

American Express
August 3, 2011 Financial Community Presentation
Dan Schulman

Blue Box

Thanks Ken. Good afternoon everyone.

As you just heard, the current digital transformation of American Express spans the full range of our company's business operations from the way we service customers to the way we provide value between buyers and sellers across the globe.

In the time we have together, I'm going to focus my remarks on providing an in-depth look at Enterprise Growth.

Enterprise Growth Group Created to Focus on Key Opportunities

Enterprise Growth was formed almost a year ago to help drive change as the payments industry evolves, and identify key growth opportunities beyond our core business. Our charge is to aggressively pursue new forms of payments and digital commerce that open our company to new customer segments, new geographies across the world, and new products and services.

We have made meaningful progress against these objectives, not only by challenging conventional thinking, but also by leveraging the rich assets of American Express.

Agenda: The Commerce Landscape

Today I am going to describe the rapidly evolving commerce landscape, our vision for the future, and our progress in deploying new payments and commerce initiatives.

I'd like you to leave today with a better understanding of how American Express is positioned to be at the forefront of the emerging digital economy.

Payments and Commerce are Being Redefined

It almost goes without saying that the payments industry is undergoing a fundamental change as the very nature of commerce is redefined... and these changes have the potential to bring about significant opportunities for American Express. As Ken said, Web 3.0, or the next phase of the digital economy, is being driven by the convergence of online and offline – and data is at the very heart of the next era.

Mobile Enables Smarter Connectivity

By now, we all know that the explosion of mobile phones, tablets and other devices, combined with advances in mobile communications, has enabled the internet to literally always be in your pocket. Two-

thirds of the global population already has mobile devices – and, by some estimates, there will be more than 10 billion¹ mobile internet connected devices in the coming years.

The smart phone is a game changer. It makes rich data available anywhere, providing consumers with access to customized news, entertainment, location-specific shopping, games and social networks. You no longer need to be behind your desktop to comparison shop, get recommendations or real time offers.

The Digitally Enabled Consumer

These changes are profoundly impacting the commerce experience, blurring the distinction between online and offline shopping. Consumers are leveraging all the tools available to them to make smarter purchase decisions.

Today, people are exchanging virtual dollars for real goods, real dollars for virtual goods, harnessing the power of social media to get better deals, socializing their wish and shopping lists, and seeking real-time recommendations and feedback.

Merchant Landscape Redefined

These technological advances, combined with sophisticated data analytics, are helping marketers to reach new customers, provide micro-segmented offers to consumers and enhance marketing efficiencies. And the end result is that buyers and sellers are coming together in ever more relevant ways.

For instance, let's say I'm walking past 'Tom's Drugstore' and they currently have excess stock of toothpaste. I get a mobile message for 35 percent off toothpaste because it is on my shopping list housed in a mobile app on my smartphone. Not only do I get a timely and relevant deal but it also helps Tom to efficiently manage his inventory through real time, dynamic pricing. Leveraging data analytics with mobile technology will make this a reality in the years ahead.

Explosion of Data Driven Innovation

Data is becoming the crown jewel in the new retail platforms being established. Value is not just in the transaction, but increasingly in the data we derive from that transaction. And, this data is incredibly useful as it becomes ever more granular – down to product, brand and SKU level detail.

The capture of this data is crucial. At scale, data drives the algorithms that are the key marketing tool of software companies. They provide the ability to micro segment and efficiently target prospects and customers – dramatically improving the marketing return on investment.

¹ Source: Morgan Stanley 2010

Privacy and Security are Imperative

However, there is another side to the evolving use of data, and that is the importance of protecting the privacy and security of our customers' personal information and collecting and using data in a responsible, transparent and legally compliant manner. We provide information about our commitment to privacy and data protection to our customers, and across all our products, we give our customers choices – and we respect those choices. For example, customers actually need to opt-in if they want to receive offers through our Facebook and foursquare programs. Upholding the highest standards of privacy protection is what our brand stands for – and we intend to zealously safeguard that reputation. One thing industry experts uniformly agree about is that privacy and security are critical to succeeding in the digital age.

But there are a lot of other factors too ... which I'd like to bring to life through a short video featuring some of our colleagues across the industry. Let's take a look... [Play 3 min. video]

We are Uniquely Qualified

I think this video provides a useful summary of the themes being discussed across our industry – and against this backdrop, we believe we have a great head start to be a leader in the future of the digital economy. Across the enterprise, we are introducing innovative products and services, which leverage our strong existing assets – from our infrastructure, risk capabilities and data-driven insights, to our brand, marketing prowess and deep customer relationships.

Our Digital Commerce Vision

As we develop the next generation of the digital closed loop, our vision is to utilize our assets to pursue new business models and services across the globe that enable digital commerce. We intend to help redefine the commerce experience for buyers and sellers; personalize the shopping experience and transform the power of marketing by capitalizing on new and evolving technologies, rich data and information, and sophisticated analytics.

Capturing New Opportunities

This vision compels us to change our definition of scale – and to do so, we need to address new segments of customers, develop and deploy new products, and penetrate new geographies.

Serve Launched on March 28

Fundamental to this vision are the efforts we have underway to develop our new digital software platform, Serve. Version 1.0 of Serve was launched in March of this year – giving consumers a new way to spend, send and receive money – with services that go beyond the traditional payment networks. The launch was an important first step and further established us as a player in the digital payments and commerce space.

Building the Serve Platform

Serve is built upon the very latest modular technology gained through our Revolution Money acquisition. Its various applications are hosted in a cloud-based, open-source architecture. These applications are not limited to a single device or operating system. Serve customers can download and access applications on their desktop, on their iPhone or iPad, on Android mobile phones, or phones running the Windows Mobile operating system – and we will roll out a version for Blackberry users shortly.

The Serve e-wallet application, or master account, is funding agnostic. In other words your Serve account can be funded by any bank account, by any debit, credit or charge card, and by receiving money from another Serve account. Once you have set up a Serve account and funded it – you can transact in a number of useful and innovative ways.

You can make person-to-person or P2P payments; send and request money, whether it be to split a cab fare, collect your roommate's share of the utility bill, or pay someone back for concert tickets. You can also set up multiple sub accounts for friends, family members or employees. This allows you to give your kids their allowance or remotely fund a home contractor's account to buy supplies. You can also set rules to control where they use funds and get real time reporting on their spend.

Serve Bridges Online & Offline

A distinct advantage for Serve is its ability to bridge the online and offline worlds. Customers can seamlessly transact both online and at brick and mortar locations with all activity linked to their digital master account. Our goal at launch was to not only provide consumers with digital capabilities for the future, but also provide a solution for the point-of-sale reality of today. Every Serve account is issued a Serve prepaid card linked to their master account that can be used at any merchant or ATM that accepts American Express cards in the United States. You don't need to wait for the point-of-sale to be NFC-enabled to use Serve offline.

Innovative New Applications

We've also recently introduced a host of innovative applications that Serve customers are using for social selling and fundraising. These applications give Serve customers the ability to upload photos, sell personal items or raise money through social networking channels and personal Web sites.

Serve in Continual Release

The launch of Serve in March was a meaningful first step, but you can expect the platform to evolve with new releases every few months. We've already had multiple enhancements since launch, and our flexible software platform allows us to rapidly introduce new features and functions.

We completed a pilot test in Eugene, Oregon last month and the insights and suggestions we gleaned have already been incorporated because of our 'continual release' lifecycle.

Robust Capabilities Now and in the Future

Our in-market trials, and market research with consumers and merchants, play a crucial role in driving forward the changes we plan to implement in our roadmap. Our initial platform deployment established a robust and differentiated set of applications around payments, but we are quickly evolving and our goal is to help shape the entire digital commerce experience.

Future releases of Serve should enable consumers to load real and virtual currencies into their Serve master account. Customers would essentially be able to insert different types of value - from cash and reward points, to coupons and points for games - into their master account in order to transact.

Perhaps even more importantly, we intend for Serve to become a personalized offers platform, enabling merchants to provide customized offers and coupons based on a consumer's individual preferences, behavior and location. Consumers would be able to fund their master accounts with these customized, real-time offers and either use them immediately or save them for shopping at a later date. In effect, Serve would become a platform for the exchange of value between buyers and sellers.

Serve would also provide other capabilities to help enable commerce. For instance, a merchant would be able to automate their loyalty programs. Instead of a frozen yogurt shop handing you a paper card that is punched every time you buy a yogurt – which you need to remember to carry with you – your purchases would be tracked via the Serve application. Emails or texts would be sent automatically to thank you for your every purchase, and your tenth free yogurt would be redeemed seamlessly.

We are also working hard to have Serve operate in multiple languages and currencies, in order to capitalize on opportunities across the world, including dynamic markets such as China and India.

Enabling New Merchants

While at launch we were able to immediately leverage the existing American Express merchant network in the United States, over time we plan to acquire new segments of merchants. These might include individuals-as-merchants, digital and virtual goods providers, online micro-businesses and offline small businesses.

Technology has turned individuals into sellers and sellers into global merchants. In some ways, eBay changed the definition of a merchant when they digitized and scaled the concept of a “garage sale.” In effect, all of us are merchants at some point in our lives, and this provides a huge opportunity for Serve and American Express.

Serve Enables the Convergence of Online and Offline

Serve's open platform can deliver a comprehensive solution for merchants and consumers. While many players are talking about e-wallet applications linked to NFC, the reality today is that only 1.5 percent of all retailers in the United States are using the platforms required for contactless technology. It will take substantial investments and time for broad-scale consumer and merchant adoption.

That said we do believe mobile-enabled technology is the future and the Serve platform has the flexibility to adapt as various standards are deployed. But our research clearly stated that consumers want to use the funds in their digital accounts to make purchases both online and offline – and they want to be able to take cash out of their account. From day one, Serve customers have been able to do all three.

There are certainly many players trying to crack the code for next-generation payments and services. Proclamations of ‘new breakthroughs’ are happening almost every day with a host of traditional and new companies racing to get scale – to get the data – to develop the algorithms.

Today, scale has a new meaning as technology and social media companies now boast hundreds of millions of users interacting with their platforms. And we intend to capitalize on the opportunities in front of us to drive scale through our Serve platform and alternative payments solutions.

A Robust Roadmap to Scale

We have developed a three-pronged approach to build scale on our Serve platform, including developing partnerships, opening our platform to the developer community and facilitating new digital capabilities for existing cardmembers. And I’d like to take a moment to walk you through each of these.

Rich and Growing Partnership Base

Mutually beneficial partnerships are a cornerstone of driving scale for Serve. We are working with partners that have large customer bases and have unique needs that would benefit from embedding Serve directly into their purchase path. We have already announced several important partnerships and you can expect more announcements as we align with gaming, entertainment and social networking organizations, as well as the mobile industry.

Ticketmaster: Serve in Ticket Purchase Flow

The first partnership we announced was Ticketmaster. Through this deal, Ticketmaster will offer Serve as a P2P solution to its tens of millions of customers to help them make and collect payments towards ticket purchases. Serve will be inserted directly into the purchase flow so a person buying concert tickets can easily collect payment from groups of friends and family – removing the headache of collecting money after the purchase.

For Ticketmaster, this helps to address one of the main reasons customers do not complete their orders – and it showcases the P2P and frictionless on-boarding capabilities of Serve.

AOL Patch: Serve Providing Offer Capabilities

In June we announced a deal with AOL. Through this deal, Serve will offer millions of AOL Patch customers a digital wallet application and a co-branded card. Patch is a network of some 800 local community news sites, and our partnership will enable local businesses to reach consumers in a targeted way, load offers on the Serve platform and provide a seamless way to redeem them. Serve

becomes a catalyst for driving customized local commerce – and we have the capabilities to be able to pinpoint and report the actual spend attributed to the offers.

Verizon Wireless: Serve as Rollover Payment Option

Earlier this week we announced a major partnership with Verizon Wireless which will embed Serve as a roll over payment option for mobile customers. The Serve mobile application will be preloaded on selected Verizon mobile phones and tablets, and Verizon’s customers will have the option to pay for both hard and virtual goods by providing their mobile number at checkout. This is a significant milestone for both companies, and will make transactions easier for tens of millions of consumers, helping to drive the adoption of mobile commerce.

All in, these partnerships have the potential to drive significant scale to our Serve platform while simultaneously improving the purchase experience for consumers.

Open APIs to Drive Scale

Engaging the developer community is the second prong of our drive to scale. In order to do this we believe that a robust, open API platform is necessary. Open APIs – or Application Program Interface – allow developers to embed a piece of software or functionality associated with the Serve platform into their own applications. Open APIs allow tens of thousands of developers to create applications that leverage our platform’s capabilities.

For instance, a game developer does not need to replicate or build a billing system. He can drag the Serve “mobile checkout” or “negotiate” functions and embed them right into his application and thereby allow gamers to buy virtual goods without interrupting their gaming experience.

We have begun development of open APIs, associated software development kits, and a web portal to engage the developer community. A limited set of developers will begin to stress test our APIs over the next few months and we plan to open the platform to all developers in the first half of next year.

Engaging Current AXP Cardmembers

Our goal is to make available the capabilities of the Serve platform to existing American Express customers, including rolling out digital functionalities, such as P2P.

Our intent would be to leverage the underlying platform to seamlessly provide enhanced digital capabilities to American Express cardmembers without any disruptive migration necessary.

Serve Economic Drivers

As I mentioned, Serve provides us the opportunity to attract large and new customer segments both in the United States and internationally. Assuming we can achieve appropriate scale, we believe the economics can be very attractive.

We expect Serve to derive revenue from both payments and the enablement of digital commerce.

Initially, Serve transactions earn discount revenue at the prepaid rate we charge merchants, which is typically lower than the rate for credit and charge. As we build value for specific merchant segments, we should be able to price for that value and improve our economics over time. We also earn interest income on the float as money is loaded onto the platform before it is spent and, as we expand the platform globally, there is also the opportunity for cross-border fees. We will utilize the Serve platform to cross-sell and 'up-sell' other products and services to these customers, many of whom will be new to the American Express franchise.

Serve's cost structure is also different from our charge and credit offerings as there is little or no interest expense, rewards costs or credit losses. Also, we intend to keep operating expenses low by leveraging our existing infrastructure for payments, technology and servicing. Customers have the choice to fund their Serve account from various sources and our costs are affected by the percentage loaded via ACH, debit or credit. As we continue to test and learn how consumers interact with Serve, we will monitor and adjust our approach as necessary.

Perhaps most importantly, we plan to keep our acquisition costs low by embedding Serve into the purchase path of existing communities of consumers, and our current partnership deals reflect this strategy.

In addition to the payments revenue stream, we also believe there are lucrative and large commerce-related revenue opportunities.

The Digital Commerce Prize is Even Bigger

The revenue pools in the United States related to the consumer credit and charge payments industry are estimated at \$144 billion². However, commerce enabling industries, such as marketing and promotions, advertising, data and loyalty services, and couponing have significantly larger revenue streams.

In 2009, companies spent an estimated \$364 billion³ on marketing and advertising alone. If you add to that, spend associated with couponing, data and loyalty services, we believe the total could be north of \$400 billion, some three times the size of the payments industry.

And many of the services provided by these commerce enabling industries are currently rife with inefficiencies. I am sure all of you have heard the old advertising adage: "I know 50 percent of my advertising works, I just don't know which half." And, by some estimates, only 25 percent of the costs associated with couponing actually drive incremental sales. Only a portion of every marketing dollar spent by merchants can be tracked to actual conversion to a sale or customer acquisition. With the use of data, we can help merchants be more effective in their marketing and drive incremental sales, bringing to life the next generation of the digital closed loop.

These digital commerce capabilities provide us an opportunity to drive new revenues with high margin structures associated with bringing buyers and sellers together. The daily deal providers offer a good

² Source: McKinsey US Payments Map March 2011 (2009 US Consumer Credit and Acquiring Revenue Pools)

³ Source: Outsell Market Research "Annual Advertising and Marketing Study", March 2010 (2009 US Advertising and Marketing Spend).

illustration of how this model works. They often earn anywhere between 10 to 50 percent affiliate commissions for each transaction they drive to a merchant. Affiliate deals provide us the opportunity to earn higher percentage margins than our current traditional payments business⁴.

A Global Opportunity in Payments

While much of our work is on new digital developments, we are also very focused on alternative payments around the world. This represents \$26 trillion⁵ in spend volume and an enormous opportunity as we now have the platforms, products and services available to target segments of the market who currently use cash, checks and debit. In fact, some 85 percent of the world's transactions are still in cash, many of which occur in emerging markets outside the United States.

As Ken said, in the United States, the lingering effects of the recession, coupled with the changing regulatory landscape have made consumers reluctant to take on new debt, and financial institutions cautious about lending money. With this shift, we have seen rapid growth in both debit and prepaid products. For example, the open loop prepaid spend volume in the United States is expected to grow at about 36 percent annually.

Capitalizing on Different Opportunities for Different Market Types

To capitalize on all these trends, we recognize we need to think differently and develop alternative payments and services that meet the needs of consumers in different places around the world.

Mobile Likely Catalyzes Digital Payments in China and India

In countries like China and India, new forms of payments will likely leapfrog plastic – moving directly to mobile and stored-value products. Governments, like in India, are pushing for alternatives to cash and are driving for financial inclusion. Cash is inefficient and comes with leakage. This movement from cash naturally leads to prepaid and debit products, increasingly linked to prepaid mobile phones and this provides an opening for our Serve platform and prepaid franchise to take advantage of these global trends.

My team and I have spent a large amount of time in India, China and other vibrant economies talking to potential partners and developing market entry strategies.

Alternative Forms of Payments are Prevalent in Many Parts of the World

We are rapidly expanding our prepaid franchise into areas including general purpose reloadable, travel cards, international remittances and payroll cards, and we fully intend to expand our gift card franchise.

Not only can these products attract new customers to American Express, but capturing even a small share of this opportunity has the potential to drive meaningful revenue streams in coming years.

⁴ Statement revised August 4, 2011

⁵ Source: Euromonitor June 2011, excludes ATM withdrawals

Launch of Reloadable Prepaid is the Foundation for Future Products

Two years ago, we removed all back end fees from our gift card portfolio and saw significant growth as a result. At a time when the value of debit products may lose some of their appeal and the need for a consumer-friendly everyday payment alternative continues to grow, we saw an opportunity to launch a transparent and consumer champion product as a foundation for future products.

As many of you know, the prepaid industry is criticized for being laden with fees and confusing terms. So what we announced in June is really quite simple—a reloadable prepaid card that you can use for everything from gas to groceries with none of the nuisance fees. That means no fees for purchasing the card online, monthly maintenance, activation, balance inquiries, alerts, card replacement, foreign exchange transactions and loading from a bank account. The funds on the Card do not expire, and if lost or stolen, can be replaced. And it comes with some of the same benefits customers have come to expect from American Express—like Roadside Assistance, Purchase Protection, Global Assist, American Express Selects and of course, our award-winning customer service.

Market Leading Consumer Value

Unlike other prepaid card providers, we were in a unique position to launch this model because American Express facilitates the end to end customer experience. We are the issuer, network and acquirer, which provides us numerous efficiencies and allowed us to introduce this unique consumer proposition.

Positive Press & Industry Feedback

Eliminating nuisance fees was the right thing to do — and consumer advocates and Washington agreed. We also received positive feedback from media, industry analysts, and most importantly, from consumers.

We struck a chord with our new prepaid card and, I believe, have entered this space at a crucial time given the regulatory and economic environment. And even before we begin to market, tens of thousands of people have already signed up for the card.

Over the coming months we plan to continue to add more features and capabilities to this product including load options like direct deposit. We also intend to integrate elements of our Serve platform with our prepaid products and eventually have them fully linked.

Though we initially launched in the United States, we plan to extend our prepaid product set to other parts of the world.

Traditional and New Distribution Channels will Bring Scale

This groundbreaking value proposition provides opportunities to open American Express to new customer segments. We recently completed a pilot test with consumers unable to qualify for an American Express credit or charge card. The results were very encouraging – as these consumers were thrilled to have access to American Express through our new prepaid card.

We're also looking to expand our franchise through partnerships. One such opportunity is adding payment functionality to the cards consumers already have in their wallets. For example, through our partnership with Cardsmith, we plan to offer prepaid functionality embedded in campus ID cards to college students across the United States. Another example is our partnership with AAA, Southern New England, whose members now have prepaid functionality embedded into their membership cards. We also intend to scale our prepaid business through retail as we did with our gift-card franchise. We expect to roll out to multiple retail chains later this year – and currently have a pilot underway with Target in select cities around the United States.

Prepaid Delivers Favorable Economics

We believe that this consumer champion proposition will also bring additional profitable spend onto the American Express network. Like Serve, we also earn discount revenue from merchants and we earn float revenue from funds loaded onto the card. And because the cards are prepaid, there is little or no interest expense, rewards costs or credit losses.

As with Serve, we do not need large acquisition budgets to acquire prepaid customers – we are leveraging a superior product construct and customer experience and utilizing partnerships, affinity arrangements and online acquisition to gain scale.

Consequently our target margin on spending for this product is attractive and, with capital requirements low, we believe the returns should be quite favorable.

Our Fee Based Initiatives Support our Digital Commerce Vision

We believe that there is no asset more powerful or valuable than the data we have – and intend to expand – via our digital closed loop. We will substantially increase our efforts to leverage that asset for our fee-based initiatives.

We have spent a good amount of time in the past discussing the company's focus on generating \$3 billion from fee-based services by the end of 2014. And we have made substantial progress against that goal across the franchise.

We see three key opportunities to drive fee based revenue growth:

- One, continue to grow our existing fee-based revenue streams such as insurance products.⁶
- Two, acquire companies with unique assets that complement our businesses and capabilities, such as Loyalty Partner and Accertify.
- And three, introduce new business initiatives like Loyalty Edge, Business Insights and Vente-Privee.

We are making good progress toward the company's target to generate \$3 billion. Through both organic growth and acquisitions, we believe we will generate approximately \$1.3 billion in annual fee-based revenues in 2011.

Let me cover three of the recent announcements we have made. Two of which reside in businesses that Ed Gilligan oversees.

Loyalty Partner: Loyalty at Scale

In March of this year, we completed the acquisition of Loyalty Partner, a leading marketing services company best known for the loyalty programs it operates in Germany, Poland and India. It also provides market analysis and consulting services to help merchants grow their businesses. Adding over 34 million customers to our franchise, Loyalty Partner helps deepen and further international merchant relationships, while driving and diversifying fee service revenues. We are already seeing this potential, as Loyalty Partners is on track to meet our internal targets.

Accertify: A Leader in Fraud Prevention

Last November, we completed the acquisition of Accertify, a leader in solutions that help merchants combat fraudulent online and other transactions. As I mentioned before, expanding our merchant base and adding new types of merchants is a key part of our growth strategy. Broadening our offering of fraud prevention services to merchants, including transactions across all networks, is of tremendous value to merchants as they look for ways to improve their business, and to us as we look to demonstrate our unique capabilities and expand our merchant community.

Vente-Privee: Online Private Sales

Our newest initiative in fee based services is a joint venture with Vente-Privee, the first and largest private flash sales provider in the world. Announced in May, this joint venture leverages our data capabilities and customer base, along with Vente-Privee's expertise in private sales, digital production and merchandise buying to bring unmatched private sales offerings to consumers.

⁶ Statement revised August 4, 2011

This joint venture will allow us to test and learn, so that we can gain valuable insights to help drive our overall data strategy. The JV plans to launch the Vente-Privée platform in the United States later this year or early next year⁷.

The Right Investment Balance

We've covered a lot today and there is unquestionably a new landscape emerging. It opens the door to large opportunities for us and we are already executing against a number of initiatives.

We are running Enterprise Growth like a start-up—trying new things and positioning ourselves in such a way that we are flexible, nimble and can easily adapt to the rapidly changing landscape. We are extremely focused on doing things efficiently, and consistently review and measure our progress against key milestones and the drivers of our business model.

That said, unlike many start-ups who are prevalent in this space, we have an already established infrastructure, deep merchant and consumer relationships, and a credible and trustworthy brand. We can also leverage the capital strength of the company as we look to acquire and invest in companies that have key capabilities we need – or help us penetrate new geographies.

Because we are leveraging our existing assets, we don't have to make the same levels of investment that a start-up or company entering into the space would have to make. This gives us a good head start on our competition.

The Journey Continues

We are operating on multiple fronts across the entire enterprise to transform for the digital era – but we know this is just the beginning.

Over the past 161 years American Express has demonstrated its ability to reinvent and adapt to changes in the marketplace.

Our entire management team is focused on seizing the enormous opportunity in front of us – and in doing so we hope to write the next, exciting chapter in our history.

Thank you for your time.

⁷ Statement revised August 4, 2011