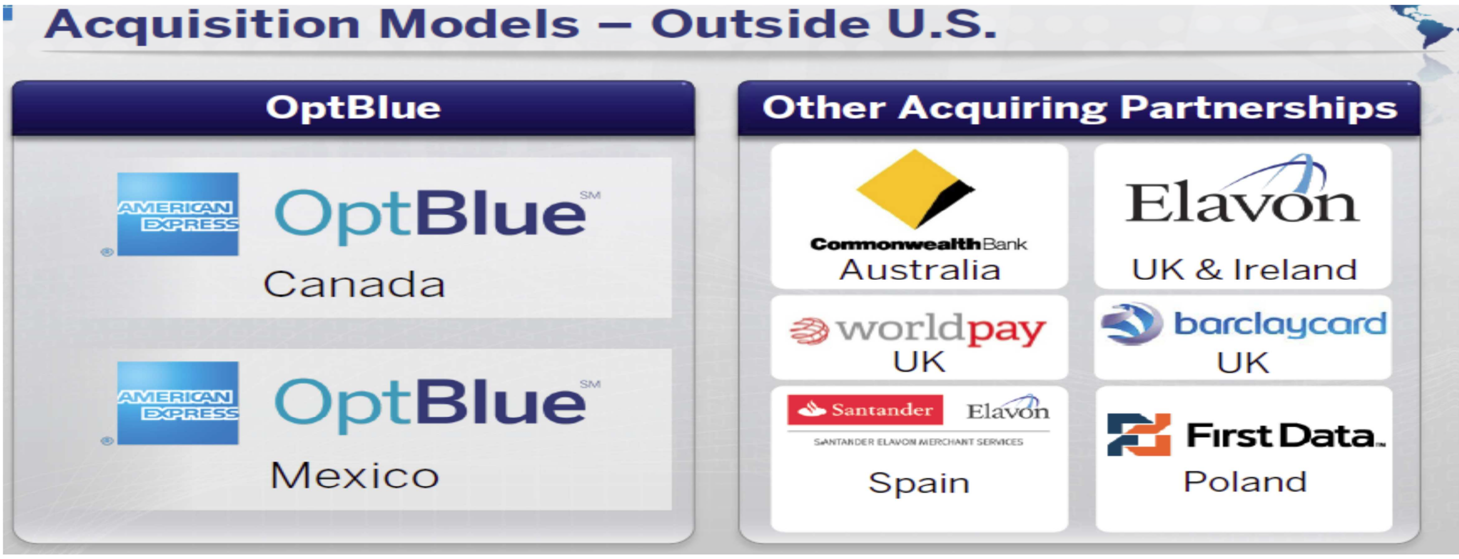


EXHIBIT 4.9



5. Net Interest Income (NII) Growth

- While AXP is primarily a payments based business, they feel that there are opportunities to grow NII.
- In total for the US, there are 16M card-holders that have borrowed $105B from other lenders. This is more a total opportunity set. Using a segmented approach, AXP would target $45B which is ≈ 90% of their current loans outstanding.

- Even within AXP's core high- income US consumer, where they have 45% of their charge/credit card spend, they only have 25% of their loans.
- In terms of tactics to try to lend more to these customers, will employ i) increased spending limits; ii) marketing tactics of offering additional rewards (like a travel trip) all the while trying to induce the customer to pay for the trip later; iii) in some cases use lower rates for certain customers where AXP feels that based upon customer spending patterns (in addition to a high FICO) that customer is a low credit risk.
- Adjusted for the Costco loss (where AXP in Q415 moved $15B from loans to held for sale category), loan growth has been quite good. (Ex. 5.3).

EXHIBIT 5.1

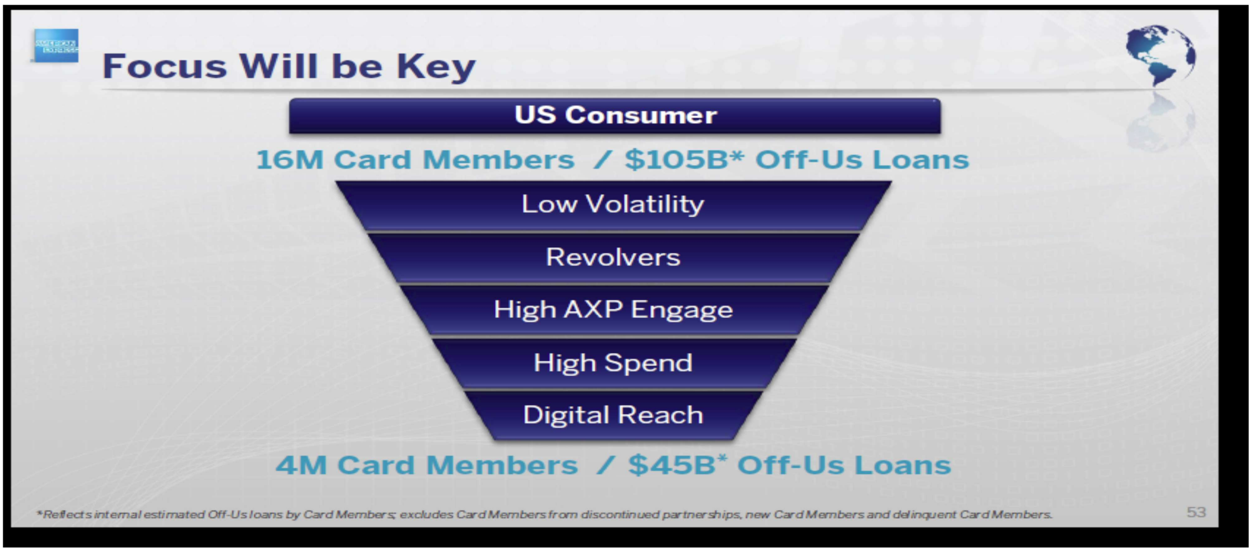


EXHIBIT 5.2

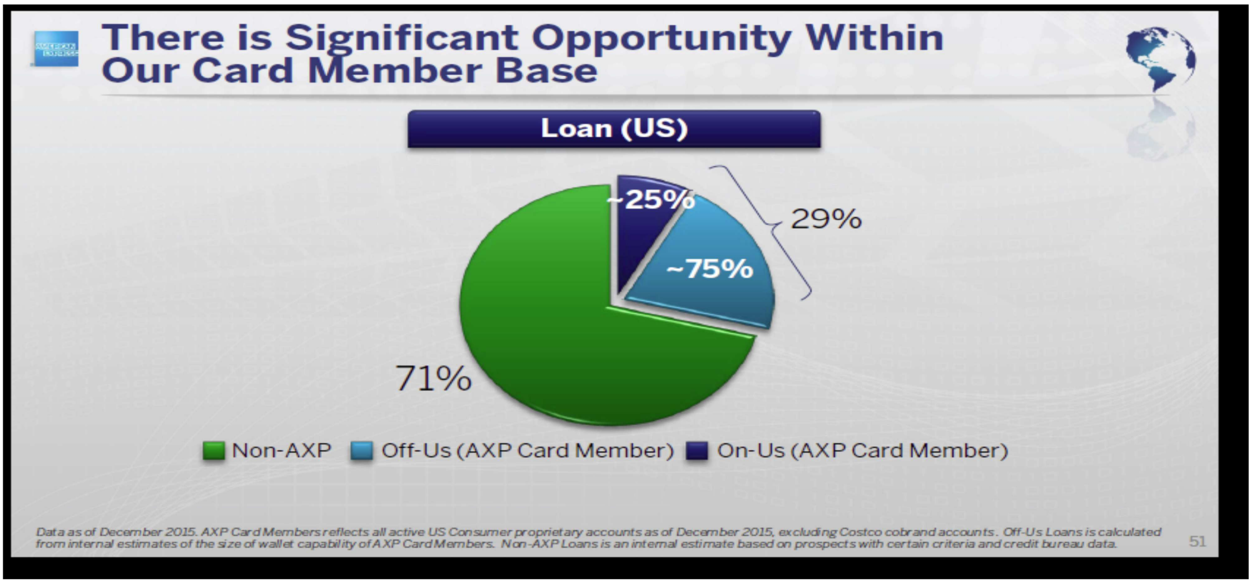
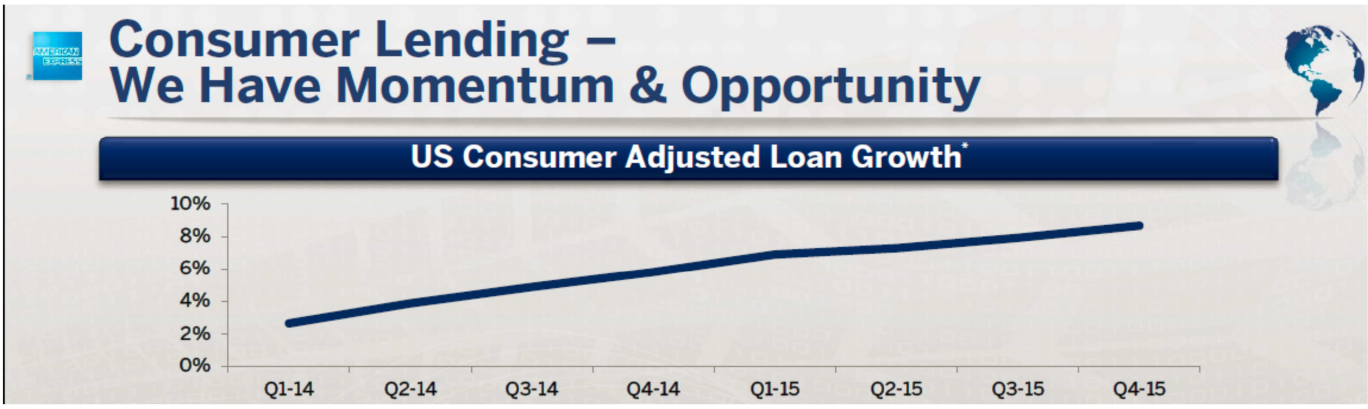


EXHIBIT 5.3



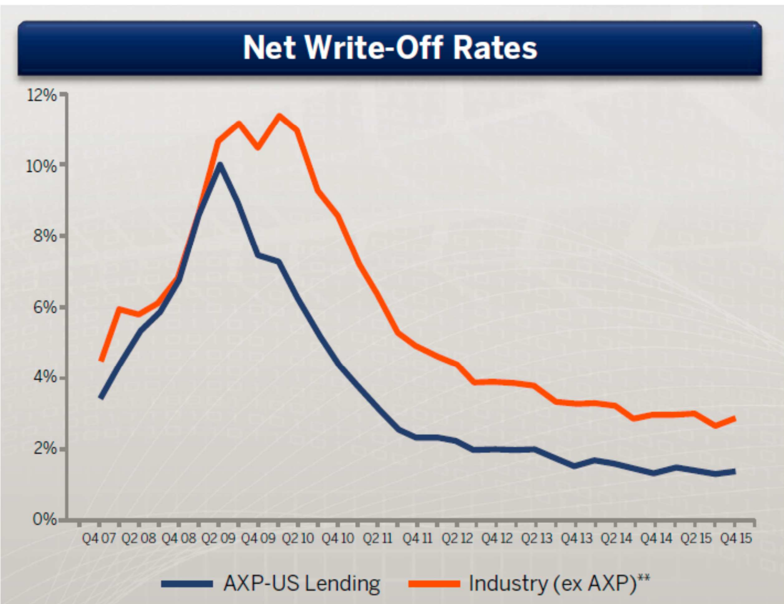
6. Other Factors

- In February 2015, a lower court ruled in favour of the DOJ claiming that AXP's anti-steering contractual provisions with merchants violate anti-trust laws. AXP has appealed this. V & MA settled with the DOJ and they removed their anti-steering provisions. Given that AXP generally has the highest inter-change, the final court ruling is could be detrimental to either billed volumes or net discount rate.
- In Europe, new caps were imposed on interchange fees on credit card transactions in December rally charges the most, These rules apply to the open networks, Visa and Mastercard, but for competitive reasons AXP will most likely negotiate lower fees with European merchants.
- There is also potential for increasing regulation in Australia, including interchange caps by the end of F16.

7. Strong Balance Sheet/Credit Fundamentals

- For Credit card losses, the average FICO score in the US is 754.
- Write-off rates and delinquencies are lower than the industry average.
- The fully-phased in Tier 1 common ratio is 11.8%. Last year, AXP returned 105% of earnings to shareholders.

EXHIBIT 7.1



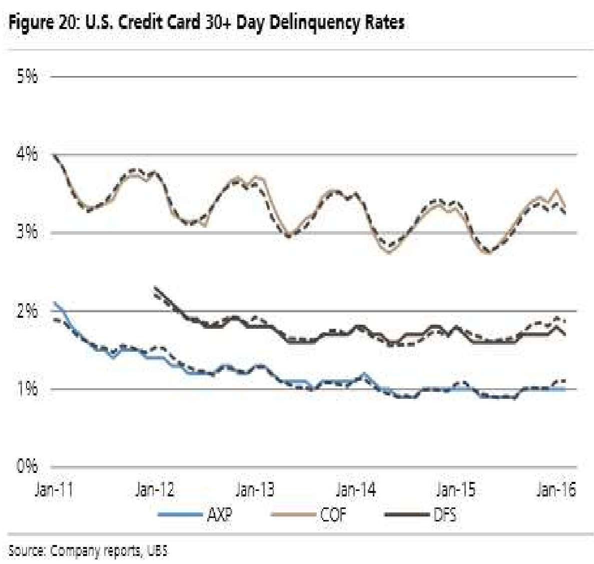


EXHIBIT 7.2

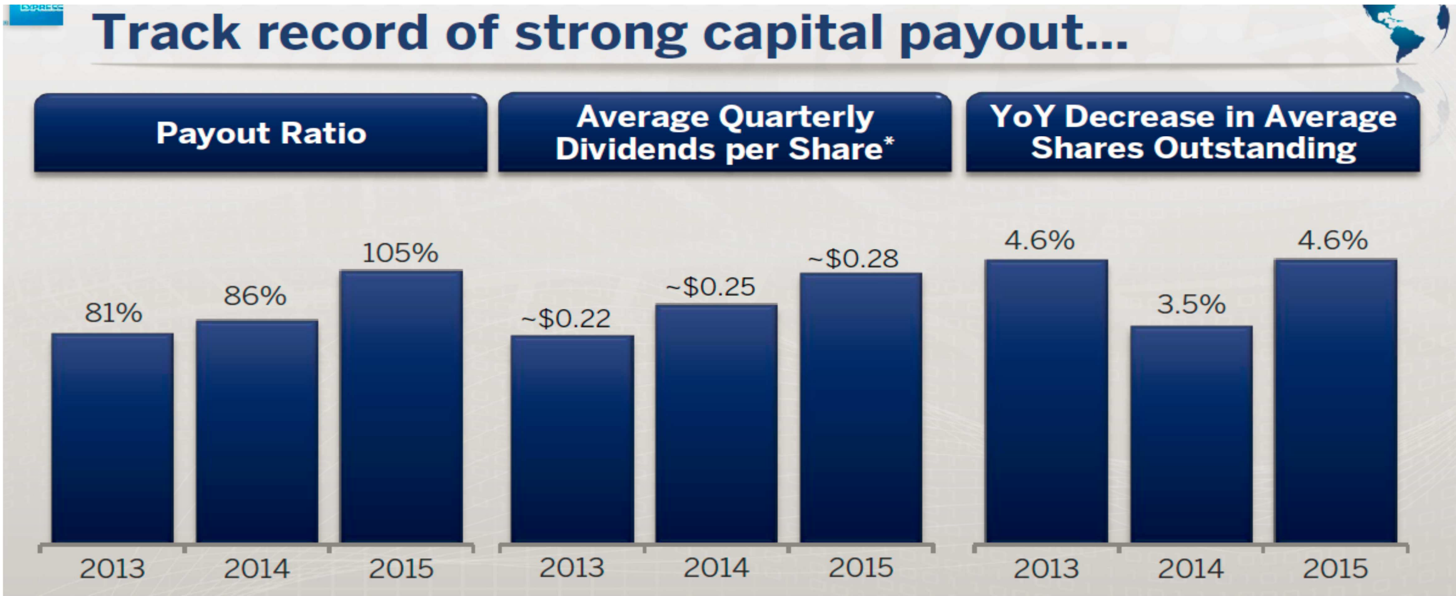


EXHIBIT 7.3

Capital Ratios

	Q4'15*	Q3'15*
Common Equity Tier 1 Risk-Based Capital	12.4%	13.2%
Tier 1 Leverage	11.7%	12.1%
Tier 1 Risk-Based Capital	13.5%	14.3%
Total Risk-Based Capital	15.2%	16.2%
Supplementary Leverage Ratio	9.8%	10.2%

8. Earnings Estimates:

Billings, Net Discount Yield & Direct Marketing

- As discussed in Section 3, the NDR has been declining. I forecast 6bps & 4bps compression in F16 and F17. This reflects competitive pressures and also regulatory actions in Europe and potentially Australia.
- For volumes, I have underlying growth of 5% & 6% in the US to reflect some of AXP's volume growth initiatives. I also have an explicit loss of volumes of ≈ $46B in 2016 for Costco.
- For international, I assume a stabilization of the $US, and so the underlying growth should start to surface more. FX adjusted for international was 8% volume growth in 2015. Also, the higher growth GNMS segment (& Opt Blue) is more international than the other segments so this should also benefit from FX.
- For direct marketing costs, I have a 1bps increase for the two line items to account for competition and to reflect AXP's efforts to try and woo back some of the lost Costco cardholders.

EXHIBIT 8.1

Income Statement										
For the Fiscal Period Ending	**12 months Dec-31-2008**	**12 months Dec-31-2009**	**12 months Dec-31-2010**	**12 months Dec-31-2011**	**12 months Dec-31-2012**	**12 months Dec-31-2013**	**12 months Dec-31-2014**	**Release 12 months**	**F16E**	**F17E**
Currency	***USD***	***USD***	***USD***	***USD***	***USD***	***USD***	***USD***	***USD***		
Billed Volume & Net Discount Rate	5.2%	5.5%	2.4%	1.1%	1.7%	1.7%	1.9%	1.8%		
US	471,100	423,700	479,300	542,800	590,700	637,000	688,100	721,000	708,929	751,813
OUS	212,200	196,100	234,000	279,400	297,700	315,400	334,700	318,700	326,824	349,861
	683,300	619,800	713,300	822,200	888,400	952,400	1,022,800	1,039,700	1,035,753	1,101,674
Less GNMS		71,800	91,700	116,800	128,800	144,100	160,700	166,000	172,640	186,451
Non GNMS Billings		548,000	621,600	705,400	759,600	808,300	862,100	873,700	863,113	915,223
Growth: US BV	*2.6%*	*-10.1%*	*13.1%*	*13.2%*	*8.8%*	*7.8%*	*8.0%*	*4.8%*	*5.0%*	*6.0%*
Growth: OUS BV	*12.9%*	*-7.6%*	*19.3%*	*19.4%*	*6.5%*	*5.9%*	*6.1%*	*-4.8%*	*2.5%*	*7.0%*
Growth: GNMS BV			*27.7%*	*27.4%*	*10.3%*	*11.9%*	*11.5%*	*3.3%*	*4.0%*	*8.0%*
Growth: Total BV	5.6%	-9.3%	15.1%	15.3%	8.1%	7.2%	7.4%	1.7%	-0.4%	6.4%
Costco Loss BV (8% of 2015 but assumed 20% retention)									*(46,144)*	*-*
Disclosed Discount Rate	2.56%	2.54%	2.55%	2.54%	2.52%	2.51%	2.48%	2.46%		
Net Discount Rate	*2.20%*	*2.13%*	*2.09%*	*2.04%*	*2.00%*	*1.96%*	*1.91%*	*1.86%*		
Adjusted Net Discount Rate (for GNMS)		*2.38%*	*2.36%*	*2.33%*	*2.29%*	*2.27%*	*2.21%*	*2.16%*	*2.10%*	*2.06%*
Discount Revenue GNMS (assumed 25bps)	-	*0.18*	*0.23*	*0.29*	*0.32*	*0.36*	*0.40*	*0.42*	*0.43*	*0.47*
Discount Revenue Non GNMS	-	*13.02*	*14.65*	*16.44*	*17.42*	*18.33*	*19.09*	*18.88*	*18.14*	*18.89*
Total Discount Revenue ($B)	**15.03**	**13.20**	**14.88**	**16.73**	**17.74**	**18.70**	**19.49**	**19.30**	**18.57**	**19.36**

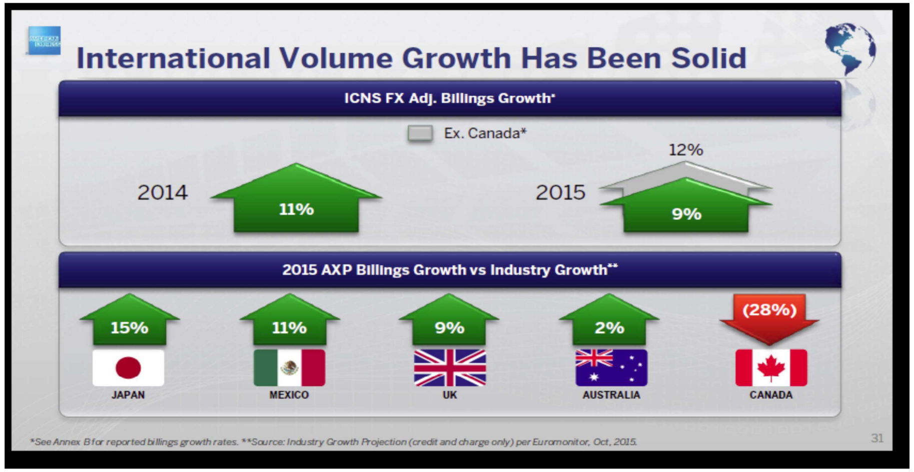
EXHIBIT 8.2

For the Fiscal Period Ending	12 months Dec-31-2008	12 months Dec-31-2009	12 months Dec-31-2010	12 months Dec-31-2011	12 months Dec-31-2012	12 months Dec-31-2013	12 months Dec-31-2014	Release 12 months	F16E	F17E
Currency	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*		
Rewards Expense	*0.64%*	*0.65%*	*0.71%*	*0.76%*	*0.71%*	*0.68%*	*0.68%*	*0.67%*	*0.68%*	*0.68%*
Service Expense	*0.08%*	*0.08%*	*0.08%*	*0.09%*	*0.09%*	*0.08%*	*0.08%*	*0.10%*	*0.11%*	*0.11%*
Rewards Expense $	**4.39**	**4.04**	**5.03**	**6.22**	**6.28**	**6.46**	**6.93**	**7.00**	**7.01**	**7.46**
Service Expense $	**0.54**	**0.52**	**0.56**	**0.72**	**0.77**	**0.77**	**0.82**	**1.02**	**1.10**	**1.16**

EXHIBIT 8.3

EPS Sensitivity	**F16E**	**F17E**
Discount Revenue		
US Billings Growth 1%	$ 0.07	$ 0.08
OUS Billings Growth 1%	$ 0.03	$ 0.04
GNMS Billings Growth 1%	$ 0.02	$ 0.02
Adjusted Net Discount Rate 1bps	$ 0.06	$ 0.07
Direct Marketing Costs		
Rewards Expense 1bps	$ 0.07	$ 0.08
Service Expense 1bps	$ 0.07	$ 0.08

EXHIBIT 8.4



8% including Canada

Net Interest Income & Provisioning

- To reflect the Costco loss, I have total volume (interest earning assets) decline of 15% for 2016. This is calculated as 7% underlying growth and \$15B Costco loss. For 2017 I have 8% growth.
- Higher interest rates actually hurt AXP since charge cards and some % of credit cards that pay on-time have no interest income accrued but still need to be funded. Also while AXP does have brokered deposits, it is still more reliant than a typical bank on shorter term wholesale funding.
- In my forecast I expect NIM compression. (*Note: 2015 loan yield, adjusted for Costco is ≈ 10.9%, not the 10.3% on the model).* In 2016, given we know that AXP will use some rates to attract certain customers, I have loan yield move down to 10.7% (*again from 10.9% adjusted*) and then moving up in 2017 to reflect a modestly rising rate environment. On the funding side I have yields rising to reflect modestly rising rates. The drop in the loans as % of total interest earning assets is the prime reason for compressing NIMs.
- For provisioning, I have slightly higher losses as % of interest yielding assets on the assumption that current loss rates are unsustainably low, and that the recent loan growth with high% of new vintages will season into a normal pattern of increasing provisions.

EXHIBIT 8.5

For the Fiscal Period Ending	**12 months Dec-31-2008**	**12 months Dec-31-2009**	**12 months Dec-31-2010**	**12 months Dec-31-2011**	**12 months Dec-31-2012**	**12 months Dec-31-2013**	**12 months Dec-31-2014**	**Release 12 months**	**F16E**	**F17E**
Currency	***USD***	***USD***	***USD***	***USD***	***USD***	***USD***	***USD***	***USD***		
Net Interest Income ($B unless stated)										
Avg. Managed Loans	75.2	63.6	58.2	59.1	61.5	63.2	65.9	67.9	57.7	62.3
Growth	-6.7%	-14.2%	-1.5%	2.8%	4.2%	3.1%	4.8%	-16.8%		
Avg. Managed Loan Growth	*9.9%*	*-15.4%*	*-8.5%*	*1.5%*	*4.1%*	*2.8%*	*4.3%*	*3.0%*	*7.0%*	*8.0%*
Costco Impact									*(15.0)*	
Interest Yield Managed Loans	*8.6%*	*7.1%*	*11.4%*	*10.8%*	*10.7%*	*10.8%*	*10.6%*	*10.3%*	*10.7%*	*10.8%*
Interest Income Loans	**6.43**	**4.53**	**6.63**	**6.37**	**6.61**	**6.80**	**7.00**	**7.39**	**6.17**	**6.69**
Avg. Cash & Investment Securities	28.6	38.3	36.6	32.4	31.1	27.1	26.7	27.5	28.1	28.6
Avg. Cash & Inv. Sec. Growth	*24.5%*	*33.9%*	*-4.4%*	*-11.5%*	*-3.9%*	*-12.7%*	*-1.5%*	*3.0%*	*2.0%*	*2.0%*
Interest Yield Cash & Inv. Securities	*2.7%*	*2.1%*	*1.2%*	*1.0%*	*0.8%*	*0.7%*	*0.7%*	*0.6%*	*0.8%*	*0.9%*
Interest Income Cash & Securities	**0.77**	**0.80**	**0.44**	**0.33**	**0.25**	**0.20**	**0.18**	**0.16**	**0.21**	**0.24**
Total Avg. Interest Earning Assets	103.8	101.9	94.8	91.5	92.6	90.3	92.6	95.4	85.7	90.9
Total Interest Income	**7.20**	**5.33**	**7.07**	**6.70**	**6.85**	**7.01**	**7.18**	**7.55**	**6.38**	**6.94**
Total Asset Yield	6.9%	5.2%	7.5%	7.3%	7.4%	7.8%	7.8%	7.9%	7.4%	7.6%
Deposits EOP	15.5	26.3	29.7	37.9	39.8	41.8	44.2	55.0		
Avg. Deposits	15.4	20.9	28.0	33.8	38.9	40.8	43.0	49.6	42.6	45.2
Avg. Deposits Growth	*12.7%*	*35.3%*	*34.1%*	*20.7%*	*14.9%*	*5.0%*	*5.4%*	*15.4%*	*-14.0%*	*6.0%*
Interest Yield Deposits	*-2.9%*	*-2.0%*	*-1.9%*	*-1.6%*	*-1.2%*	*-1.1%*	*-0.9%*	*-1.0%*	*-1.2%*	*-1.3%*
Interest Expense Deposits	**(0.45)**	**(0.43)**	**(0.55)**	**(0.53)**	**(0.48)**	**(0.44)**	**(0.37)**	**(0.48)**	**(0.49)**	**(0.57)**
Avg. Long Term Debt & Other	71.3	62.8	63.6	68.6	64.5	61.8	61.4	57.5	51.8	53.9
Avg. Debt & Other Growth	8.8%	-11.9%	1.2%	7.9%	-6.0%	-4.1%	-0.6%	-6.3%	-10.0%	4.0%
Int Yield Long Term Debt & Other	-4.4%	-2.8%	-3.0%	-2.6%	-2.7%	-2.5%	-2.2%	-2.0%	-2.1%	-2.2%
Interest Expense Long Term Debt & Other	**(3.10)**	**(1.78)**	**(1.88)**	**(1.79)**	**(1.75)**	**(1.52)**	**(1.33)**	**(1.15)**	**(1.08)**	**(1.17)**
Total Avg. Funding Liabilities	86.7	83.7	91.6	102.4	103.3	102.6	104.4	107.1	94.4	99.1
Total Interest Expense	**(3.56)**	**(2.21)**	**(2.42)**	**(2.32)**	**(2.23)**	**(1.96)**	**(1.71)**	**(1.62)**	**(1.57)**	**(1.74)**
Total Funding Yield	-4.1%	-2.6%	-2.6%	-2.3%	-2.2%	-1.9%	-1.6%	-1.5%	-1.7%	-1.8%
Net Interest Income	**3.65**	**3.12**	**4.65**	**4.38**	**4.63**	**5.05**	**5.47**	**5.92**	**4.81**	**5.20**
Net Interest Income% of Interest Earning Assets	3.51%	3.07%	4.91%	4.78%	5.00%	5.59%	5.91%	6.21%	5.61%	5.72%
Provisioning										
Average Charge Card Receivables	36.6	33.4	35.5	39.1	41.9	43.5	44.6	44.5	43.8	46.5
Charge Receivables Growth	*-5.7%*	*-8.8%*	*6.4%*	*10.1%*	*7.0%*	*3.9%*	*2.4%*	*-0.1%*	*-1.5%*	*6.0%*
Provision Charge Cards%	*3.73%*	*2.57%*	*1.68%*	*1.97%*	*1.44%*	*1.49%*	*1.78%*	*1.66%*	*1.81%*	*1.76%*
Managed Loans (From Net Interest Income Section)	75.2	63.6	58.2	59.1	61.5	63.2	65.9	67.9	57.7	62.3
Provision Managed Loans%	*5.63%*	*6.71%*	*2.62%*	*0.43%*	*1.67%*	*1.76%*	*1.73%*	*1.75%*	*1.90%*	*1.85%*
Other Provisions	*0.20*	*0.19*	*0.09*	*0.09*	*0.08*	*0.07*	*0.11*	*0.06*	*0.06*	*0.06*
Total Provisions	**5.80**	**5.31**	**2.21**	**1.11**	**1.71**	**1.83**	**2.04**	**1.99**	**1.95**	**2.03**

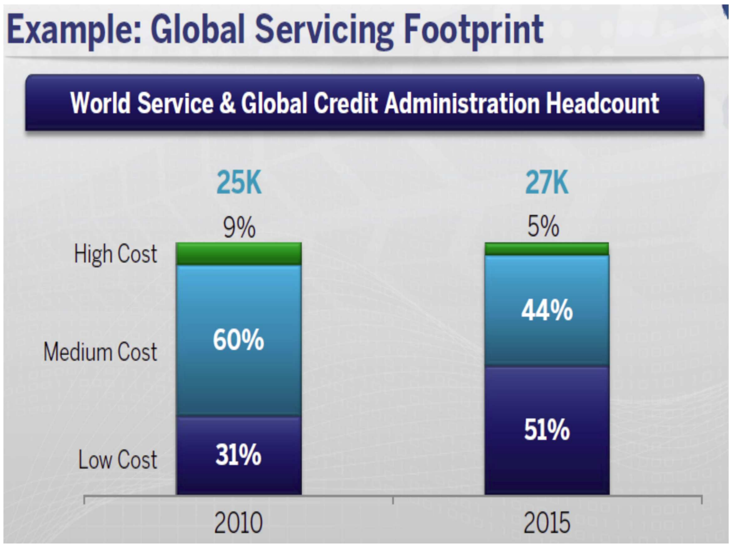
EXHIBIT 8.6

EPS Sensitivity	F16E	F17E
Net Interest Income		
1% average interest earning asset growth	$ 0.04	$ 0.04
10bps NIM	$ 0.06	$ 0.07
Provisioning		
10bps of interest earning assets	$ 0.07	$ 0.08

Other P&L Items

- AXP has communicated a $1B expense reduction (excluding restructuring charges which were not quantified/disclosed yet). I don't give them full credit; I use $300M of savings in F16, and a further $450M in F17. AXP has had some success in shifting customer service & collections employees (≈ 50% of their total headcount) to lower cost jurisdictions. They'll continue to do so. They are also looking to consolidate some of their dedicated marketing operations teams and sales teams (particularly within their Corporate/Commercial segment where a client would have more than 1 sales rep). They have already (in late 2015) consolidated some of their back office employees – they have recently combined compliance, operational risk and global banking teams into one organization.
- There will be a 1time gain on sale for the Costco loan portfolio. This is ≈ $1B which I have lumped into Other Revenue.
- For Other Commissions and Fees, this includes FX conversion revenues, delinquency fees, loyalty coalition fees (similar to AirMiles, has a program in the US & Germany) and other fees. I have tracked this as a % of billed volumes and it has lost about 1bp/year over the last few years. I continue this trend for F16 & F17.
- In total I have eps estimates of $4.78 for F16 and $5.23 for F17. Street (Cap. IQ) estimates are $5.39 and $5.56.

EXHIBIT 8.7



9. Fair Value & Downside:

Fair Value

- AXP's PER has compressed as investors have punished the stock for slowing growth. AXP's discount to V/MA has expanded and the premium to COF has compressed. (Ex. 9.1, 9.2, & 9.3) If AXP were to return to average relative multiples, the fair value would range from $71 (COF) to $92 (V & MA).
- A more appropriate way would be to split AXP's eps into "Bank" income and "Payments" income and use fair value multiples (8X PER for Bank, 15 – 17X PER for Payments) we arrive at a fair value ≈ $73 - $77. Cutting it down the middle is **FAIR VALUE OF $75.** (Ex. 9.5)

Downside

- The key risk for AXP's earnings is the NDR, as there is a lot of industry momentum to continue the trend of increasing volumes.
- While it's impossible to forecast what the NDR floor is, a reasonable estimate would be to use the rates that the Visa or Mastercard networks charge. Their "MDR" is 2.2% (See Appendix 1) vs. AXP's 2.46%. If we were to equate AXP's MDR to that of V/MA and apply this ratio to AXP's last recorded adjusted NDR (in 2015) we arrive at a theoretical NDR of 1.89%.
- Using F17 as our basis, this would drive down eps to $4.07. Using the same multiples for SOTP, downside risk is ≈ $57.00. If we were to use a further 1X PER discount (14X PER for Payments), this would drive downside to ≈ $52.00. Cutting it down the middle, **DOWNSIDE is $54.00.** (Ex. 9.6)
- The offset to the downside is that the volume growth would likely be higher than what I've used for F17 given there would likely be higher merchant acceptance of AXP.

EXHIBIT 9.1

Historical Forward PER Relative to COF: 1.25X vs. 1.45X Average (6 years)

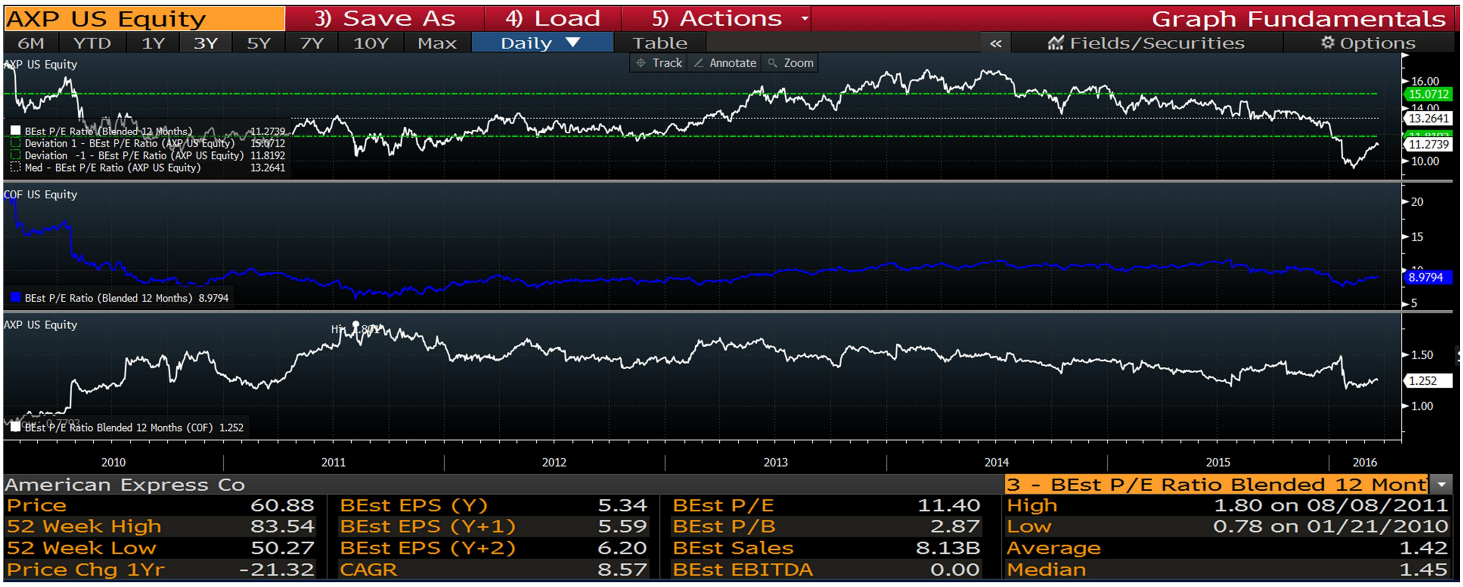


EXHIBIT 9.2

Historical Forward PER Relative to MA: 0.45X vs. 0.68X Average

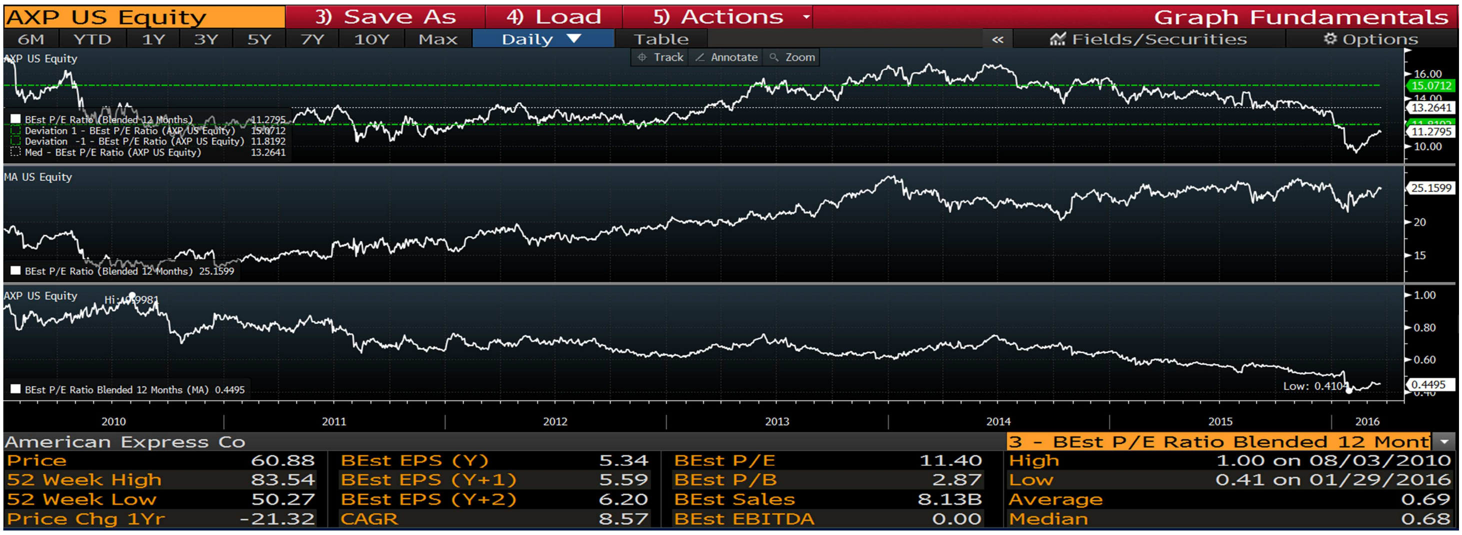


EXHIBIT 9.3

Historical Forward PER Relative to V: 0.46X vs. 0.69X Average

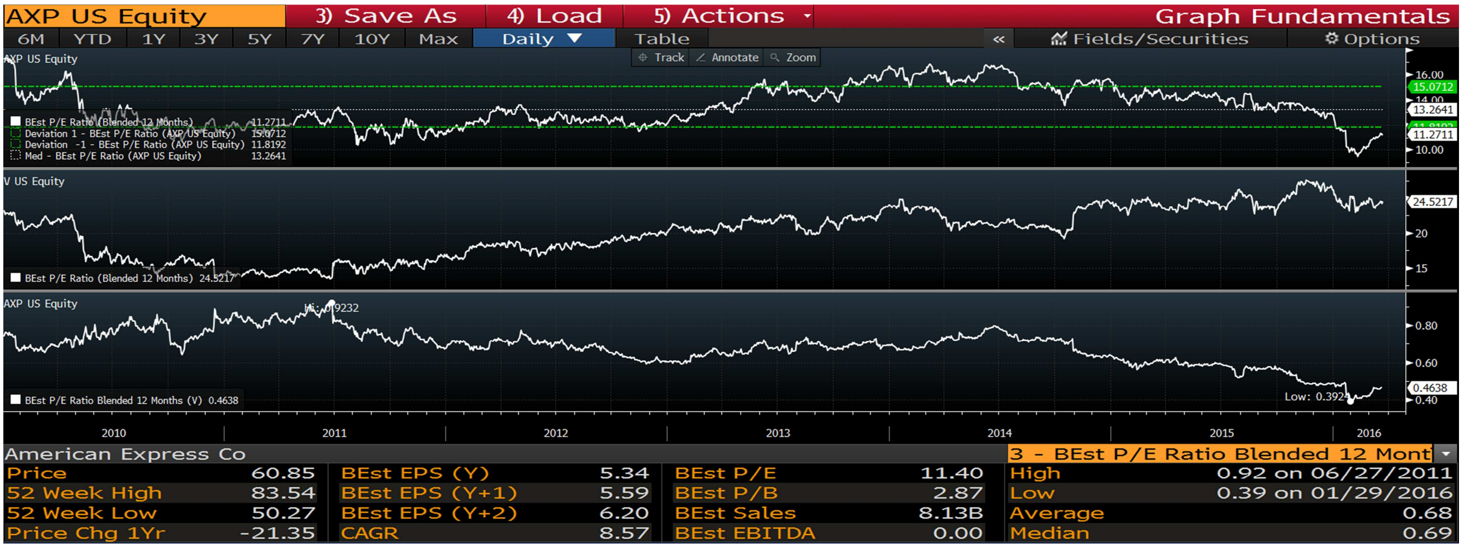


EXHIBIT 9.4

AXP - Peer Valuation

	Ticker	Market Cap ($B)	Price	52 Week High	52 Week Low	5 yr ROE	ROE	PBR	Div Yield	P/E 2015	P/E 2016	P/E 2017
US Peers												
American Express Company	**AXP**	**$58.1**	**60.84**	**81.92**	**50.27**	**26.79%**	**24.97%**	**2.83x**	**1.9%**	**11.2x**	**10.9x**	**9.7x**
Visa Inc.	V	$175.2	73.98	81.01	60.00	16.50%	23.34%	5.96x	0.8%	26.2x	22.5x	19.3x
MasterCard Incorporated	MA	$101.9	92.29	101.76	74.61	46.06%	59.10%	16.99x	0.8%	26.0x	22.1x	19.0x
Global Payments Inc.	GPN	$7.7	60.00	74.64	44.13	20.88%	32.39%	9.58x	0.1%	20.2x	18.1x	15.5x
Heartland Payment Systems, Inc.	HPY	$3.4	92.90	96.47	46.80	24.74%	28.89%	10.19x	0.4%	27.4x	24.1x	21.3x
Vantiv, Inc.	VNTV	$8.3	53.42	54.20	36.35	12.25%	16.57%	8.69x	0.0%	20.5x	18.3x	16.5x
Total System Services, Inc.	TSS	$8.4	46.19	56.69	37.47	17.50%	20.46%	4.56x	0.9%	17.5x	16.0x	14.5x
JPMorgan Chase & Co.	JPM	$220.7	60.12	70.61	50.07	10.03%	10.20%	1.00x	2.9%	10.5x	9.4x	8.6x
Discover Financial Services	DFS	$20.8	50.04	60.57	42.86	23.97%	20.50%	1.97x	2.2%	9.1x	8.4x	7.8x
Capital One Financial Corporation	COF	$36.6	70.50	92.10	58.49	10.33%	8.69%	0.79x	2.3%	9.1x	8.4x	7.6x
Mean						**20.90%**	**24.51%**	**6.25x**	**1.2%**	**17.8x**	**15.8x**	**14.0x**

EXHIBIT 9.5

AXP SOTP

BANK VALUE	F16	F17
Net Interest Income	4,808	5,198
Provision	(1,949)	(2,029)
Overhead (25% of Salaries and Other)	(2,202)	(2,112)
Pre-tax Income	657	1,057
Net Income	427	687
EPS	0.45	0.77
Valuation	8.0	8.0
Fair Value	**$ 3.62**	**$ 6.16**
PAYMENTS VALUE		
Payments EPS	$ 4.33	$ 4.46
PER (25% discount to V/MA)	16.9	15.0
Fair Value	**$ 73.04**	**$ 66.96**
TOTAL Fair Value	**$ 76.66**	**$ 73.12**

EXHIBIT 9.6

AXP SOTP - Downside

BANK VALUE	F17
Net Interest Income	5,198
Provision	(2,029)
Overhead (25% of Salaries and Other)	(2,112)
Pre-tax Income	1,057
Net Income	687
EPS	0.77
Valuation	8.0
Fair Value	**$ 6.16**
PAYMENTS VALUE	
Payments EPS	$ 3.30
PER (25% discount to V/MA)	15.0
Fair Value	**$ 49.55**
TOTAL Fair Value	**$ 55.70**

Note: a further 1X PER discount for Payments yields ≈ $52. Simple average = $54.00.

Income Statement

For the Fiscal Period Ending	12 months Dec-31-2006	12 months Dec-31-2007	12 months Dec-31-2008	12 months Dec-31-2009	12 months Dec-31-2010	12 months Dec-31-2011	12 months Dec-31-2012	12 months Dec-31-2013	12 months Dec-31-2014	Release 12 months	F16E	F17E
Currency	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*		
Interest and Div. Income, Total	5,701	7,424	7,201	5,331	7,073	6,696	6,854	7,005	7,179	7,545		
Interest Expense, Total	2,866	3,981	3,555	2,207	2,423	2,320	2,226	1,958	1,707	1,623		
Net Interest Income	**2,835**	**3,443**	**3,646**	**3,124**	**4,650**	**4,376**	**4,628**	**5,047**	**5,472**	**5,922**	4,808	5,198
Other Commissions and Fees	*2,233*	2,417	2,307	1,778	2,031	2,269	2,317	2,414	2,508	2,508	2,382	2,534
Discount Revenue GNMS (assumed 25bps)				*180*	*229*	*292*	*322*	*360*	*402*	*415*	*432*	*466*
Discount Revenue all other segments				*13,023*	*14,651*	*16,442*	*17,417*	*18,335*	*19,091*	*18,882*	*18,135*	*18,892*
Discount Revenue	***12,978***	**14,596**	**15,025**	**13,202**	**14,880**	**16,734**	**17,739**	**18,695**	**19,493**	**19,297**	**18,567**	**19,358**
Travel Commissions and Fees	*1,778*	1,926	2,010	1,591	1,773	1,971	1,940	1,913	1,118	358	360	360
Credit Card Fees		1,919	2,150	2,151	2,321	2,448	2,506	2,631	2,712	2,700	2,619	2,727
+ Securitization (Loss)/income, Net	*1,489*	*1,507*	*1,070*	*400*	-	-	-	-	-	-		
Other Revenue	-	1,751	2,157	2,090	1,927	2,164	2,425	2,274	2,989	2,033	3,104	2,178
Non Interest Revenue	**18,478**	**24,116**	**24,719**	**21,212**	**22,932**	**25,586**	**26,927**	**27,927**	**28,820**	**26,896**	**27,033**	**27,157**
Revenue Before Loan Losses	**21,313**	**27,559**	**28,365**	**24,336**	**27,582**	**29,962**	**31,555**	**32,974**	**34,292**	**32,818**	**31,840**	**32,354**
Provision For Charge Cards	*(935)*	*(1,140)*	*(1,363)*	*(857)*	*(595)*	*(770)*	*(601)*	*(648)*	*(792)*	*(737)*	*(792)*	*(816)*
Provision For Loans	*(1,623)*	*(2,761)*	*(4,231)*	*(4,266)*	*(1,527)*	*(253)*	*(1,030)*	*(1,115)*	*(1,138)*	*(1,190)*	*(1,097)*	*(1,154)*
Provisions Other	*(108)*	*(202)*	*(204)*	*(190)*	*(85)*	*(89)*	*(81)*	*(69)*	*(114)*	*(61)*	*(60)*	*(60)*
Provision For Loan Losses	2,666	4,103	5,798	5,313	2,207	1,112	1,712	1,832	2,044	1,988	1,949	2,029
Total Revenue	**22,160**	**23,456**	**22,567**	**19,024**	**25,375**	**28,850**	**29,843**	**31,142**	**32,248**	**30,830**	**29,892**	**30,325**
Core Salaries	4,899	5,387	6,090	4,919	5,468	6,156	6,231	6,198	5,712	4,976	5,026	5,076
+ Professional Services	2,263	2,280	2,413	2,408	2,806	2,951	2,963	3,102	3,008	2,750	2,778	2,805
+ Marketing & Promotion Expenses	2,491	2,562	2,430	2,010	3,147	2,996	2,890	3,043	3,320	3,109	3,109	3,140
Rewards			4,389	4,036	5,029	6,218	6,282	6,457	6,931	6,996	7,012	7,436
Services	4,013	5,255	542	517	562	716	772	767	822	1,018	1,098	1,157
Other Operating Expense	3,201	2,227	3,122	2,131	2,301	2,761	3,888	3,694	3,081	4,043	3,783	3,371
Total Operating Exp.	**17,008**	**17,762**	**18,986**	**16,182**	**19,411**	**21,894**	**23,392**	**23,254**	**23,257**	**22,892**	**22,806**	**22,986**
EBT Excl. Unusual Items (Ex. Unusuals)	**5,116**	**4,689**	**3,010**	**2,150**	**5,208**	**6,513**	**6,854**	**7,950**	**8,772**	**8,322**	**7,086**	**7,339**
EBT Incl. Unusual Items	**5,152**	**5,694**	**3,581**	**2,841**	**5,964**	**6,956**	**6,451**	**7,888**	**8,991**	**7,938**	**7,086**	**7,339**
Income Tax Expense	1,527	1,568	710	704	1,907	2,057	1,969	2,529	3,106	2,775	2,477	2,566
Earnings from Cont. Ops.	**3,625**	**4,126**	**2,871**	**2,137**	**4,057**	**4,899**	**4,482**	**5,359**	**5,885**	**5,163**	**4,609**	**4,774**
Earnings of Discontinued Ops.	82	(114)	(172)	(7)	-	36	-	-	-	-		
Net Income to Company	**3,707**	**4,012**	**2,699**	**2,130**	**4,057**	**4,935**	**4,482**	**5,359**	**5,885**	**5,163**	**4,609**	**4,774**
Minority Int. in Earnings	-	-	-	-	-	-	-	-	-	-		
Net Income (Incl Usuals)	**3,707**	**4,012**	**2,699**	**2,130**	**4,057**	**4,935**	**4,482**	**5,359**	**5,885**	**5,163**	**4,609**	**4,774**
Pref. Dividends and Other Adj.	-	26.0	15.0	328.0	51.0	58.0	49.0	47.0	46.0	100.0	100.0	100.0
Per Share Items												
Diluted EPS	$3.0	$3.34	$2.32	$1.53	$3.35	$4.12	$3.89	$4.88	$5.56	$5.05	$ 4.78	$ 5.23

Balance Sheet

Balance Sheet as of:	Reclassified	Restated	Restated	Reclassified	Restated	Restated	Reclassified	Restated	Restated					Press Release
	Dec-31-2002	Dec-31-2003	Dec-31-2004	Dec-31-2005	Dec-31-2006	Dec-31-2007	Dec-31-2008	Dec-31-2009	Dec-31-2010	Dec-31-2011	Dec-31-2012	Dec-31-2013	Dec-31-2014	Dec-31-2015
Currency	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
ASSETS														
Cash And Equivalents	10,288.0	6,156.0	7,808.0	7,126.0	5,306.0	8,878.0	20,547.0	16,387.0	15,984.0	24,423.0	22,192.0	19,343.0	22,084.0	23,000.0
Long-term Investments	49,102.0	51,848.0	21,435.0	21,103.0	18,274.0	13,214.0	12,526.0	24,549.0	14,382.0	7,949.0	6,099.0	5,700.0	5,257.0	4,000.0
Trading Asset Securities	555.0	995.0	240.0	231.0	-	247.0	1,743.0	800.0	1,071.0	915.0	593.0	329.0	711.0	-
Loans And Lease Receivables	31,803.0	36,094.0	34,256.0	40,801.0	43,116.0	53,339.0	40,659.0	30,010.0	57,616.0	61,166.0	64,309.0	66,585.0	70,104.0	59,000.0
Other Receivables	29,087.0	31,269.0	32,398.0	35,497.0	38,665.0	41,994.0	37,378.0	37,023.0	40,434.0	44,109.0	45,914.0	47,185.0	47,000.0	47,000.0
Gross Property, Plant & Equipment	5,582.0	6,275.0	5,062.0	5,098.0	5,330.0	6,145.0	6,691.0	6,912.0	7,388.0	8,114.0	9,064.0	9,853.0	10,208.0	-
Accumulated Depreciation	(2,603.0)	(3,091.0)	(2,682.0)	(2,868.0)	(2,980.0)	(3,453.0)	(3,743.0)	(4,130.0)	(4,483.0)	(4,747.0)	(5,429.0)	(5,978.0)	(6,270.0)	-
Net Property, Plant & Equipment	**2,979.0**	**3,184.0**	**2,380.0**	**2,230.0**	**2,350.0**	**2,692.0**	**2,948.0**	**2,782.0**	**2,905.0**	**3,367.0**	**3,635.0**	**3,875.0**	**3,938.0**	**-**
Goodwill	-	2,131.0	1,509.0	1,489.0	1,469.0	1,508.0	2,301.0	2,328.0	2,639.0	3,172.0	3,181.0	3,198.0	3,024.0	-
Other Intangibles	-	522.0	127.0	112.0	156.0	204.0	717.0	717.0	972.0	1,149.0	993.0	817.0	854.0	-
Loans Held For Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000.0
Restricted Cash	500.0	1,300.0	552.0	451.0	332.0	276.0	238.0	4,092.0	4,172.0	584.0	568.0	486.0	384.0	-
Other Current Assets	-	-	87,141.0	-	15,074.0	22,896.0	1,928.0	2,114.0	1,802.0	2,378.0	1,960.0	1,998.0	1,626.0	-
Deferred Tax Assets, LT	-	-	-	-	1,640.0	2,411.0	3,470.0	2,979.0	3,397.0	2,875.0	2,458.0	2,443.0	2,110.0	-
Deferred Charges, LT	3,908.0	4,137.0	-	-	-	-	-	-	-	-	-	-	-	-
Other Long-Term Assets	29,031.0	36,911.0	6,370.0	4,920.0	1,947.0	2,084.0	1,619.0	1,364.0	1,315.0	1,250.0	1,238.0	1,416.0	2,011.0	13,000.0
Total Assets	**157,253.0**	**174,547.0**	**194,216.0**	**113,960.0**	**128,329.0**	**149,743.0**	**126,074.0**	**125,145.0**	**146,689.0**	**153,337.0**	**153,140.0**	**153,375.0**	**159,103.0**	**161,000.0**
LIABILITIES														
Customer Deposits: Int. Bearing < 100k	18,317.0	21,250.0	20,107.0	24,579.0	12,010.0	15,397.0	15,449.0	26,259.0	29,693.0	37,883.0	39,784.0	40,952.0	43,394.0	55,000.0
Customer Deposits: Non-Int. Bearing	-	-	-	-	-	-	37.0	30.0	34.0	15.0	19.0	811.0	777.0	-
Total Deposits	**18,317.0**	**21,250.0**	**20,107.0**	**24,579.0**	**12,010.0**	**15,397.0**	**15,486.0**	**26,289.0**	**29,727.0**	**37,898.0**	**39,803.0**	**41,763.0**	**44,171.0**	**55,000.0**
Accounts Payable	9,235.0	6,591.0	7,319.0	7,503.0	8,676.0	7,740.0	8,428.0	9,063.0	9,691.0	10,458.0	10,006.0	10,615.0	11,300.0	-
Accrued Exp.	-	-	-	-	-	-	2,026.0	3,186.0	3,581.0	4,058.0	4,303.0	4,437.0	4,647.0	-
Short-term Borrowings	21,103.0	19,046.0	14,316.0	15,633.0	15,236.0	17,761.0	9,476.0	3,766.0	4,599.0	6,515.0	3,846.0	5,463.0	4,127.0	5,000.0
Curr. Port. of LT Debt	-	278.0	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt	16,308.0	20,263.0	32,676.0	30,688.0	42,655.0	55,195.0	59,952.0	52,251.0	66,284.0	59,447.0	58,855.0	55,221.0	57,924.0	48,000.0
+ Long-term Debt	-	*20,654.0*	*32,676.0*	*30,781.0*	*42,747.0*	*55,285.0*	*60,041.0*	*52,338.0*	*66,416.0*	*59,570.0*	*58,973.0*	*55,330.0*	*57,955.0*	*48,000,000.0*
Capital Leases	-	113.0	-	93.0	92.0	90.0	89.0	87.0	132.0	123.0	118.0	109.0	31.0	-
Trust Pref. Securities	511.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	6,623.0	6,819.0	7,287.0	7,175.0	7,215.0	7,197.0	6,433.0	5,975.0	5,618.0	5,123.0	4,601.0	4,240.0	3,673.0	-
Pension & Other Post-Retire. Benefits	-	-	-	-	1,893.0	1,887.0	-	-	-	-	-	-	-	-
Other Non-Current Liabilities	71,295.0	84,864.0	96,491.0	17,740.0	30,041.0	33,447.0	12,343.0	10,122.0	10,827.0	10,921.0	12,722.0	12,031.0	12,557.0	32,000.0
Total Liabilities	**143,392.0**	**159,224.0**	**178,196.0**	**103,411.0**	**117,818.0**	**138,714.0**	**114,233.0**	**110,739.0**	**130,459.0**	**134,543.0**	**134,254.0**	**133,879.0**	**138,430.0**	**140,000.0**
Common Stock	261.0	257.0	250.0	248.0	240.0	232.0	232.0	237.0	238.0	232.0	221.0	213.0	205.0	21,000.0
Additional Paid In Capital	5,675.0	6,081.0	7,316.0	8,652.0	9,638.0	10,164.0	10,496.0	11,144.0	11,937.0	12,217.0	12,067.0	12,202.0	12,874.0	-
Retained Earnings	7,606.0	8,793.0	8,196.0	1,788.0	1,153.0	1,075.0	2,719.0	3,737.0	4,972.0	7,221.0	7,525.0	8,507.0	9,513.0	-
Treasury Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive Inc. and Other	319.0	192.0	258.0	(139.0)	(520.0)	(442.0)	(1,606.0)	(712.0)	(917.0)	(876.0)	(927.0)	(1,426.0)	(1,919.0)	-
Total Common Equity	**13,861.0**	**15,323.0**	**16,020.0**	**10,549.0**	**10,511.0**	**11,029.0**	**11,841.0**	**14,406.0**	**16,230.0**	**18,794.0**	**18,886.0**	**19,496.0**	**20,673.0**	**21,000.0**
Total Equity	**13,861.0**	**15,323.0**	**16,020.0**	**10,549.0**	**10,511.0**	**11,029.0**	**11,841.0**	**14,406.0**	**16,230.0**	**18,794.0**	**18,886.0**	**19,496.0**	**20,673.0**	**21,000.0**
Total Liabilities And Equity	**157,253.0**	**174,547.0**	**194,216.0**	**113,960.0**	**128,329.0**	**149,743.0**	**126,074.0**	**125,145.0**	**146,689.0**	**153,337.0**	**153,140.0**	**153,375.0**	**159,103.0**	**161,000.0**

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 *(Millions, except per share amounts)*	2015	2014	2013
Revenues			
Non- interest revenues			
Discount revenue	$ 19,297	$ 19,389	$ 18,591
Net card fees	2,700	2,712	2,631
Travel commissions and fees	349	1,118	1,913
Other commissions and fees	2,517	2,508	2,414
Other	2,033	2,989	2,274
Total non- interest revenues	26,896	28,716	27,823
Interest income			
Interest on loans	7,309	6,929	6,718
Interest and dividends on investment securities	157	179	201
Deposits with banks and other	79	71	86
Total interest income	7,545	7,179	7,005
Interest expense			
Deposits	475	373	442
Long- term debt and other	1,148	1,334	1,516
Total interest expense	1,623	1,707	1,958
Net interest income	5,922	5,472	5,047
Total revenues net of interest expense	32,818	34,188	32,870
Provisions for losses			
Charge card	737	792	648
Card Member loans	1,190	1,138	1,115
Other	61	114	69
Total provisions for losses	1,988	2,044	1,832
Total revenues net of interest expense after provisions for losses	30,830	32,144	31,038
Expenses			
Marketing and promotion	3,109	3,216	2,939
Card Member rewards	6,996	6,931	6,457
Card Member services and other	1,018	822	767
Salaries and employee benefits	4,976	6,095	6,191
Other, net	6,793	6,089	6,796
Total expenses	22,892	23,153	23,150
Pretax income	7,938	8,991	7,888
Income tax provision	2,775	3,106	2,529
Net income	$ 5,163	$ 5,885	$ 5,359
Earnings per Common Share - (Note 22) [(a)]			
Basic	$ 5.07	$ 5.58	$ 4.91
Diluted	5.05	5.56	4.88
Average common shares outstanding for earnings per common share:			
Basic	999	1,045	1,082
Diluted	1,003	1,051	1,089

CONSOLIDATED BALANCE SHEETS

December 31 *(Millions, except share data)*		2015		2014
Assets				
Cash and cash equivalents				
Cash and due from banks	$	2,935	$	2,628
Interest- bearing deposits in other banks (includes securities purchased under resale agreements: 2015, $41; 2014, $204)		19,569		19,190
Short- term investment securities		258		470
Total cash and cash equivalents		22,762		22,288
Card Member loans and receivables held for sale (includes gross loans and receivables available to settle obligations of consolidated variable interest entities: 2015, $4,966)		14,992		-
Accounts receivable				
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2015, $6,649; 2014, $7,025), less reserves: 2015, $462; 2014, $465		43,671		44,386
Other receivables, less reserves: 2015, $43; 2014, $61		3,024		2,614
Loans				
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2015, $23,559; 2014, $30,115), less reserves: 2015, $1,028; 2014, $1,201		57,545		69,184
Other loans, less reserves: 2015, $20; 2014, $12		1,254		920
Investment securities		3,759		4,431
Premises and equipment, less accumulated depreciation and amortization: 2015, $6,801; 2014, $6,270		4,108		3,938
Other assets (includes restricted cash of consolidated variable interest entities: 2015, $155; 2014, $64)		10,069		11,342
Total assets	$	161,184	$	159,103
Liabilities and Shareholders' Equity				
Liabilities				
Customer deposits	$	54,997	$	44,171
Travelers Cheques and other prepaid products		3,247		3,673
Accounts payable		11,822		11,300
Short- term borrowings (includes debt issued by a consolidated variable interest entity: 2015, $100; 2014, nil)		4,812		3,480
Long- term debt (includes debt issued by consolidated variable interest entities: 2015, $13,602; 2014, $19,516)		48,061		57,955
Other liabilities		17,572		17,851
Total liabilities	$	140,511	$	138,430
Commitments and Contingencies (Note 13)				
Shareholders' Equity				
Preferred shares, $1.66 2/3 par value, authorized 20 million shares; issued and outstanding 1,600 shares as of December 31, 2015 and 750 shares as of December 31, 2014 (Note 17)		-		-
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 969 million shares as of December 31, 2015 and 1,023 million shares as of December 31, 2014		194		205
Additional paid- in capital		13,348		12,874
Retained earnings		9,665		9,513
Accumulated other comprehensive loss				
Net unrealized securities gains, net of tax of: 2015, $32; 2014, $52		58		96
Foreign currency translation adjustments, net of tax of: 2015, $(100); 2014, $(317)		(2,044)		(1,499)
Net unrealized pension and other postretirement benefit losses, net of tax of: 2015, $(223); 2014, $(223)		(548)		(516)
Total accumulated other comprehensive loss		(2,534)		(1,919)
Total shareholders' equity		20,673		20,673
Total liabilities and shareholders' equity	$	161,184	$	159,103

Annex D

Adjusted EPS Growth

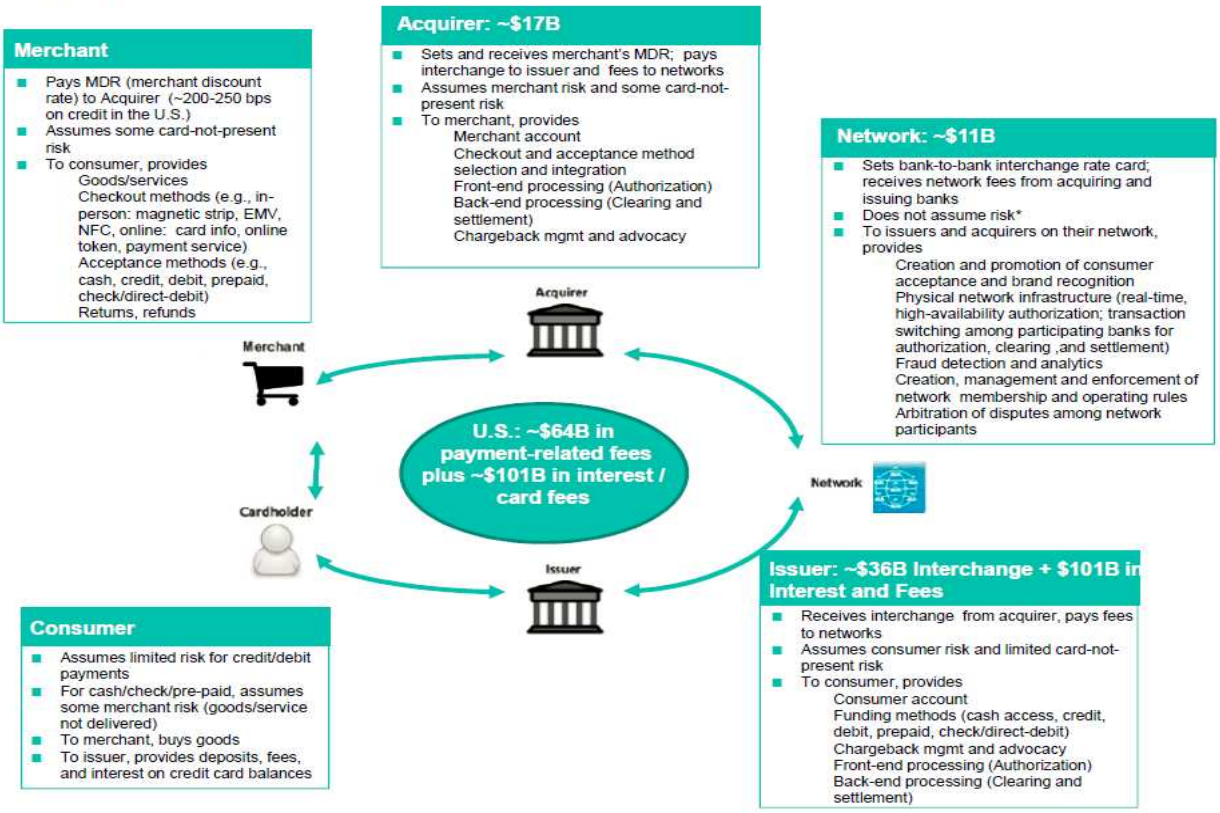
	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15
EPS: Reported Income from Continuing Operations	0.90	1.03	1.30	1.38	1.54	1.81	2.07	1.00	1.61	1.75	1.98	2.38	2.91	3.44	2.47	1.54	3.35	4.09	3.89	4.88	5.56	5.05
Q4'12 Charges*																			0.51			
Q4'15 EGG Charge																						0.33
Adjusted EPS	0.90	1.03	1.30	1.38	1.54	1.81	2.07	1.00	1.61	1.75	1.98	2.38	2.91	3.44	2.47	1.54	3.35	4.09	4.40	4.88	5.56	5.38
YoY EPS Growth		14%	26%	6%	12%	18%	14%	(52%)	61%	9%	13%	20%	22%	18%	(28%)	(38%)	118%	22%	(5%)	25%	14%	(9%)
YoY Adjusted EPS Growth		14%	26%	6%	12%	18%	14%	(52%)	61%	9%	13%	20%	22%	18%	(28%)	(38%)	118%	22%	8%	11%	14%	(3%)

Appendix 1: **How card payments are divided.**

- The first two diagrams discuss an open loop network which is where the majority of credit card transactions are conducted. This involves four players (*for some reason the literature excludes the actual network player, so technically there are five players*) → consumer, merchant, issuer (bank) and acquirer (bank).
- The first diagram divides the revenue pool (for an open network) amongst all the parties involved in the payment transactions and explains the role of each participant. Issuers & Acquirers are legally licenced financial institutions but many of the smaller banks choose to outsource these functions. Some outsourcing companies include → *Issuers*: First Data, Fiserve, Total Systems, etc., *Acquirers*: Vantiv, Global Payments, Heartland Payment Services, etc.
- The second figure is based upon an "average" $100 "credit-card" purchase (Debit cards are also conducted on an open network, but technically there is no credit risk so the MDR is much lower). In reality, the payments are dependent on the negotiating leverage of the retailer, the size of the transaction, and the type of card (premium, private branded retail card, etc.).
- Finally the third figure is based upon a closed loop network which is based upon 3 players → consumer, merchant and acquirer/issuer/network which is one entity. Most of AXP's revenues derive from a closed loop network so AXP gets to keep the entire MDR. AXP on average also charges more than $2.20 (from 2nd diagram), as it has high market leadership in the premium card segment and the justification to merchants is higher spend/user.

Exhibit 5

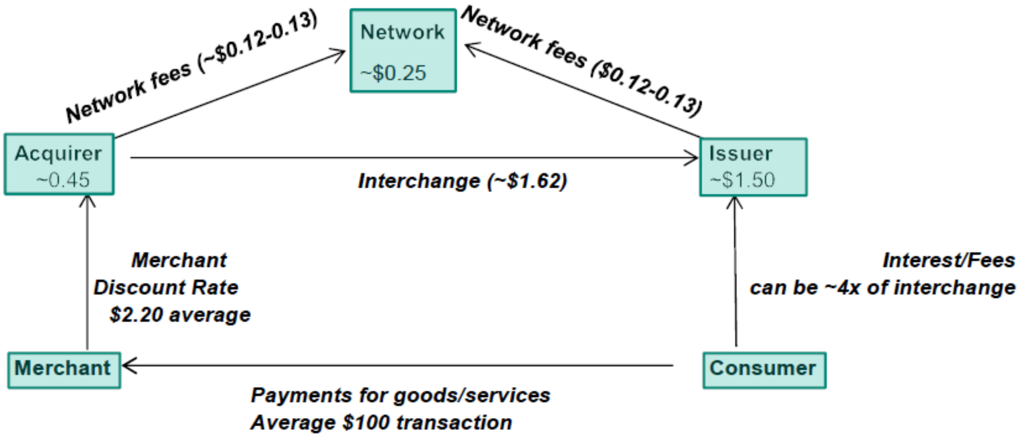
The open-loop general purpose consumer payments value chain consists of five primary players: consumer, merchant, acquirer, network, and issuer. The U.S. payments market generates ~$165B in revenues on ~$4T in aggregate payment volumes.



Source: Nilson, company reports, Wikimedia Commons, Bernstein estimates and analysis

Exhibit 6

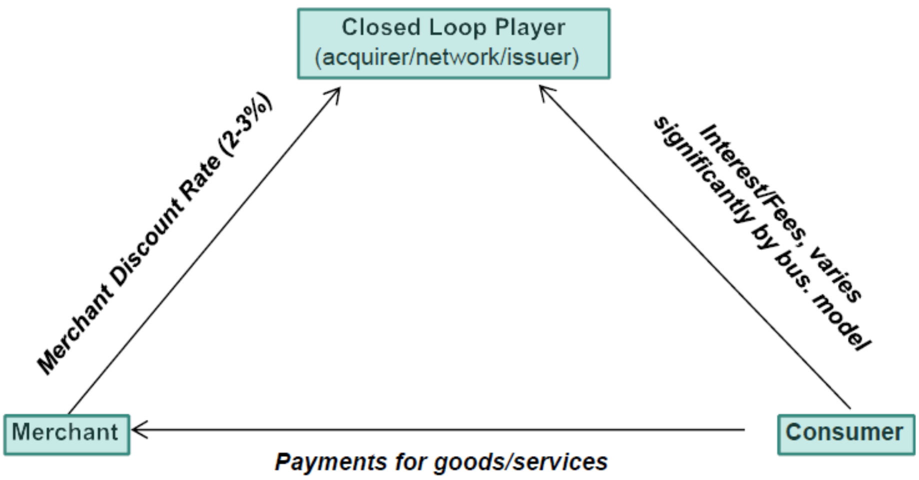
Open-loop credit payments – how the money flows (illustrative numbers - credit)



Source: Bernstein estimates and analysis

Exhibit 24

Closed-loop payments – how the money flows



Source: Bernstein estimates & analysis