

American Express

Raising the Bar

On Wednesday (4/18) AMC, AXP reported 1Q18 results. Adj. EPS of \$1.86 outperformed JPM/Street estimates of \$1.76 and \$1.71, respectively. We expect shares to trade substantially higher based upon the 1Q18 EPS beat and mgmt commentary that 2018 earnings will likely be towards the high end of guidance. We note that mgmt's revised outlook is especially constructive because AXP does not usually update guidance after 1Q earnings. Our Dec-18 PT remains unchanged at \$100. This equates to 12.5x our 2019 EPS estimate of \$8.00. While we believe AXP will continue to drive strong billings growth, the impact may be dampened if a new rewards race emerges or as recent loan growth manifests into higher credit expenses. **We acknowledge that the time horizon for these headwinds to emerge appears more distant than we previously assumed.**

- **Strong 1Q18 drives guidance higher.** Mgmt now expects Y/Y revenue growth of at least 8% (vs. 7% - 8% previously) and expects 2018 EPS towards the high end of the previously identified \$6.90 - \$7.30 range. Increased consumer confidence drove billings growth and loan growth across nearly all customer and geographic segments.
- **Expenses climb 9% Y/Y, expected to climb higher in FY18.** Higher co-brand agreement spending, as well as rewards and cardmember services expenses, were the key drivers for 1Q18 opex. **Mgmt expects 1Q18 to be the low point for expenses.** Mgmt anticipates higher spending on cardmember services, and expects that the segment will be the fastest growing expense on a percentage basis for the year. Increased media and marketing costs related to a new global brand campaign launched this month are also expected to drive higher expenses through the rest of the year.
- **Rising interest rates a "modest, but growing" challenge in 2018.** Mgmt reviewed AXP's funding strategy, given the company's rate-sensitivity. Deposits remain AXP's cheapest cost of funds and totaled \$67B in 1Q18. \$32B of that amount is in sweep accounts and CDs and \$35B in online personal savings accounts. Mgmt notes that AXP's historical deposit beta since mid-2016 has been ~0.45x, but that has been trending higher towards 0.6x. Mgmt assumes a deposit beta of 0.7x for internal planning purposes. Other funding sources are ABS and corporate debt. Mgmt also notes that the unexpected spread compression between the prime rate and funding costs (based on LIBOR) is pressuring net interest yields more than expected.

American Express Company (AXP;AXP US)

FYE Dec	2016A	2017A	2018E	2018E	2019E	2019E	2020E	2020E
			(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
Adj. EPS (\$)								
Q1 (Mar)	1.42	1.35	1.76	1.86A	1.93	1.97	2.06	2.08
Q2 (Jun)	1.54	1.47	1.81	1.84	2.03	2.06	2.23	2.24
Q3 (Sep)	1.20	1.51	1.68	1.70	1.91	1.94	2.15	2.15
Q4 (Dec)	0.91	1.58	1.78	1.78	2.02	2.03	2.39	2.33
FY	5.10	5.90	7.03	7.17	7.88	8.00	8.83	8.80
Bloomberg EPS FY (\$)	5.90	5.85	-	7.12	-	7.92	-	8.81

Source: Company data, Bloomberg, J.P. Morgan estimates.

See page 11 for analyst certification and important disclosures.

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Neutral

AXP, AXP US

Price: \$95.15

Price Target: \$100.00

Specialty & Consumer Finance

Richard Shane^{AC}

(1-415) 315-6701

richard.b.shane@jpmorgan.com

Bloomberg JPMA SHANE <GO>

Melissa Wedel, CFA

(1-415) 315-6763

melissa.wedel@jpmorgan.com

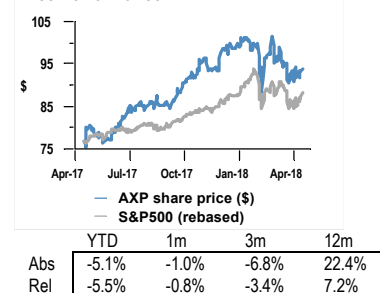
Charles Arestia

(1-415) 315-6757

charles.arestia@jpmorgan.com

J.P. Morgan Securities LLC

Price Performance



Company Data

Price (\$)	95.15
Date Of Price	18-Apr-18
52-week Range (\$)	102.39-75.51
Market Cap (\$ mn)	81,924.15
Fiscal Year End	Dec
Shares O/S (mn)	861
Price Target (\$)	100.00
Price Target End Date	31-Dec-18
Dividend Yield	1.5%

- **CCAR proposal submitted.** To recap, AXP took a \$2.6B charge in 4Q17 related to the tax changes and announced it would suspend share repurchases in 1H18 to rebuild capital. (CET1 increased to 9.4% in 1Q18 from 9.0% at YE2017 with a steady state goal of 10% - 11%.) Mgmt noted that its goal is to distribute capital to shareholders while rebuilding capital and supporting organic business growth. Mgmt remains confident about resuming share repurchases in 2H18. (We model ~\$2.5B of repurchases in 2H18.)
- **Reiterate \$100 Dec-18 PT & Neutral rating.** Our PT is based on a 12.5x multiple of our 2019 estimated EPS of \$8.00, implying a total return of 6.3%.

Increased Consumer Confidence Drives Better than Expected Top Line Revenue Growth

1Q18 net revenue was stronger than expected at \$9.72B (+10% on an FX-adjusted basis). Billed business growth, adj. for FX, is 10% higher Y/Y. FX-adjusted growth remained robust across all segments: +11% Y/Y for the Global Commercial and U.S. consumer segments and +8% Y/Y for International Consumer & Network. AXP mgmt notes that even after adjusting for the effective tax rate reduction, EPS growth still would have been double-digits (including the impact of a 5% reduction in the share count from repurchases in 2017).

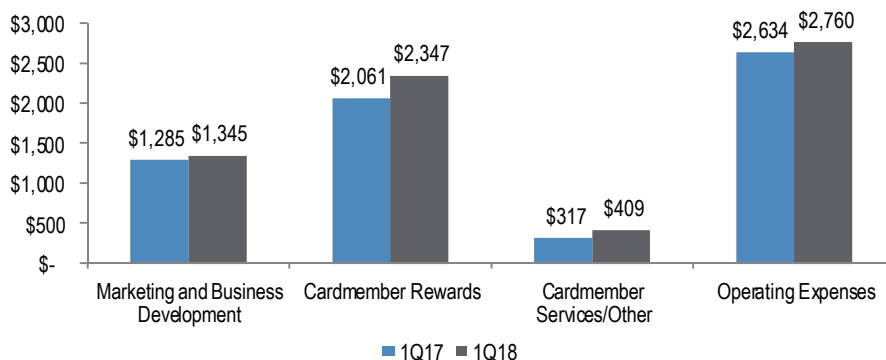
Total 1Q18 non-interest revenues of \$7.88B. Interest income was also better than we projected at \$2.46B (vs. JPMe of \$2.40B). Discount revenue increased by 9% Y/Y to \$5.9B and net interest income increased 23% Y/Y to \$1.84B. The discount rate in 1Q18 was 2.37% (-6bps Y/Y), driven by AXP's focus on maximizing discount revenue (as opposed to maximizing the discount rate) by lowering the rate and driving volume growth higher. The acquisition of the remainder of the Hilton portfolio added ~80bps to U.S. consumer billings growth. Net card fees were +11% Y/Y to \$830M. Other fees and commissions were +10% Y/Y to \$781M. Other revenues totaled \$377M, +4% Y/Y.

Expenses Rise 9% Y/Y on Co-brand Agreements, Higher Services/Rewards Costs

As mentioned on the 2018 Financial Outlook call, AXP's expense accounting changed in 1Q18. In this quarter and going forward, several contra-revenue items are now recorded as expenses.

Figure 1: AXP Expenses Detail – 1Q18

\$ in millions



Source: Company reports.

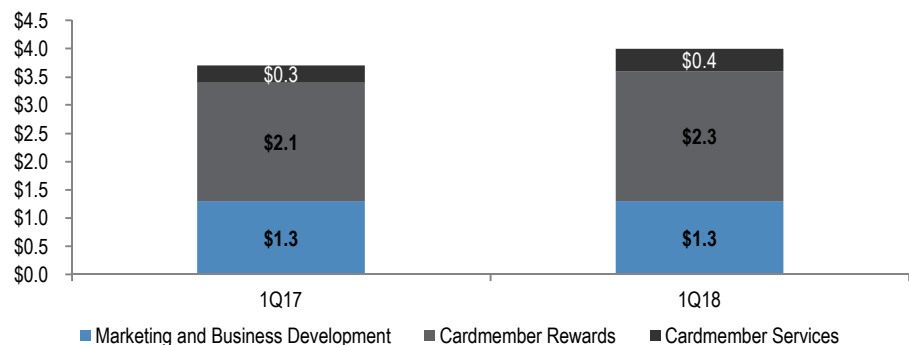
Total expenses for the quarter grew 9% Y/Y to \$6.86B. Marketing and business development expense climbed 5% Y/Y to \$1.35B, driven by new cobrand agreements and growth in the corporate card segment, offset by a lower marketing expense Y/Y. Going forward, mgmt sees 1Q18 as the low point for the year with regards to marketing expense. AXP increased investments for 2018 by approximately \$200M after passage of the tax reform bill, with all of that spending allocated to the next three quarters of 2018 due to the timing of that legislation in late

2017. Also, the launch of a new global brand campaign this month will drive increased media and brand spending for the remainder of the year.

Cardmember rewards expense jumped 14% Y/Y to \$2.35B on higher billings growth, and cardmember services expense rose 29% Y/Y to \$409M on new Platinum benefits as well as increased usage of travel benefits. Going forward, mgmt. expects cardmember services to be the fastest growing segment of expenses on a percentage basis, as part of AXP's strategy to focus on differentiated services for customers. Rewards expense is expected to grow roughly in line with billings growth for FY18.

Figure 2: AXP Customer Engagement Expenses - 1Q18

\$ in billions



Source: Company reports.

Other opex, including employee salaries/benefits and professional services, rose 5% Y/Y to \$2.76B. AXP also noted a specific item in other expenses related to a loss on a transaction involving prepaid operations. 1Q18 other expenses totaled \$457M vs \$395M last year.

International Consumer and SME Segments Continue to Drive Global Billed Business Growth

FX-adjusted global billed business growth rose 10% Y/Y, led by strong overseas growth. Global Commercial made up 41% of AXP business in 1Q18, and international SME (small and mid-sized business with less than \$300M in annual revenue) billings continued strong growth at 20% Y/Y. US SMEs (25% of AXP billings) grew 10% Y/Y. Large global corporate customers, which account for 11% of all billings, posted 8% growth Y/Y, as mgmt noted this customer segment is also exhibiting increased confidence in the economy and growing T&E spend.

Within the Global Consumer vertical (42% of AXP billings), international consumer billed business rose 16% Y/Y and made up 12% of all AXP business. Particular standouts were the UK (+20% Y/Y), Japan (+15% Y/Y) and Australia (+27% Y/Y). The US consumer, 30% of all billings, grew 11% Y/Y. Approximately 80bps of that growth in US consumer billed business was attributable to AXP completing the acquisition of the remainder of the Hilton portfolio that AXP didn't already own. Furthermore, mgmt notes strong growth in the premium U.S. consumer segment. (Increased consumer confidence was also evidenced in international markets.)

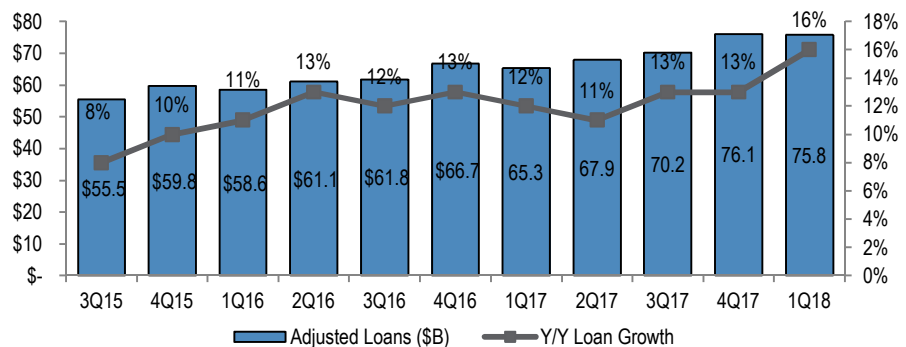
Global Network Services, 17% of AXP billings, rose 3% Y/Y (a slower pace than 6% Y/Y in 4Q17). Regulatory changes in Europe and Australia are driving lower network volumes, and management expects GNS growth to be outpaced by other segments going forward. Outside of those two geographic markets, mgmt notes GNS experienced double digit Y/Y growth.

AXP Continues to Lead Industry on Loan Growth

Adj. loan growth remained robust in 1Q18 and well ahead of the industry average. Worldwide loans outstanding increased by 16% Y/Y to \$75.8B. U.S. consumer loans ended the quarter at \$52.7B (+13% Y/Y), in line with JPMe aided by the acquisition of the remainder of the Hilton portfolio, which contributed ~140bps of loan growth during 1Q18.

However, mgmt expects the net interest yield to stabilize and Y/Y growth in net interest income to moderate through 2018. The worldwide net interest yield on card member loans was 10.8% in 1Q18 (vs. 10.5% in 4Q17 and 10.3% in 1Q17). ICNS total loans were unchanged Q/Q in 1Q18 at \$8.7B (outpacing JPMe of \$7.0B).

Figure 3: AXP Loan Growth



Source: Company reports.

Credit performance at AXP remains industry best. Net write-offs for worldwide card member loans (credit cards) were 2.0%, +20bps sequentially and +30bps Y/Y. This is consistent with mgmt's comments over time that the mix shift away from co-branded loans would result in higher yields and revolve rates, as well as an increase in NCOs. The 30+day DQ rate on worldwide card loans was +10bps Q/Q and flat Y/Y at 1.5%. Charge-card NCOs declined to 1.6% Y/Y from 1.7% in 1Q17, which mgmt views as an indicator of health in the underlying premium consumer segment.

Provision for loan losses for total worldwide billed business totaled \$775M during 1Q18, +35% Y/Y. AXP recorded a \$124M reserve build in 1Q18 (vs. a \$49M build in 1Q17). Strong loan growth and modest upticks in DQ and loss rates were the primary drivers in provision during the quarter. Charge card provision increased Y/Y to \$242M (vs. \$213M in 1Q17); credit card provision increased to \$499M (vs. \$337M in 1Q17). Mgmt expects provision to continue growing in 2018 at a pace similar to 2017 (~36% Y/Y), consistent with continued growth and seasoning of the loan portfolio.

Total net charge-offs for the quarter were \$575M, slightly more than our \$564M estimate for the quarter.

Table 1: 1Q18: Actual vs. Estimates

\$ in millions

	Previous	Current	Change
	1Q18		
US Consumer Services			
Segment EPS	\$0.62	\$0.7	\$0.12
Billed Business Growth Rate	8.0%	11.0%	3.0%
Charge Card Receivables	11,391	11,700	310
Credit Card Receivables	52,701	52,700	(1)
Net Interest Margin	10.70%	10.93%	0.23%
30-day past due %	1.40%	1.40%	0.00%
Charge-off Rate	2.00%	2.00%	0.00%
Charge-offs (\$)	314	306	(8)
Provision (\$)	455	423	(32)
International Consumer and Network Services			
Segment EPS	\$0.21	\$0.34	\$0.12
Billed Business Growth Rate	12.0%	14.7%	2.7%
Charge Card Receivables	5,569	7,100	1,531
Credit Card Receivables	6,970	8,700	1,730
Net Interest Margin	11.15%	10.65%	-0.50%
30-day past due %	2.60%	1.60%	-1.00%
Charge-off Rate	2.4%	2.0%	-0.4%
Charge-offs (\$)	91	81	(10)
Provision (\$)	95	108	13
Global Merchant Services			
EPS	\$ 0.55	\$0.55	\$ 0.00
Global Commerical Services			
EPS	\$0.65	\$0.64	(\$0.01)
Billed Business Growth Rate	10.0%	12.5%	2.5%
Charge Card Receivables	31,824	35,500	3,676
Charge-offs (\$)	159	188	29
Provision (\$)	239	240	1
Consolidated P&L			
Interest Income	\$ 2,398	\$ 2,462	\$ 64
Non-Interest Income	6,831	7,877	1,046
Total Revenues	9,229	10,339	1,110
Interest Expense	628	621	(7)
Net Revenues	8,601	9,718	1,117
Provision Expense	811	775	(36)
Marketing and Rewards Expense	2,996	4,101	1,105
Human resources and other	2,806	2,760	(46)
Total Operating Expense	5,802	6,861	1,059
Pre-Tax Income	1,988	2,082	94
Income Tax	438	448	10
Net Income - Common (adjusted)	\$ 1,519	\$ 1,600	\$ 81
Managed EPS (GAAP)	\$ 1.76	\$1.86	\$ 0.10
Managed EPS (adjusted)	\$ 1.76	\$1.86	\$ 0.10
Tax Rate			
Efficiency Ratio	22.1%	21.5%	-0.5%
Asset Growth			
US Card	12.9%	12.8%	0.0%
Int'l Card	2.5%	27.9%	25.4%
GCS	2.0%	13.8%	11.8%
Billed Business			
US Card	8.0%	11.0%	3.0%
Int'l Card	12.0%	14.7%	2.7%
GCS	10.0%	12.5%	2.5%
Total	9.9%	12.7%	2.7%
Billed Business			
US Card	\$ 83.7	\$ 86.0	\$ 2.3
Int'l Card	78.4	80.3	1.9
GCS	113.1	115.7	2.6
Total	\$ 275.2	\$ 282.0	\$ 6.8

Source: Company reports and J.P. Morgan estimates.

Table 2: Revised Estimates

\$ in millions

	Previous	Current	Change	Previous	Current	Change	Previous	Current	Change
	2018E			2019E			2020E		
US Consumer Services									
Segment EPS	\$2.30	\$2.68	\$0.39	\$2.50	\$2.63	\$0.13	\$2.89	\$2.81	(\$0.08)
Billed Business Growth Rate	7.6%	9.2%	1.6%	6.0%	6.0%	0.0%	6.0%	6.0%	0.0%
Charge Card Receivables	13,690	13,821	131	14,306	14,442	137	14,878	15,020	142
Credit Card Receivables	58,533	58,533	0	62,045	62,045	0	65,147	65,147	0
Net Interest Margin	10.55%	10.79%	0.25%	10.26%	10.46%	0.20%	10.20%	10.40%	0.20%
30-day past due %	1.39%	1.39%	0.00%	1.49%	1.49%	0.00%	1.75%	1.75%	0.00%
Charge-off Rate	2.09%	2.10%	0.01%	2.23%	2.26%	0.04%	2.45%	2.58%	0.13%
Charge-offs (\$)	1,307	1,307	0	1,480	1,505	24	1,710	1,789	79
Provision (\$)	2,247	2,112	(136)	2,265	2,396	132	2,308	2,573	266
International Consumer and Network Services									
Segment EPS	\$0.72	\$1.35	\$0.63	\$0.89	\$1.50	\$0.61	\$0.91	\$1.64	\$0.72
Billed Business Growth Rate	11.1%	12.7%	1.7%	7.0%	7.0%	0.0%	7.0%	7.0%	0.0%
Charge Card Receivables	7,898	8,034	137	7,996	8,134	138	8,096	8,236	140
Credit Card Receivables	8,918	9,135	218	9,140	9,363	223	9,369	9,597	229
Net Interest Margin	11.11%	10.80%	-0.31%	10.92%	10.67%	-0.25%	10.60%	10.35%	-0.25%
30-day past due %	2.60%	2.36%	-0.24%	2.75%	2.75%	0.00%	3.00%	3.00%	0.00%
Charge-off Rate	2.6%	2.5%	-0.1%	2.8%	2.8%	0.0%	3.2%	3.2%	0.0%
Charge-offs (\$)	0	0	0	0	0	0	0	0	0
Provision (\$)	481	556	75	510	606	96	577	687	109
Global Merchant Services									
EPS	\$ 2.32	\$2.34	\$ 0.02	\$ 2.53	\$2.58	\$ 0.06	\$ 2.84	\$2.91	\$ 0.07
Global Commerical Services									
EPS	\$2.82	\$2.71	(\$0.11)	\$3.13	\$2.98	(\$0.15)	\$3.42	\$3.29	(\$0.13)
Billed Business Growth Rate	9.4%	11.5%	2.1%	7.0%	7.0%	0.0%	7.0%	7.0%	0.0%
Charge Card Receivables	33,762	33,762	0	34,437	34,437	0	35,126	35,126	0
Charge-offs (\$)	480	514	35	518	532	14	585	602	16
Provision (\$)	913	927	14	1,012	1,035	23	1,138	1,165	26
Consolidated P&L									
Interest Income	\$ 9,607	\$ 9,965	\$ 358	\$ 10,229	\$ 10,591	\$ 362	\$ 10,762	\$ 11,134	\$ 372
Non-Interest Income	28,982	32,896	3,914	30,564	35,200	4,636	32,120	37,202	5,082
Total Revenues	38,589	42,861	4,272	40,793	45,791	4,998	42,882	48,336	5,454
Interest Expense	2,598	2,651	53	3,002	3,064	62	3,309	3,381	73
Net Revenues	35,991	40,210	4,219	37,791	42,727	4,935	39,573	44,955	5,381
Provision Expense	3,729	3,656	(73)	3,875	4,114	239	4,111	4,501	389
Marketing and Rewards Expense	12,667	17,076	4,408	13,228	17,990	4,762	13,827	18,980	5,153
Human resources and other	11,668	11,462	(206)	12,161	12,054	(106)	12,687	12,653	(34)
Total Operating Expense	24,335	28,538	4,202	25,388	30,044	4,656	26,514	31,633	5,119
Pre-Tax Income	7,927	8,016	90	8,528	8,568	40	8,948	8,821	(127)
Income Tax	1,751	1,746	(5)	1,882	1,876	(7)	1,977	1,931	(46)
Net Income - Common (adjusted)	\$ 6,055	\$ 6,146	\$ 91	\$ 6,526	\$ 6,573	\$ 47	\$ 6,851	\$ 6,770	\$ (81)
Managed EPS (GAAP)	\$ 7.03	\$7.17	\$ 0.14	\$ 7.88	\$8.00	\$ 0.11	\$ 8.83	\$8.80	\$ (0.03)
Managed EPS (adjusted)	\$ 7.03	\$7.17	\$ 0.14	\$ 7.88	\$8.00	\$ 0.11	\$ 8.83	\$8.80	\$ (0.03)
Tax Rate									
Efficiency Ratio	22.1%	21.8%	-0.3%	22.1%	21.9%	-0.2%	22.1%	21.9%	-0.2%
	67.6%	71.0%	3.4%	67.2%	70.3%	3.1%	67.0%	70.4%	3.4%
Asset Growth									
US Card	9.0%	9.0%	0.0%	6.0%	6.0%	0.0%	5.0%	5.0%	0.0%
Int'l Card	2.5%	5.0%	2.5%	2.5%	2.5%	0.0%	2.5%	2.5%	0.0%
GCS	2.0%	2.0%	0.0%	2.0%	2.0%	0.0%	2.0%	2.0%	0.0%
Billed Business									
US Card	7.6%	9.2%	1.6%	6.0%	6.0%	0.0%	6.0%	6.0%	0.0%
Int'l Card	11.1%	12.7%	1.7%	7.0%	7.0%	0.0%	7.0%	7.0%	0.0%
GCS	9.4%	11.5%	2.1%	7.0%	7.0%	0.0%	7.0%	7.0%	0.0%
Total	9.3%	11.1%	1.8%	6.7%	6.7%	0.0%	6.7%	6.7%	0.0%
Billed Business									
US Card	\$ 362.6	\$ 367.9	\$ 5.3	\$ 384.4	\$ 390.0	\$ 5.6	\$ 407.5	\$ 413.4	\$ 5.9
Int'l Card	338.0	343.1	5.0	361.7	367.1	5.4	387.0	392.8	5.8
GCS	479.4	488.4	9.0	512.9	522.6	9.6	548.8	559.2	10.3
Total	\$ 1,180.0	\$ 1,199.4	\$ 19.3	\$ 1,259.0	\$ 1,279.6	\$ 20.6	\$ 1,343.3	\$ 1,365.3	\$ 22.0

Source: J.P. Morgan estimates.

Investment Thesis, Valuation and Risks

American Express (Neutral; Price Target: \$100.00)

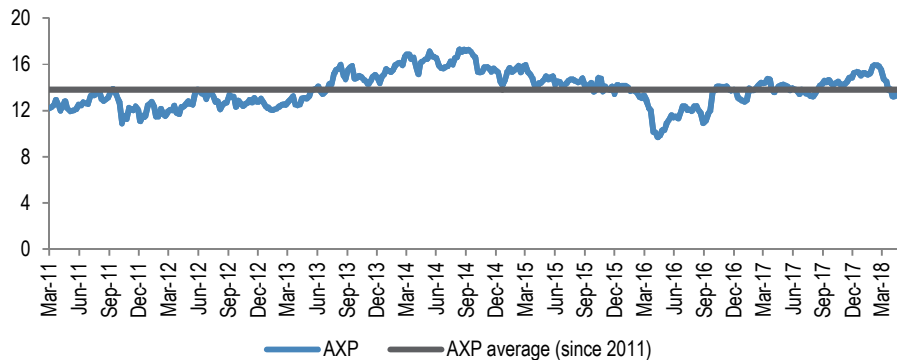
Investment Thesis

Maintain Neutral rating. We maintain our Neutral rating on AXP based primarily on valuation. In our view, AXP is positioned to benefit from continued consumer strength and increasing confidence. Additionally, AXP stands to benefit from lower corporate tax rates subsequent to 4Q17 (the company took a \$2.6B charge related to the tax legislation that was passed). Despite the fundamental positives, AXP may face headwinds as rapid loan growth, seasoning and mix shift (away from co-branded products) may lead to increased reserve build in 2018. Additionally, we note that rising interest rates as well as spread compression between the prime rate and LIBOR may dampen AXP's net interest yield. AXP may face additional headwinds in the form of higher incremental marketing and rewards spend.

Valuation

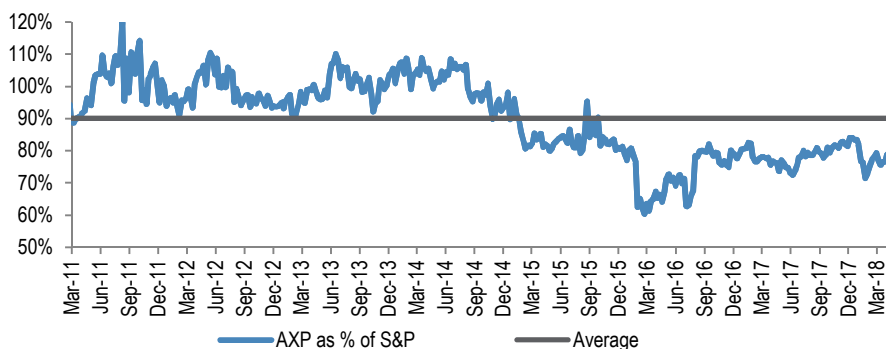
We maintain our Dec-2018 PT of \$100. Our price target equates to ~12.5x our 2019 adj. EPS estimate of \$8.00 (up from \$7.88 previously on high expected non-interest income). Our target multiple is lower than AXP's historical post-crisis multiple of 13.8x, which reflects potentially higher growth-driven reserves and AXP's focus on rebuilding capital in light of the \$2.6B charge in 4Q17 related to the tax act. Our Dec-2018 price target implies a potential total return of approximately 6.3%.

Figure 22: Forward P/E Multiple



Source: S&P Capital IQ and J.P. Morgan estimates.

Figure 23: Forward P/E Multiple as a % of S&P 500 Forward P/E Multiple



Source: S&P Capital IQ and J.P. Morgan estimates.

Risks to Rating and Price Target

Downside and upside risks. Downside risks include weaker-than-expected spend growth, increased competition from third-party issuers, and reduced travel-related revenue in the near term due to geopolitical turmoil and health concerns. Upside risks include lower-than-expected provisions for loan losses, stronger future spend growth, and elevated earnings multiples.

American Express: Summary of Financials

Income Statement - Annual	FY17A	FY18E	FY19E	FY20E	Income Statement - Quarterly	1Q18A	2Q18E	3Q18E	4Q18E
Interest Income	8,563	9,965	10,591	11,134	Interest Income	2,462A	2,465	2,480	2,559
Other Revenues	30,426	32,896	35,200	37,202	Other Revenues	7,877A	8,262	8,166	8,591
Total Revenues	38,989	42,861	45,791	48,336	Total Revenues	10,339A	10,727	10,646	11,150
Interest Expense	(2,112)	(2,651)	(3,064)	(3,381)	Interest Expense	(621)A	(656)	(672)	(703)
Total Revenue net of Interest	36,877	40,210	42,727	44,955	Total Revenue net of Interest	9,718A	10,071	9,974	10,447
Operating Expenses	(26,693)	(28,538)	(30,044)	(31,633)	Operating Expenses	(6,861)A	(7,145)	(7,089)	(7,443)
Provision for losses	(2,759)	(3,656)	(4,114)	(4,501)	Provision for losses	(775)A	(859)	(987)	(1,035)
Pretax profit Reported	7,425	8,016	8,568	8,821	Pretax profit Reported	2,082A	2,067	1,898	1,969
Income Taxes	(4,677)	(1,746)	(1,876)	(1,931)	Income Taxes	(448)A	(453)	(415)	(431)
Net Income - GAAP	2,748	6,270	6,693	6,890	Net Income - GAAP	1,634A	1,615	1,483	1,538
Net Income Applicable to Common Stock	2,646	6,146	6,573	6,770	Net Income Applicable to Common Stock	1,600A	1,585	1,453	1,508
EPS - reported	2.99	7.17	8.00	8.80	EPS - reported	1.86A	1.84	1.70	1.78
EPS - Estimated Cash EPS	5.90	7.17	8.00	8.80	EPS - Estimated Cash EPS	1.86A	1.84	1.70	1.78
Dividend Per Share	1.34	1.46	1.56	1.64	Dividend Per Share	0.35A	0.35	0.38	0.38
Balance Sheet	FY17A	FY18E	FY19E	FY20E	Balance Sheet	1Q18A	2Q18E	3Q18E	4Q18E
Gross Loan Portfolio	130,100	138,925	146,093	152,810	Gross Loan Portfolio	130,000A	127,971	131,713	138,925
Loan Loss Reserves	(2,700)	(3,980)	(5,428)	(6,828)	Loan Loss Reserves	(2,900)A	(3,172)	(3,572)	(3,980)
Total net loans	127,400	134,945	140,665	145,982	Total net loans	127,100A	124,799	128,141	134,945
Total assets	171,900	179,445	185,165	190,482	Total assets	171,600A	169,299	172,641	179,445
Total liabilities	148,561	153,642	159,691	165,347	Total liabilities	146,949A	143,348	146,763	153,642
Common equity	23,339	25,803	25,474	25,135	Common equity	24,651A	25,951	25,878	25,803
Shareholders equity	23,339	25,803	25,474	25,135	Shareholders equity	24,651A	25,951	25,878	25,803
Shares (Fully Diluted)	886	857	822	770	Shares (Fully Diluted)	861A	861	856	849
Book value per share	25.40	29.34	31.15	33.32	Book value per share	27.12A	28.63	28.97	29.34
Tangible Book Value Per Share	20.66	24.51	26.04	27.85	Tangible Book Value Per Share	22.36A	23.87	24.18	24.51
Ratio Analysis (%)	FY17A	FY18E	FY19E	FY20E	Ratio Analysis (%)	1Q18A	2Q18E	3Q18E	4Q18E
Deposit Growth	-	-	-	-	Deposit Growth	-	-	-	-
Loan Receivable Growth	13.1%	5.9%	4.2%	3.8%	Loan Receivable Growth	14.4%A	8.3%	7.4%	5.9%
Leverage (Assets/Equity)	7.5	7.1	7.1	7.4	Leverage (Assets/Equity)	7.2A	7.0	7.2	7.1
Net Charge-Off Rate (All Loans)	0.02	0.02	0.02	0.02	Net Charge-Off Rate (All Loans)	0.02A	0.02	0.02	0.02
Net interest margin	-	-	-	-	Net interest margin	-	-	-	-
Tier I Capital	-	-	-	-	Tier I Capital	-	-	-	-
Return on assets (ROA)	3.2%	3.5%	3.6%	3.6%	Return on assets (ROA)	3.9%A	3.9%	3.5%	3.4%
Return on equity (ROE)	23.7%	25.0%	25.6%	26.8%	Return on equity (ROE)	28.1%A	27.0%	24.8%	24.6%
ROTE	10.4%	10.8%	10.5%	10.4%	ROTE	10.9%A	10.9%	10.8%	10.7%
VOLUME	1,079	1,199	1,280	1,365	VOLUME	282A	300	299	319

Source: Company reports and JPMorgan estimates

Note: in Millions (except per-share data).

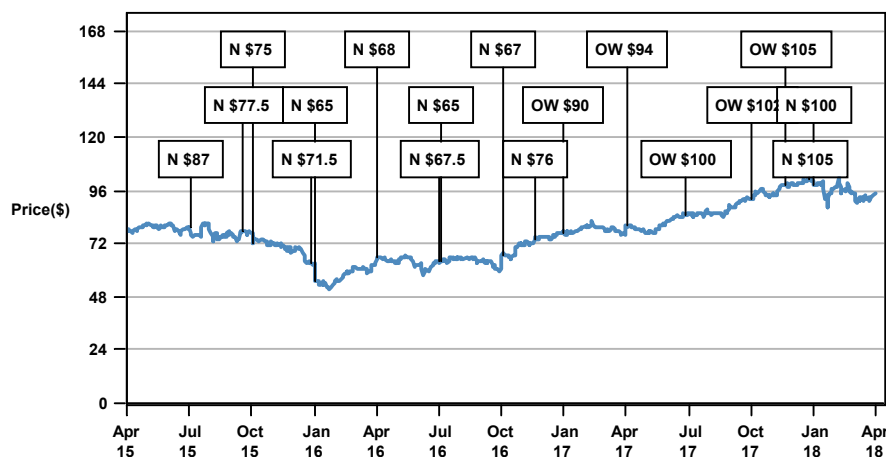
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American Express (AXP, AXP US) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 01, 1999.

Date	Rating	Share Price (\$)	Price Target (\$)
23-Jul-15	N	78.99	87.00
08-Oct-15	N	77.18	77.50
22-Oct-15	N	72.50	75.00
14-Jan-16	N	63.29	71.50
21-Jan-16	N	55.06	65.00
21-Apr-16	N	65.61	68.00
18-Jul-16	N	63.78	67.50
21-Jul-16	N	64.48	65.00
20-Oct-16	N	66.78	67.00
08-Dec-16	N	74.29	76.00
17-Jan-17	OW	76.60	90.00
20-Apr-17	OW	80.02	94.00
13-Jul-17	OW	84.82	100.00
19-Oct-17	OW	91.90	102.00
07-Dec-17	OW	98.21	105.00
12-Jan-18	N	100.73	105.00
19-Jan-18	N	98.03	100.00

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