



# American Express Global Business to Business Group

**Ed Gilligan**  
Vice Chairman and Group CEO

August 6, 2008



# Agenda

- B2B Business Model
- Tale of Two Segments
- Future Outlook



# B2B Overview

## Global Commercial Services (GCS)

### Global Commercial Card



### Global Business Travel



## Global Network & Merchant Services (GNMS)

### Global Merchant Services



### Global Network Services





# B2B Overview



## Global Commercial Card (GCC)

*Leading worldwide commercial card issuer<sup>1</sup>*

- Charge card pay-in-full portfolio
- \$122B of Billed Business<sup>2</sup>
- 36 proprietary markets
- Relationships with >170,000 customers, including >60% of Fortune 500

<sup>1</sup>Based on volume. <sup>2</sup>2007.



# B2B Overview



## Global Business Travel (GBT)

*Leading travel management company for businesses*

- World's largest travel management company<sup>1</sup>
- American Express Travel Sales of \$24.6B<sup>2</sup>
- 36 proprietary and JV markets
- Relationships with >20,000 customers

<sup>1</sup>Travel Weekly 2008 Power List based on total travel volume including proprietary consumer sales, non-consolidated JVs volume and volume on American Express accounts in the partner network. <sup>2</sup>2007, includes proprietary business and consumer travel sales and consolidated JVs.



# B2B Overview



## Global Merchant Services (GMS)

*Merchant acquirer, processor and marketing partner*

- \$647B global billed business (all issuers in all markets)<sup>1</sup>
- Proprietary presence in 22 markets
- Bank partners acquire merchants in 102 additional markets
- Premium network with global merchant marketing capabilities



# B2B Overview



## Global Network Services (GNS) *AXP network for third party issuers and acquirers*

- 10 years old, \$53B billings<sup>1</sup>
- 126 markets
- 122 partners with 710 products



# B2B Business Model: Customer



- >4,500 sales and client managers globally<sup>1</sup>
- Premium products
- Global marketing capabilities

<sup>1</sup>Proprietary B2B salesforce and Client Managers at 3/31/08. Source: Peoplesoft and BCG Analysis.





# B2B Business Model: Financial

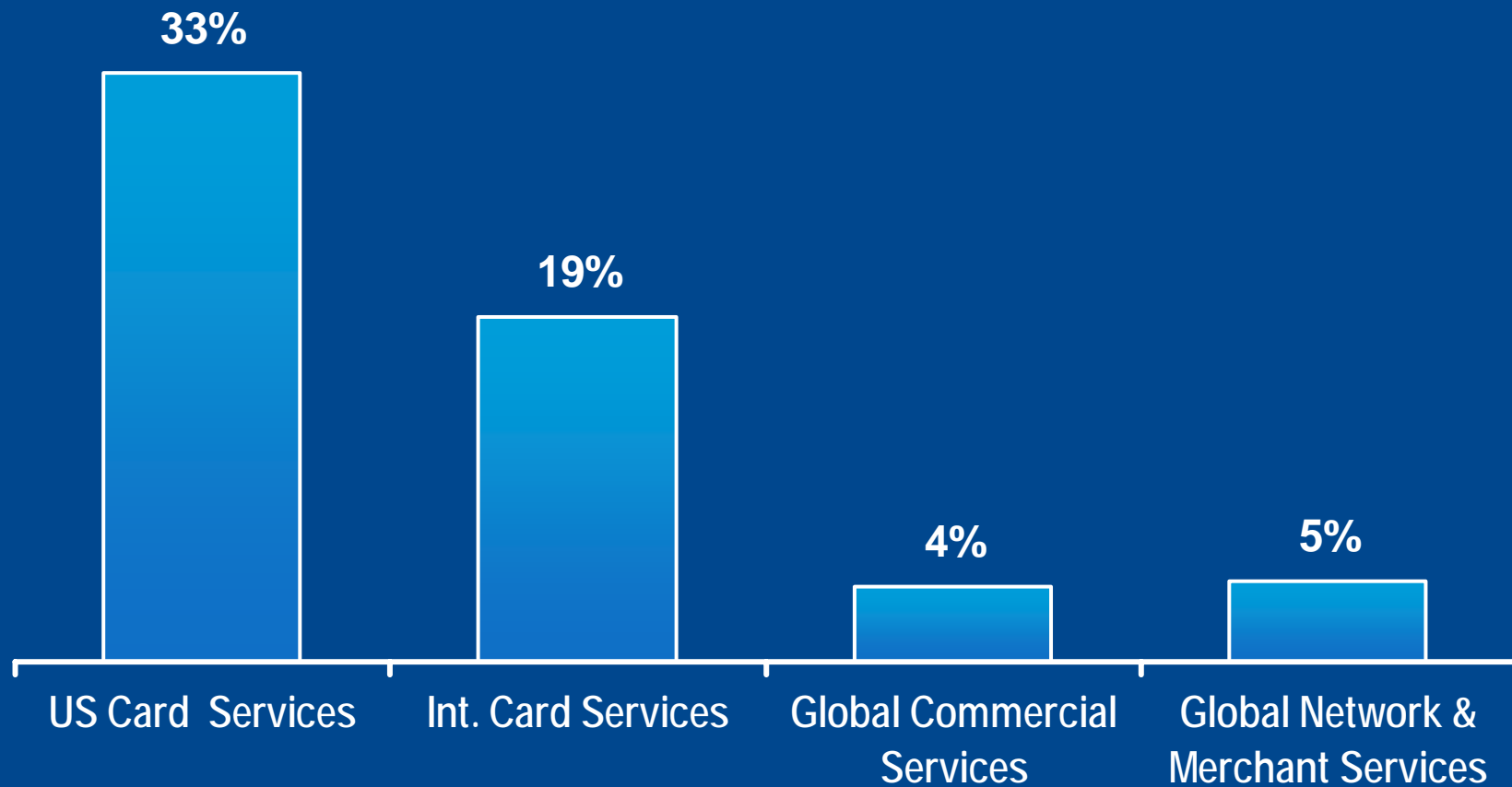
- ❑ Low credit risk
- ❑ Low capital requirements
- ❑ High returns
- ❑ High growth, highly scalable
- ❑ Geographically diversified revenue streams



# B2B Business Model: Low Credit Risk

Q2'08 YTD

Provision for Loss as a % of Net Revenue<sup>1</sup>

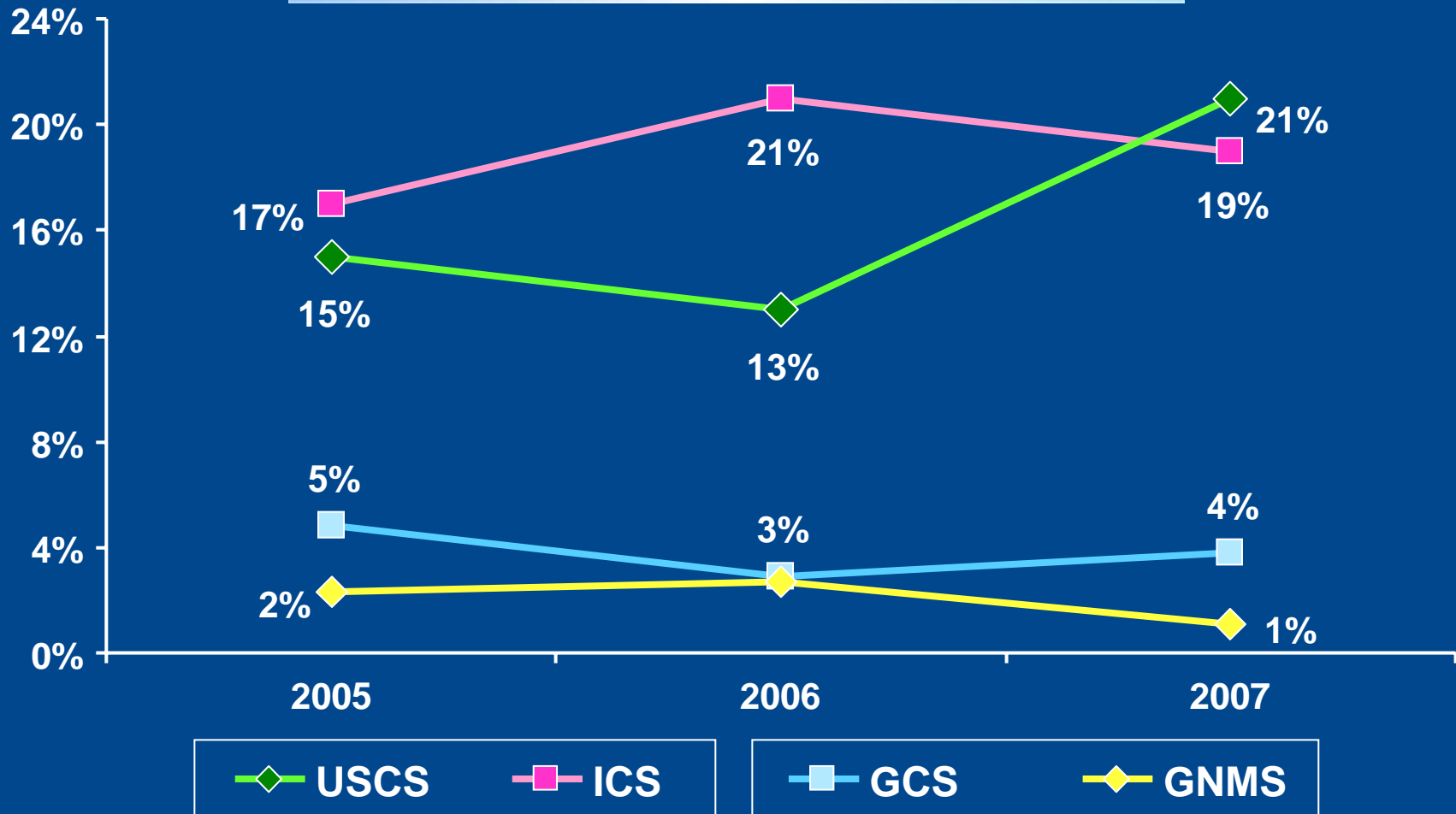


<sup>1</sup>Revenue is net of interest expense.



# B2B Business Model: Low Credit Risk

Provision for Loss as a % of Net Revenue<sup>1</sup>

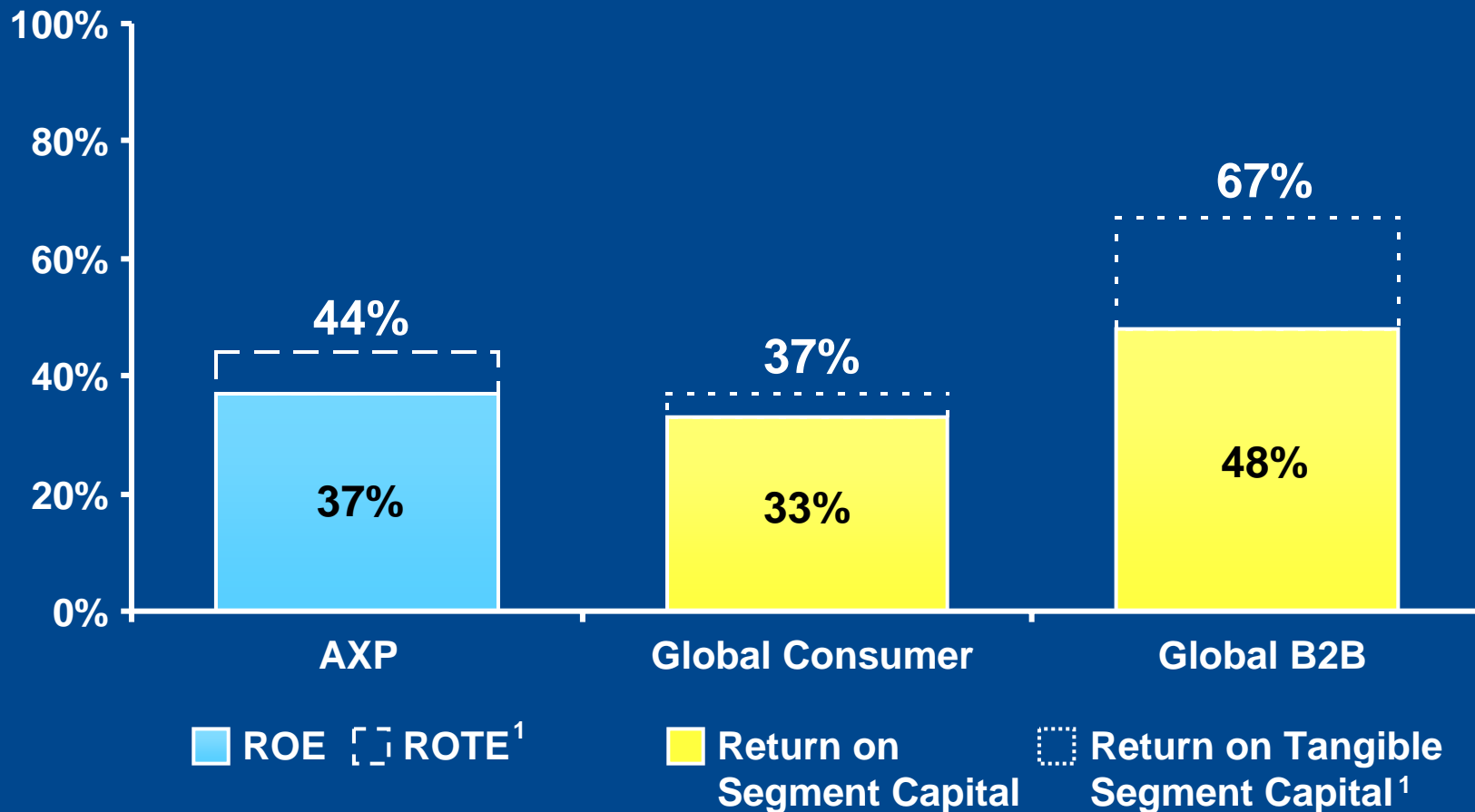


<sup>1</sup>Revenue is net of interest expense.



# B2B Business Model: High Returns

Q4'07

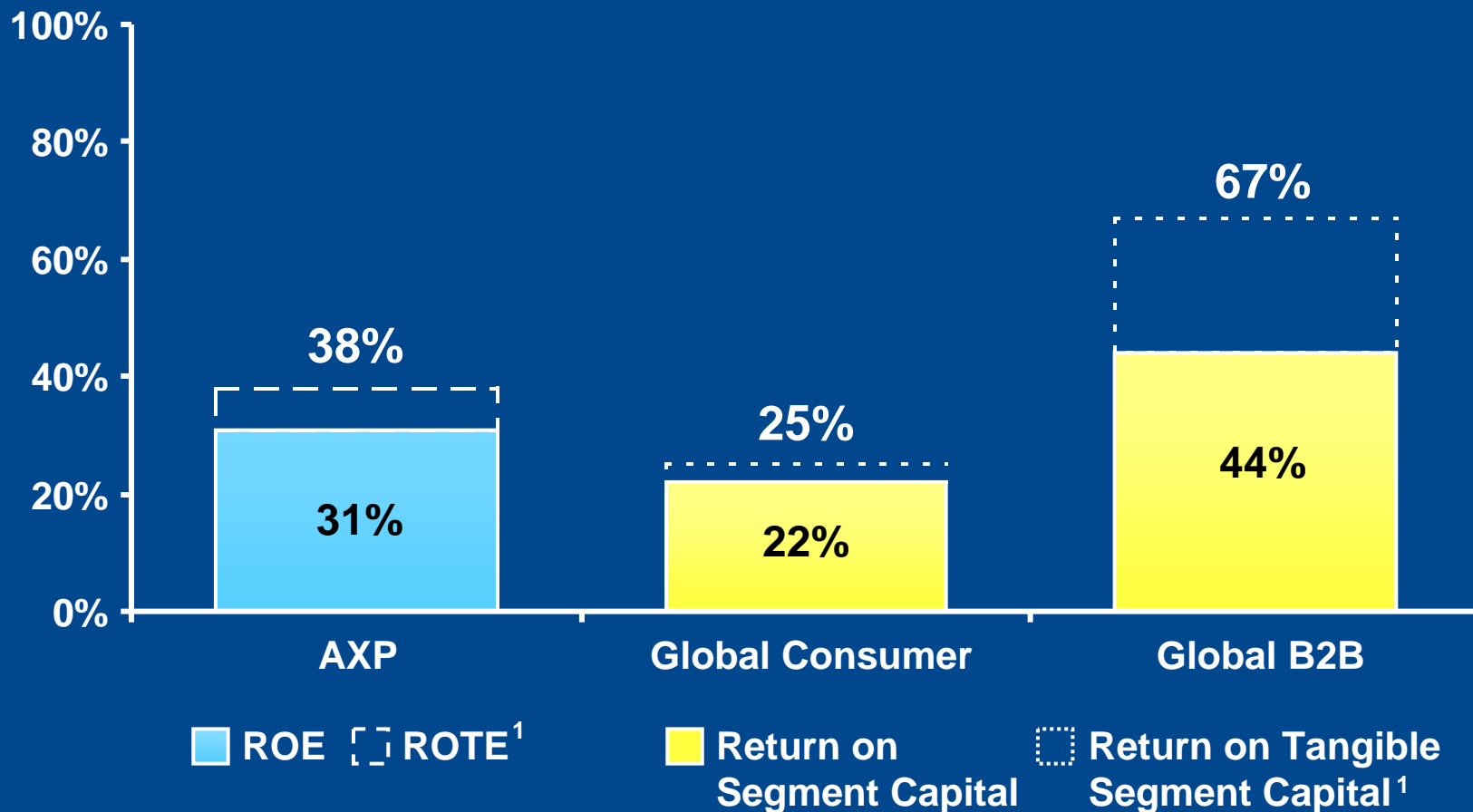


<sup>1</sup>Refer to Annex 1 for a reconciliation of Return on Tangible Equity to Return on Equity, and a reconciliation of Return on Tangible Segment Capital to Return on Segment Capital.



# B2B Business Model: High Returns

Q2'08



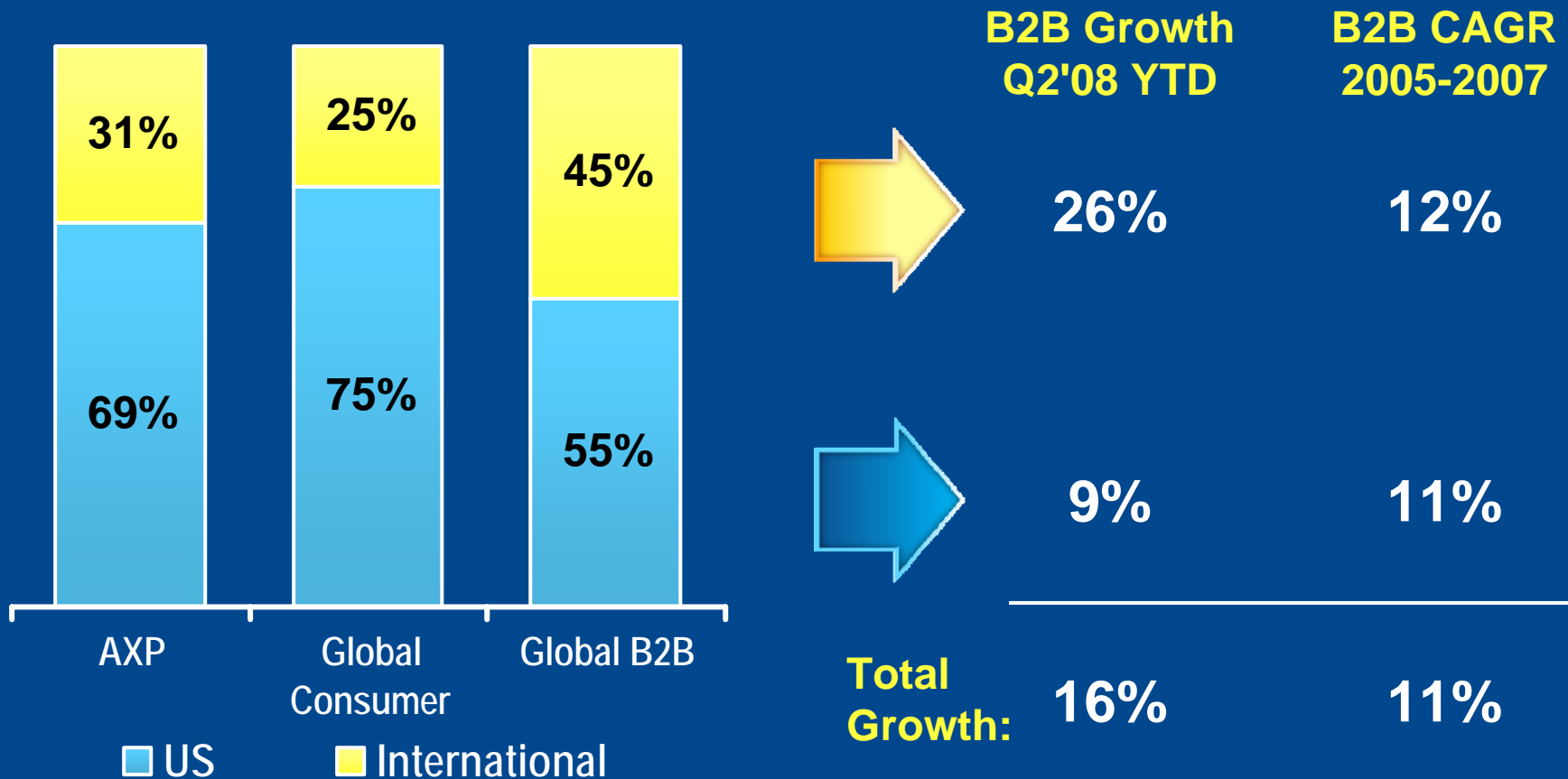
<sup>1</sup>Refer to Annex 2 for a reconciliation of Return on Tangible Equity to Return on Equity, and a reconciliation of Return on Tangible Segment Capital to Return on Segment Capital.



# B2B Business Model: Geographic Diversity

Q2'08 YTD

## Net Revenue<sup>1</sup> by Geography



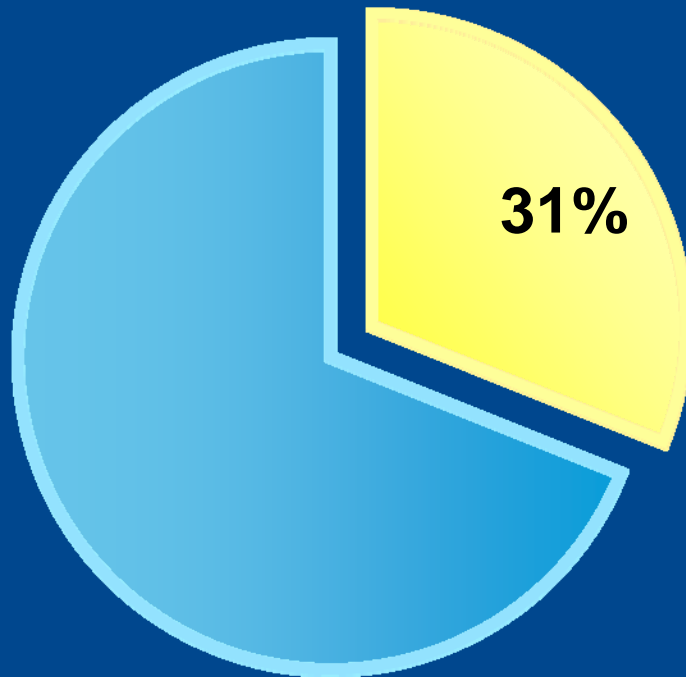
<sup>1</sup>Revenue is net of interest expense.



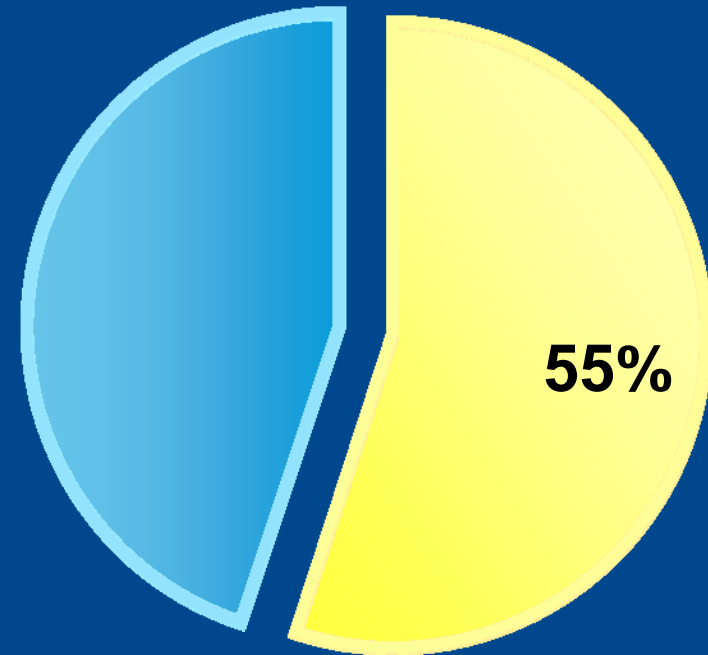
# B2B Contribution to AXP

Q2'08 YTD

Percent of Total AXP Net Revenue<sup>1</sup>



Percent of Total AXP Net Income<sup>2</sup>



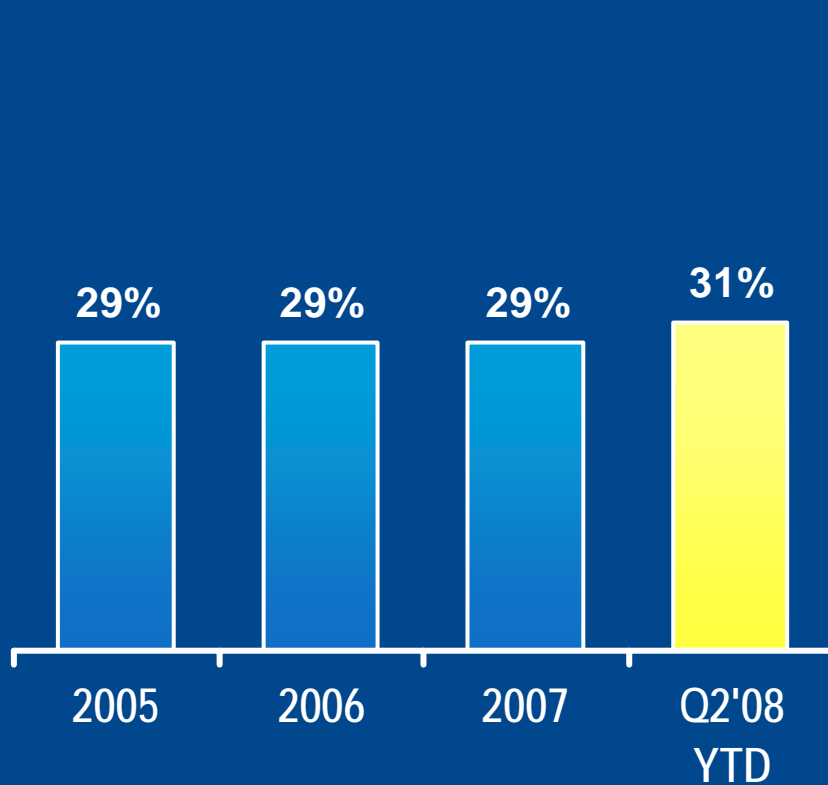
■ Global B2B   ■ Other AXP

<sup>1</sup>Revenue is net of interest expense. <sup>2</sup>Net Income from continuing operations, B2B Segment Income includes AXP brand advertising expense.

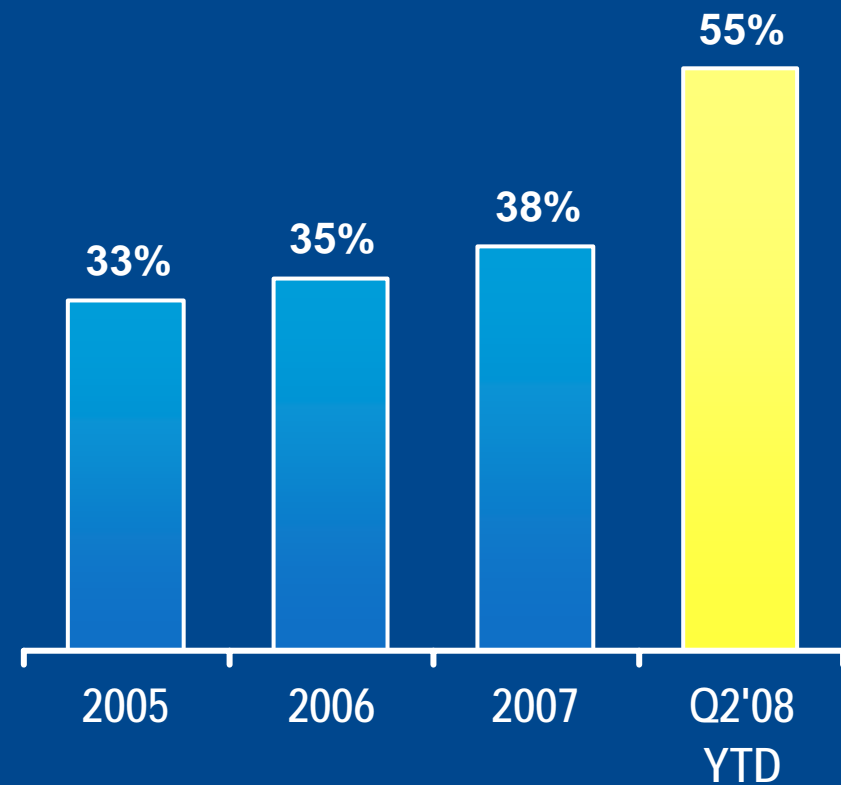


# B2B Contribution to AXP

Percent of Total AXP Net Revenue<sup>1</sup>



Percent of Total AXP Net Income<sup>2</sup>







<sup>1</sup>Revenue is net of interest expense. <sup>2</sup>From continuing operations. B2B Segment Income includes AXP brand advertising expense.





# B2B Performance

Q2'08 YTD

	GCS	GNMS	B2B	Q2'08 YTD	CAGR 2005-2007
Net Revenue <sup>1</sup>	\$2.5B	\$2.1B	\$4.5B	 16%	 11%
Segment Income	\$378M	\$522M <sup>2</sup>	\$900M	 13%	 25%

<sup>1</sup>Revenue is net of interest expense. <sup>2</sup>GNMS Segment Income includes AXP brand advertising expense.



# B2B Growth

	2007	Q2'08 YTD
GMS Billed Business	15%	13%
GCC Billed Business	14%	14%
GNS Billed Business	49%	46%
GBT Sales	11%	15%



# Payments Landscape



- Sign merchants to accept payments

- Provide processing, payment, reporting & operational services to merchants

- Facilitate switching of transaction data between issuers and acquirers

- Provide processing, billing, settlement & operational services to issuers

- Issues payment instruments to consumers and businesses

- Earn portion of discount revenue

- Charge merchants various processing fees

- Earn charge volume and transaction related fees

- Charge issuers various processing fees

- Charge fees and earn spread revenue

- Collect interchange revenues

- Owns credit risk



# Payments Landscape



Global Merchant Services

Global Network Services

Global Commercial Card

Business to Business (B2B)

streamline

CHASE Paymentech

globalpayments

VISA

TSYS

JPMorgan

usbank

FIRST DATA

REDECARD

MasterCard

citi

大華銀行 UNITED OVERSEAS BANK

Elavon

Bank of America

BARCLAYS

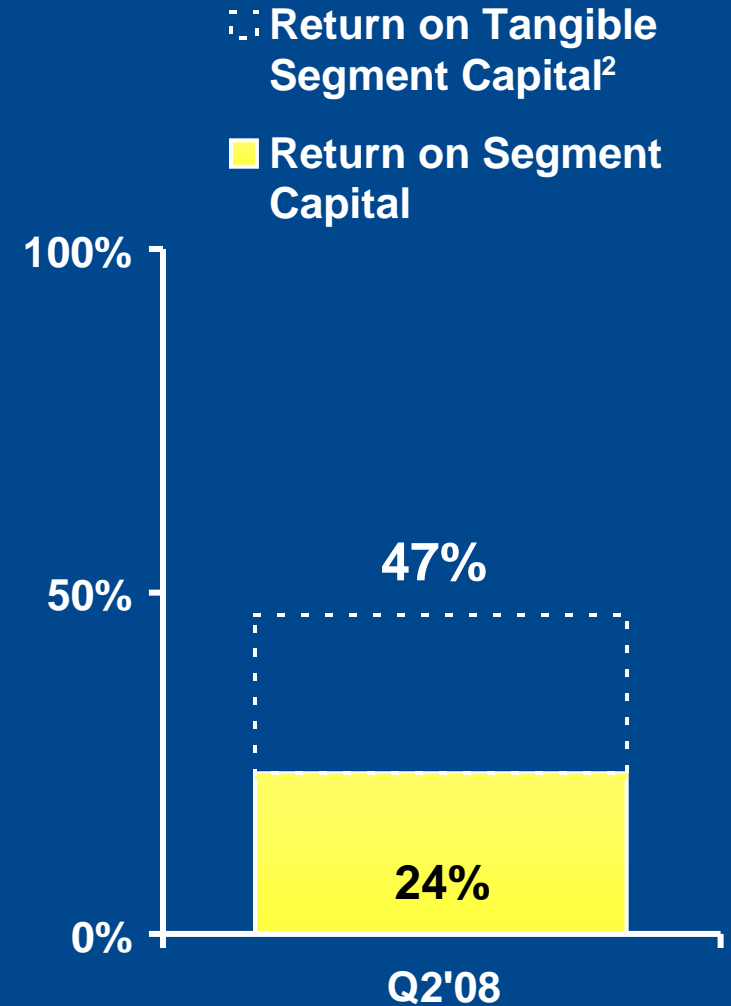
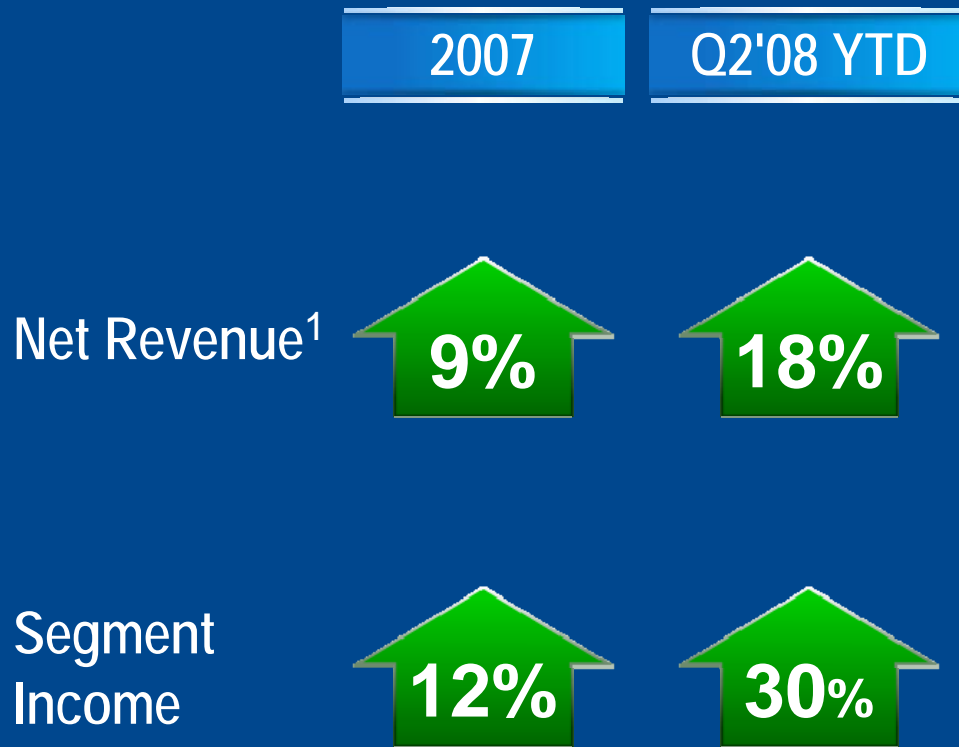


# Agenda

- B2B Business Model
- Tale of Two Segments
- Future Outlook



# Global Commercial Services Segment Overview



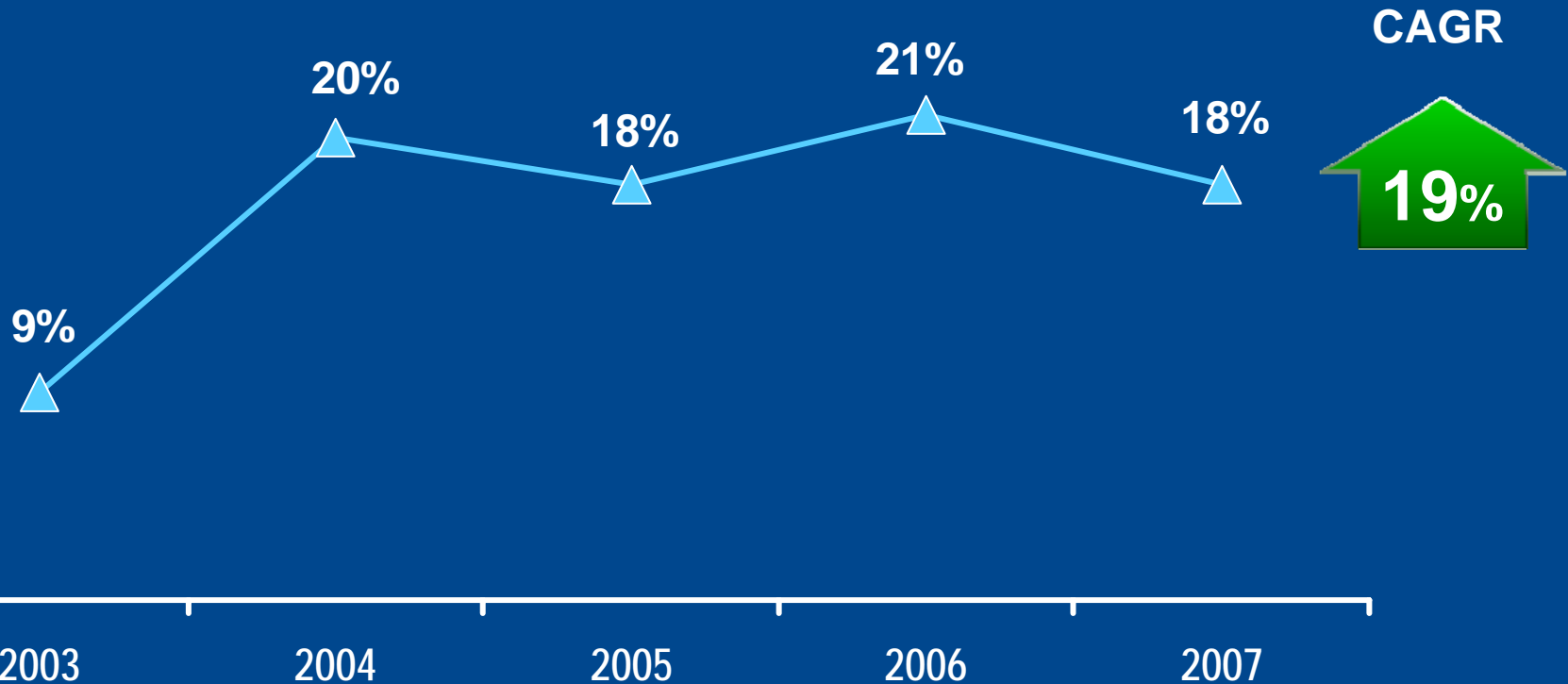
<sup>1</sup>Revenue is net of interest expense.

<sup>2</sup>Refer to Annex 2 for a reconciliation of Return on Tangible Segment Capital to Return on Segment Capital.



# Corporate Card Middle Market Growth

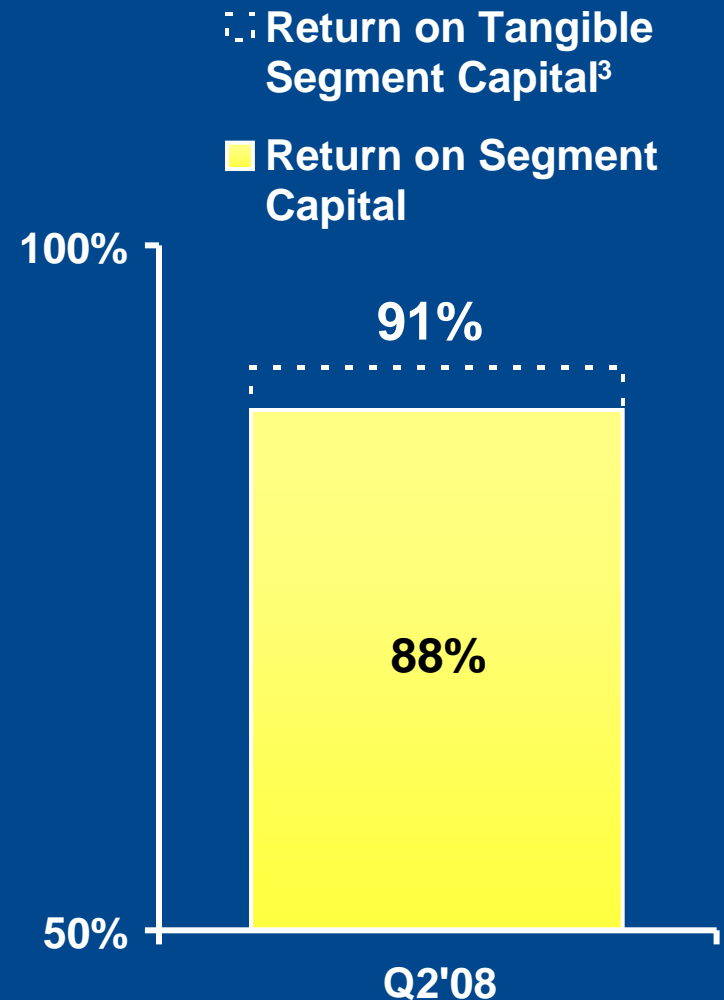
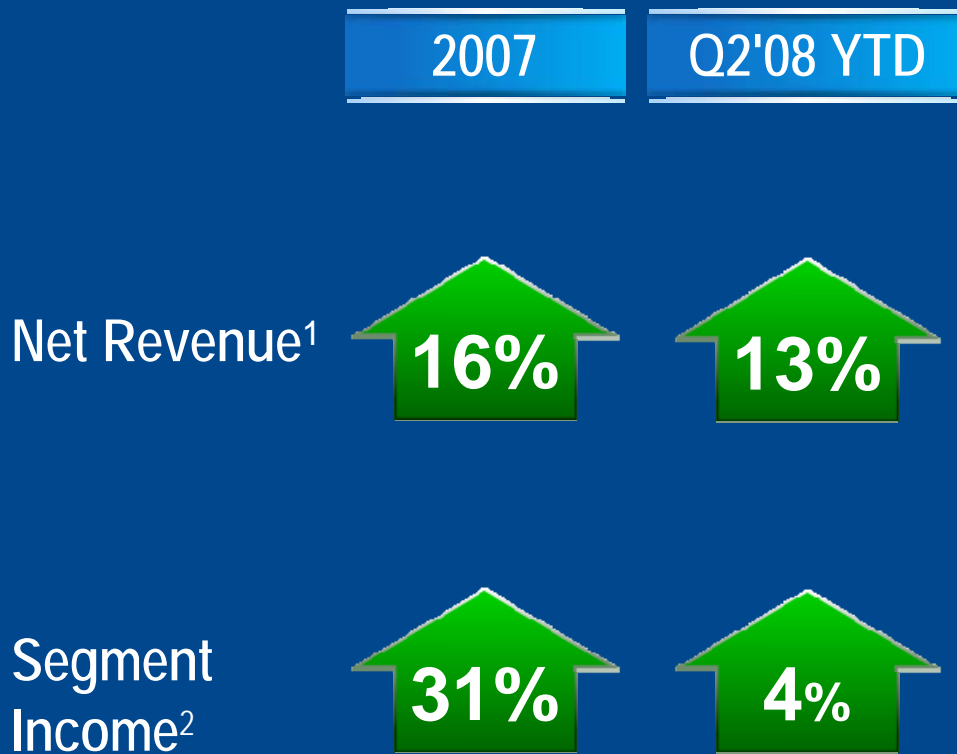
Global Middle Market<sup>1</sup> Billings Growth



<sup>1</sup>Global Corporate Middle Market is defined as companies with \$1M to \$1B in revenues and between 50 and 3,000 employees. Additional criteria may be employed such as assessing a business' ownership structure.



# Global Network and Merchant Services Segment Overview



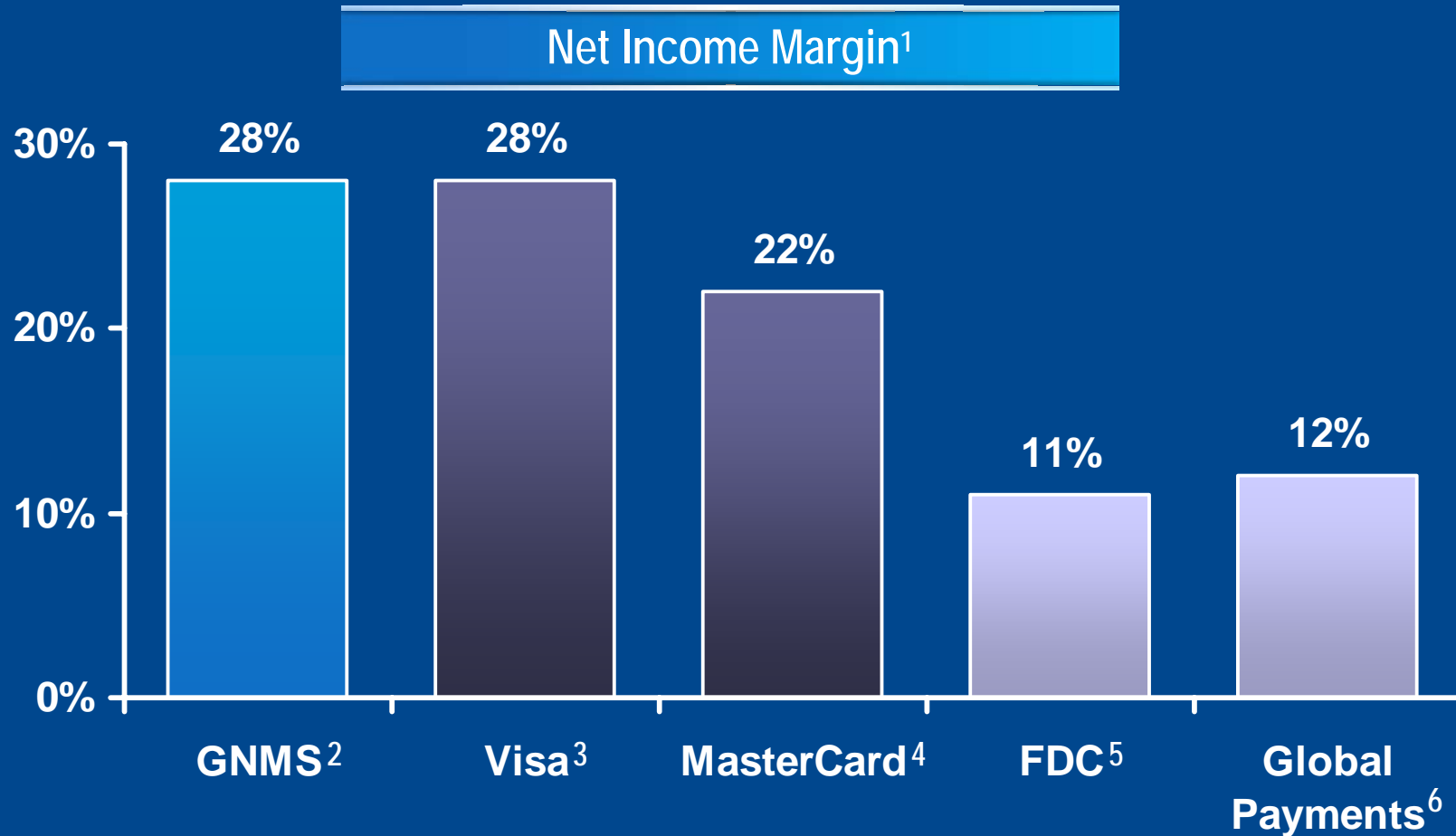
<sup>1</sup>Revenue is net of interest expense. <sup>2</sup>GNMS Segment Income includes AXP brand advertising expense. The first six months of 2007 include merchant-related reserves released (\$19M segment income) and gains from the sale of merchant related operations (\$14M segment income).

<sup>3</sup>Refer to Annex 2 for a reconciliation of Return on Tangible Segment Capital to Return on Segment Capital.





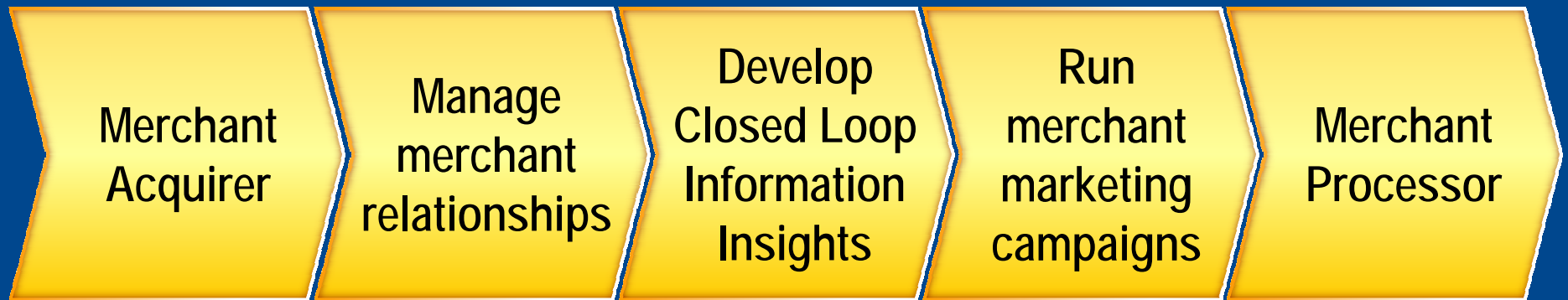
# Attractive Margins



<sup>1</sup>NI margin calculated by dividing Net Income by Revenue. <sup>2</sup>Q2 results for fiscal year ending December 31, 2008. Based on revenue net of interest expense. <sup>3</sup>Q3 results for fiscal year ending September 30, 2008. Based on adjusted Net Income of \$457M as reported by Visa. <sup>4</sup>Q2 results for fiscal year ending December 31, 2008. Based on Net Income of \$276M adjusted for special items as reported by MasterCard. <sup>5</sup>Full year results for fiscal year ending December 31, 2007. Based on Net Income excluding \$720M in Merger Impacts identified by FDC. <sup>6</sup>Q4 results for fiscal year ending May 31, 2008. Based on Adjusted Net Income of \$42M as reported by Global Payments.



# GMS Business Model



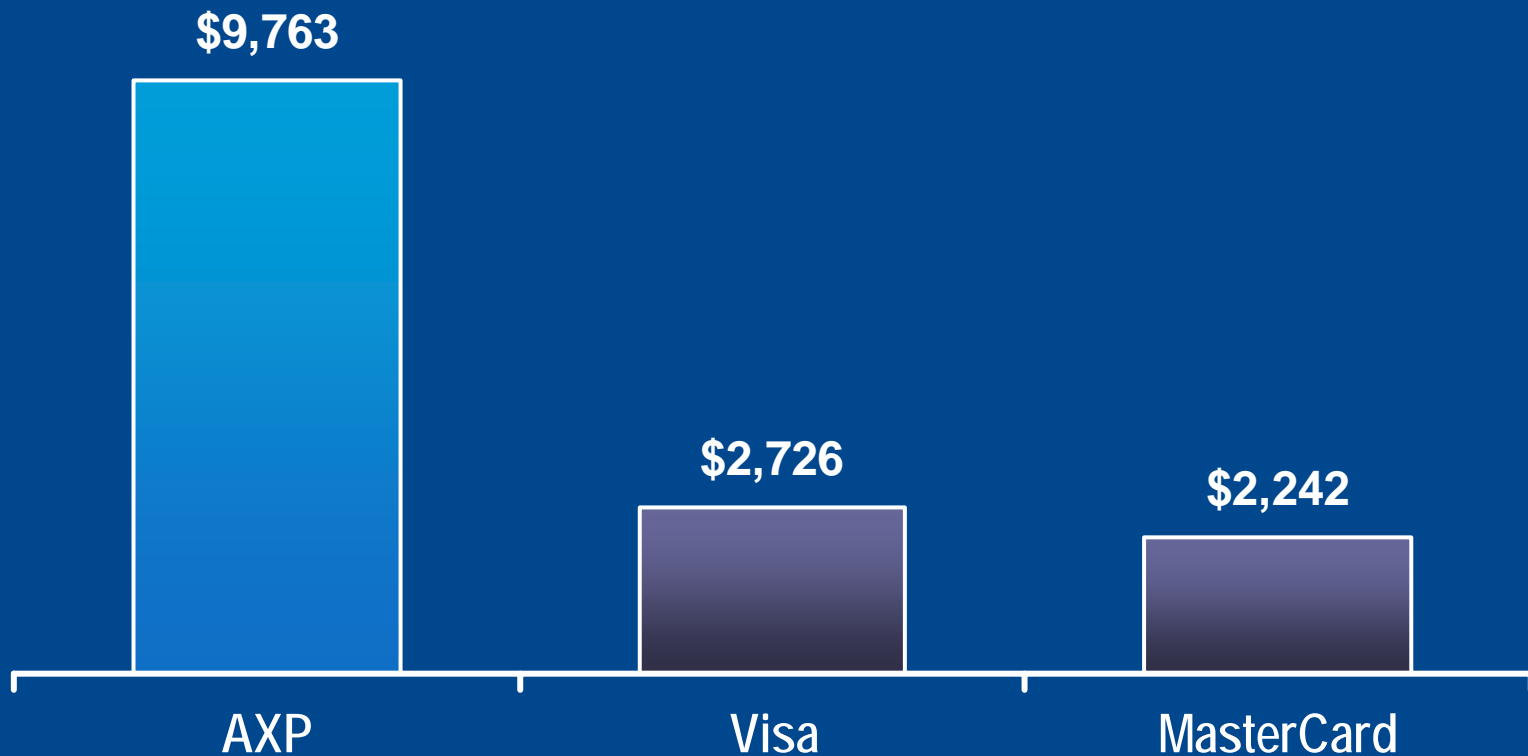
**Set Merchant Pricing**



# Leader in Premium Cards

2007

## Global Average Annual Cardmember Spend



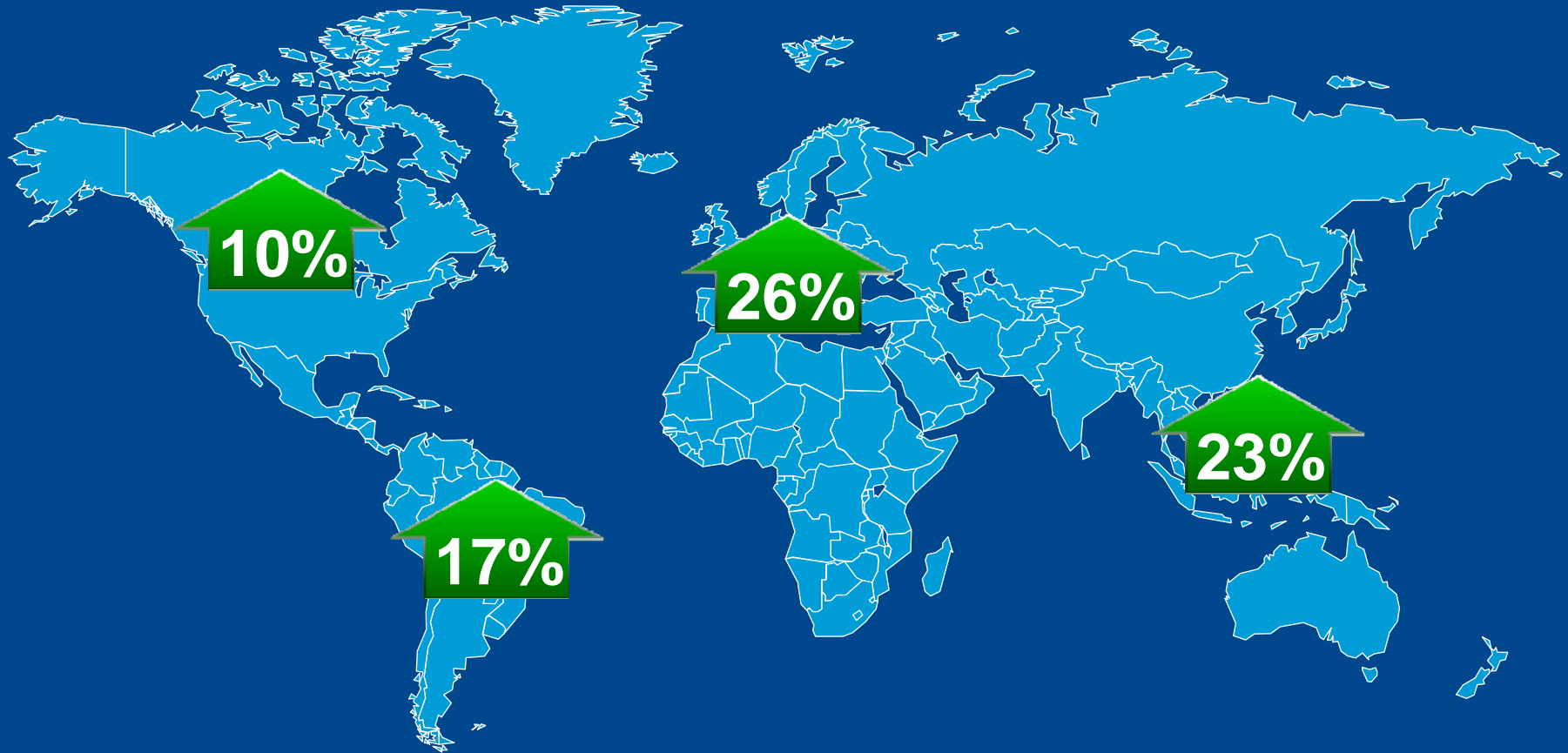
*Note: Calculated using the average worldwide total basic cards in force for AXP and credit card and charge accounts for Visa and MasterCard (excludes debit). AXP's average spending per proprietary basic cards for 2007 was \$12,106. Source: Company Reports.*



# Growing Merchant Acceptance Base

Q2'08 YTD

Increase in New Booked Charge Volume<sup>1</sup>



<sup>1</sup>Growth in spend from newly signed merchants in the current year versus newly signed merchants in the prior year from all channels.



# Multiple Channels to Grow Merchant Acceptance

## Proprietary Salesforce



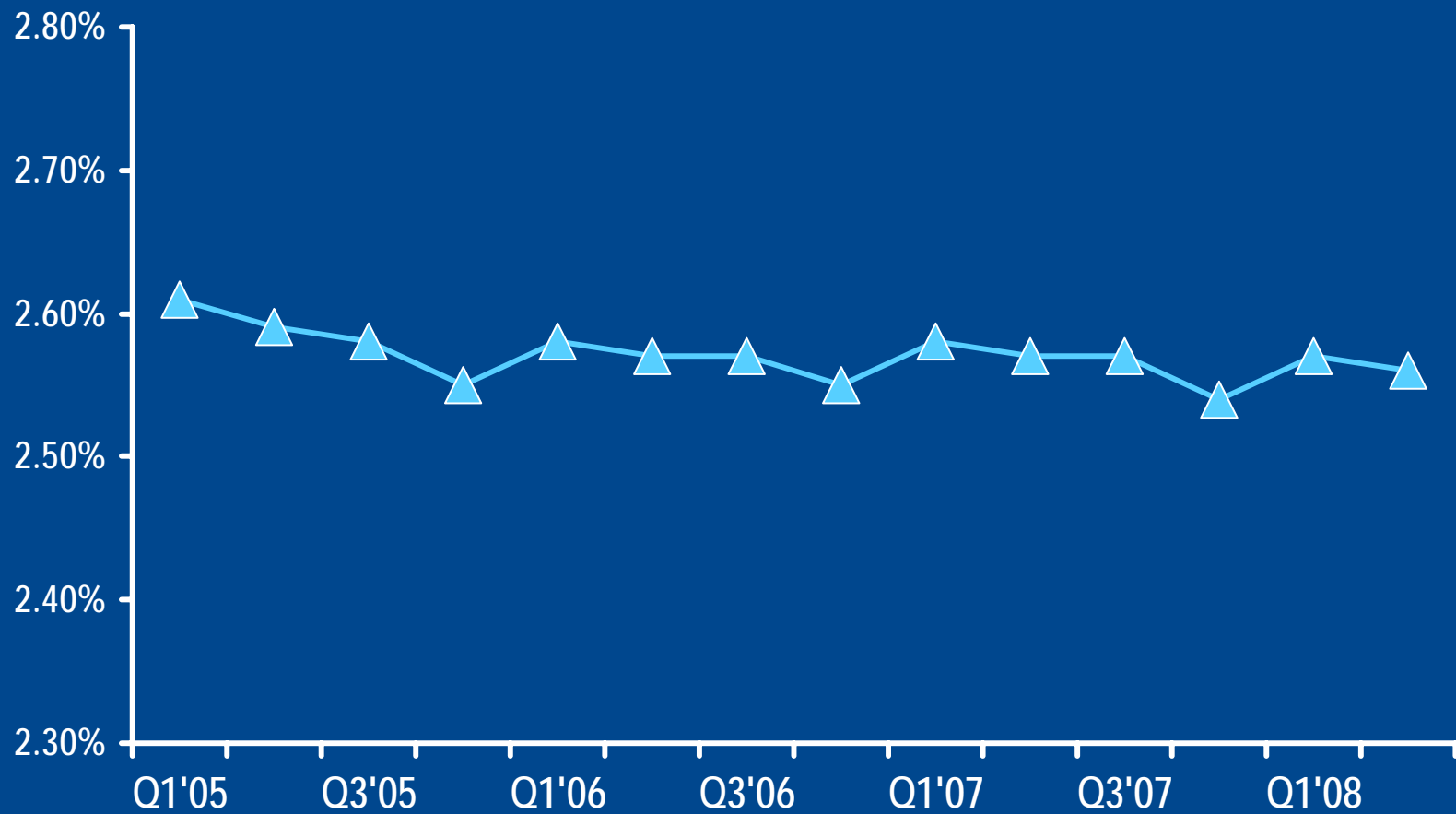
## Additional Channels

- ❑ External Sales Agents
- ❑ Bank partners
- ❑ Telesales
- ❑ Want to Honor
- ❑ Client Managers



# Stable Discount Rate

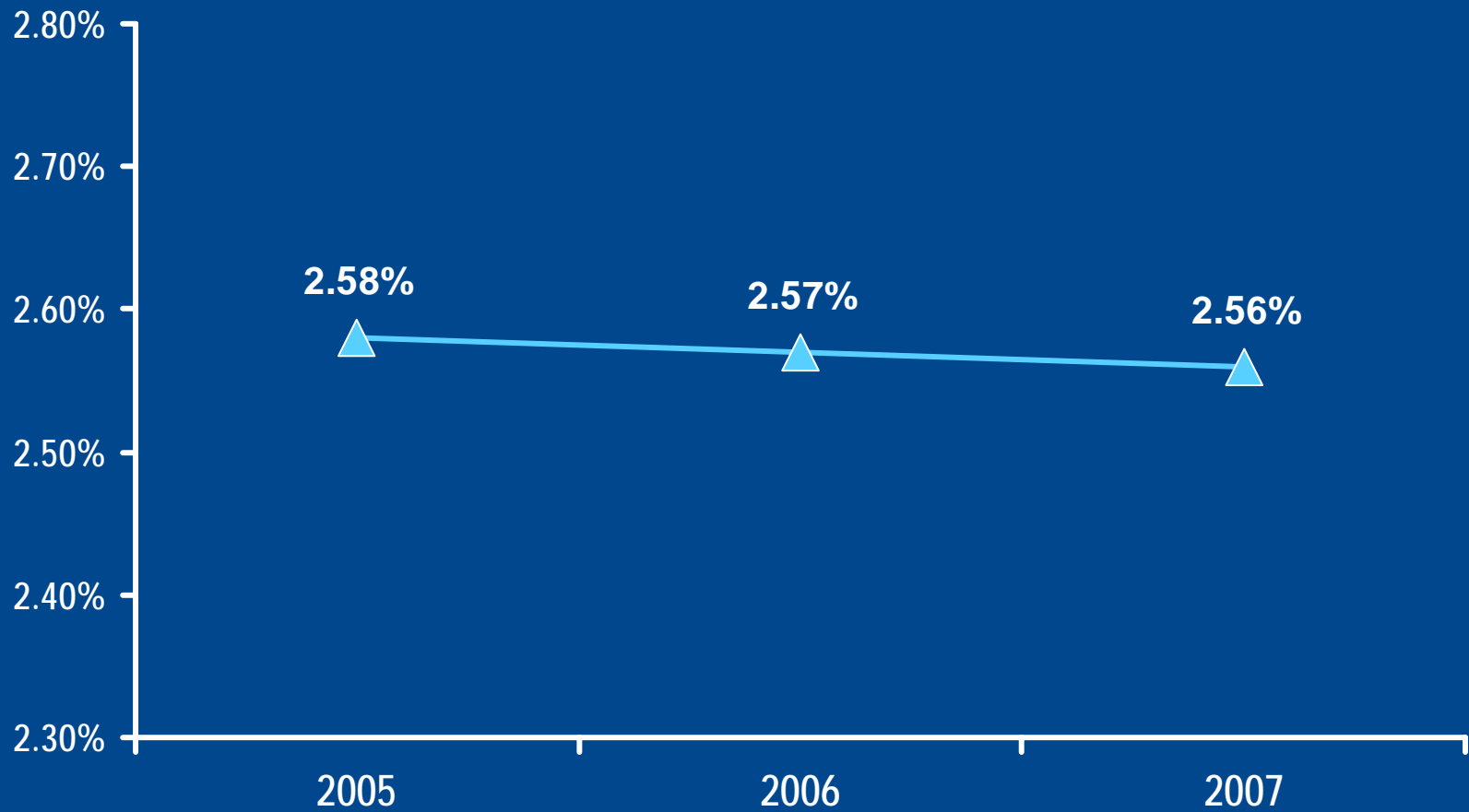
Global AXP Discount Rate





# Stable Discount Rate

Global AXP Discount Rate





# GNS Business Model



## Network

Sign bank partners to issue and/or acquire

Manage bank partner relationships

Provide brand and marketing assets and expertise

Manage network functionality for partners



## Network





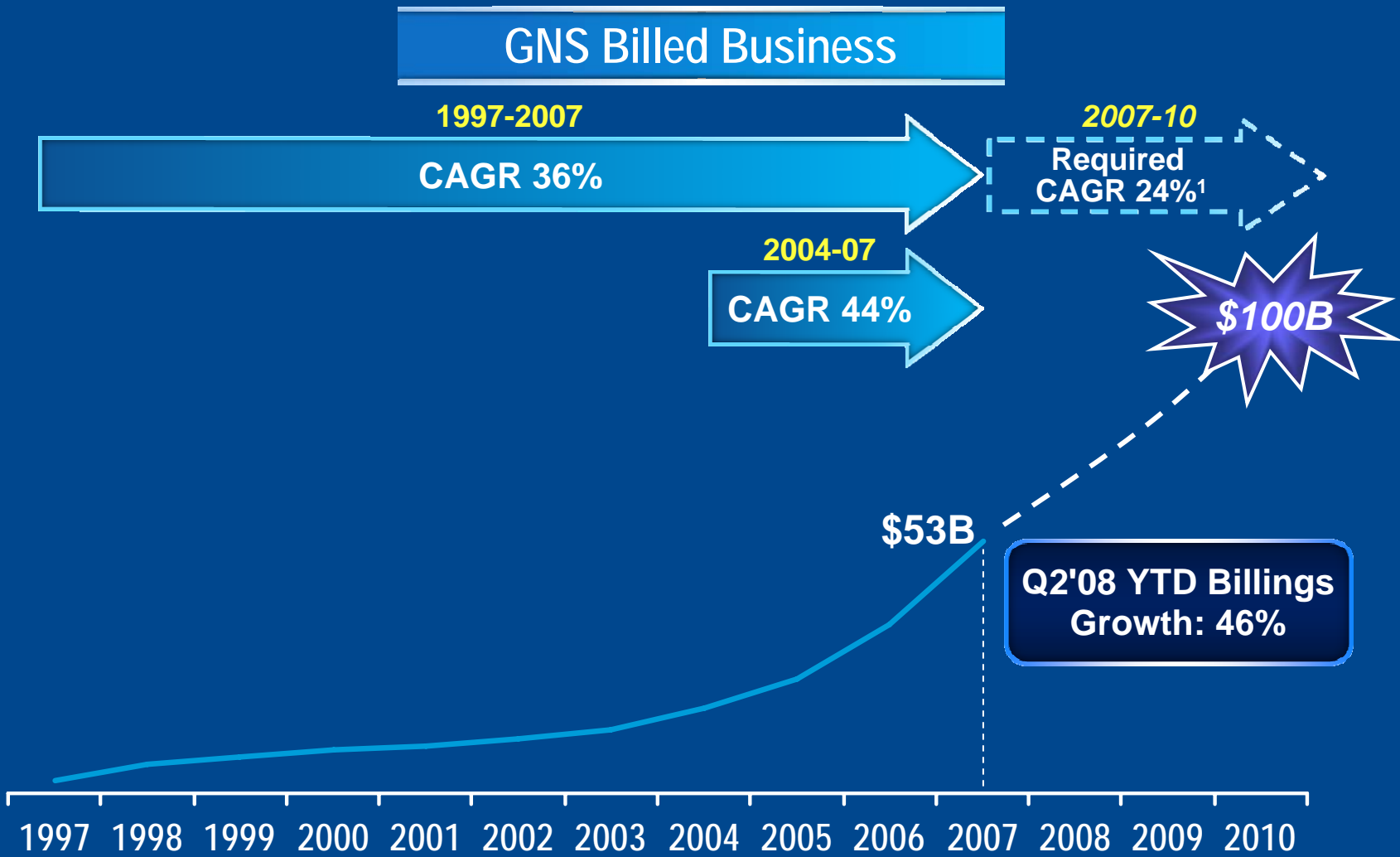
# High Quality, Committed GNS Partners

Q2'08 YTD





# GNS Growth Trajectory



<sup>1</sup>CAGR required to reach \$100B by 2010, does not represent a forward-looking projection.

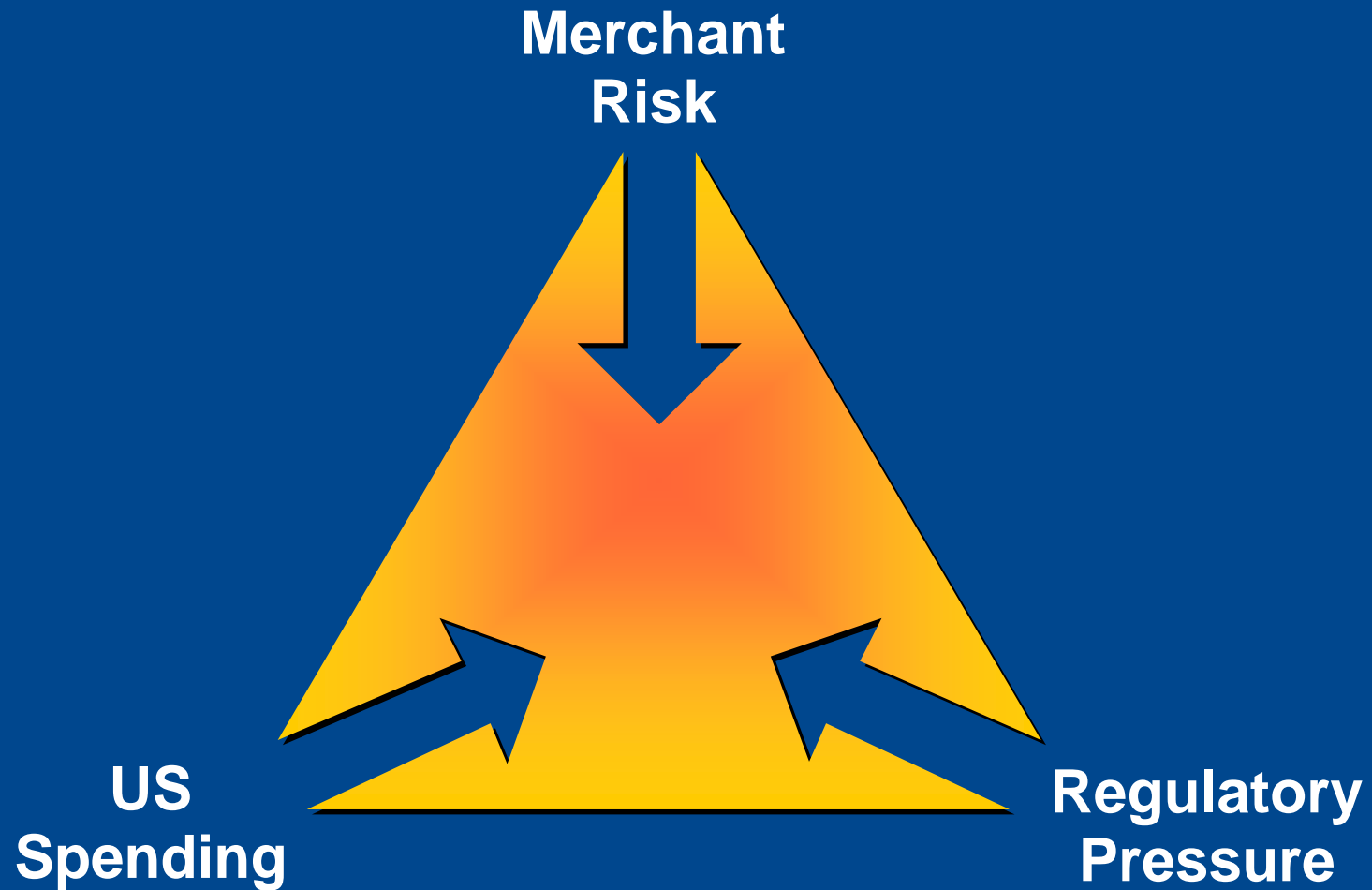


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# Challenging Environment...





# ...Yet Very Strong Growth Opportunities

**Penetrate  
New High  
Growth Areas**

**Expand  
Distribution  
Footprint**

**Add New  
Products &  
Services**



# B2B Growth Opportunities

**Penetrate  
New High  
Growth Areas**

**Expand  
Distribution  
Footprint**

**Add New  
Products &  
Services**

- B2B Payments
- Emerging Markets



# B2B Payments

- Corporate Card
- Purchasing Card
- vPayment
- Buyer Initiated Payments

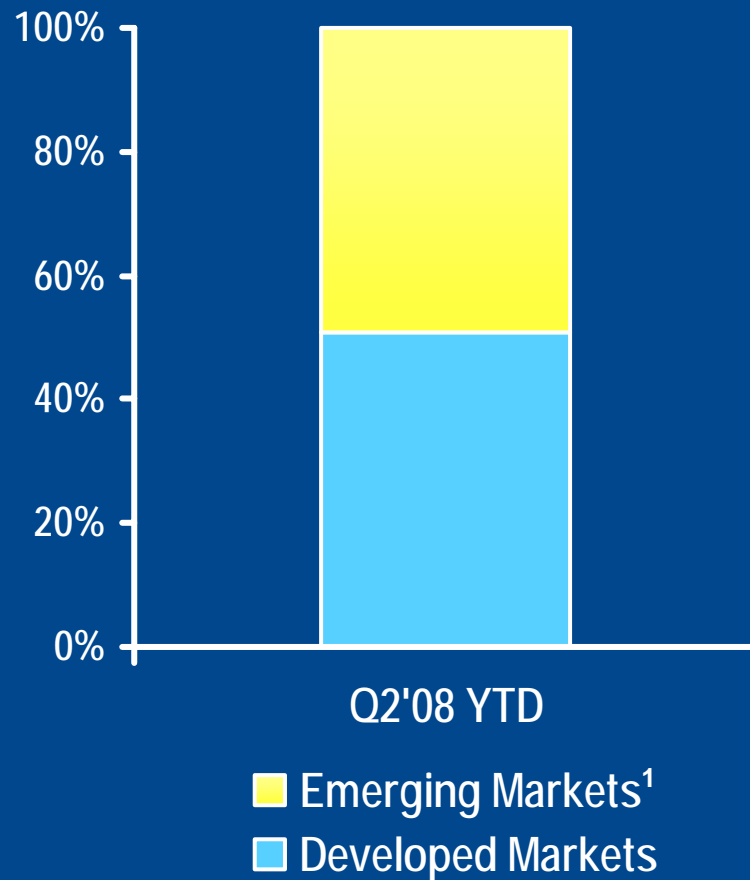
## B2B Acceptance





# Emerging Markets

## GNS Billings by Geography



## Key Partners in Emerging Markets



<sup>1</sup>Emerging markets defined as non-OECD countries and South Korea.





# Emerging Markets: Brazil



- Broad distribution
- Strong brand support
- Enhanced revenue streams
- Accelerated merchant coverage

**Billed  
Business**

**76%**

**New Cards  
Acquired**

**108%**

**New LIF  
Acquired**

**159%**

**Pre Tax  
Income**

**180%**

Source: Company data. 12 months ended June 30, 2008 vs. 12 months ended June 30, 2006.



# B2B Growth Opportunities

**Penetrate  
New High  
Growth Areas**

**Expand  
Distribution  
Footprint**

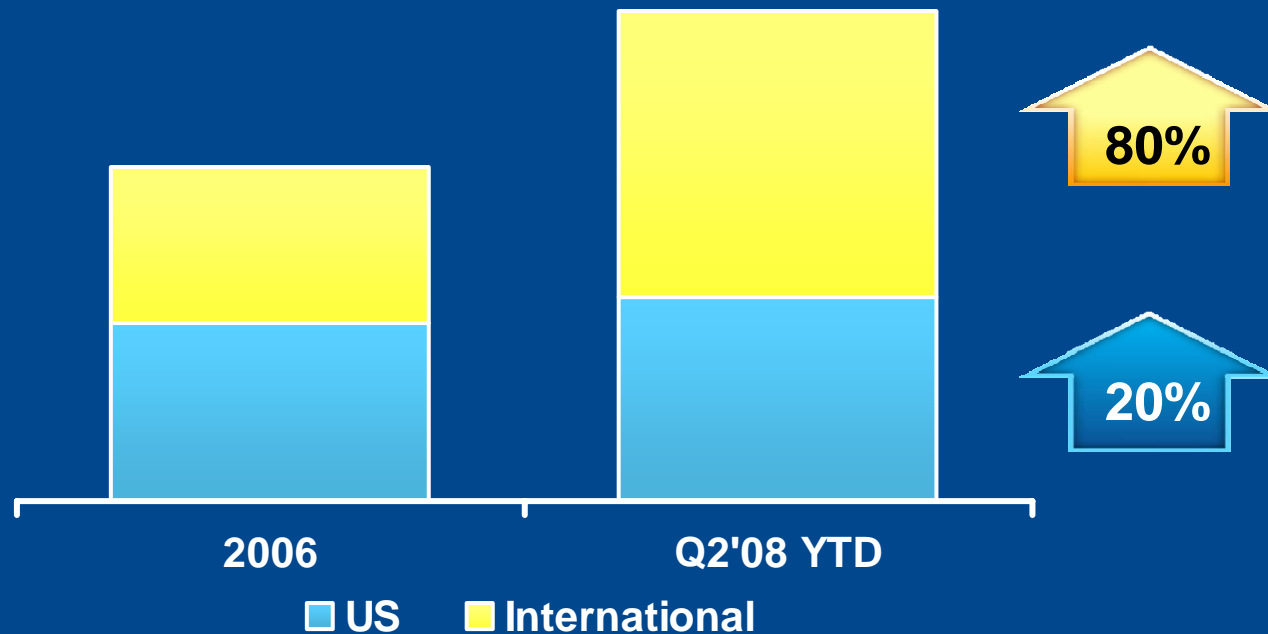
**Add New  
Products &  
Services**

- ❑ Proprietary Salesforce
- ❑ Partner Set



# Merchant Salesforce Expansion

## GMS Proprietary Salesforce



**Growth in New Booked Charge Volume from Proprietary Salesforce<sup>1</sup>: 53%<sup>2</sup>**

<sup>1</sup>Growth in spend from newly signed merchants in the current year versus newly signed merchants in the prior year from the proprietary salesforce only, excluding other acquisition channels. <sup>2</sup>Q2'08 YTD.



# Partners Contribute to Network Expansion

## Small Merchant Acquisition



## Bank Partners<sup>1</sup>

South Africa

20%

Romania

30%

Colombia

27%

Philippines

24%

Source: Company data. <sup>1</sup>Locations in Force growth from 2006 to 2007.



# B2B Growth Opportunities

**Penetrate  
New High  
Growth Areas**

**Expand  
Distribution  
Footprint**

**Add New  
Products &  
Services**

- ❑ Acquisitions
- ❑ Strategic Investments



# Rearden Commerce

## Axiom

### American Express Intelligent Online Marketplace

The screenshot displays the Axiom website's search interface. At the top, there are navigation tabs for Home, Travel, Dining, Entertainment, Shipping, and Conferencing. Below this is a banner for 'Travel | Trip Planner' with the text 'Find the flights, hotels and rental cars that work best for you.' The main content area is titled 'Dining | Select a Restaurant'. On the left, there are search filters for Flight (San Francisco, CA, US), Hotel (Chicago, IL, US (ORD)), and Rental Car (Intermediate). The main search results section shows 'Your search returned 38 results.' and lists several restaurants with details such as cuisine, price, rating, and neighborhood. The restaurants listed are: 1. First Crush Restaurant Wine Bar & Lounge (California, Tenderloin, \$\$\$, Good (Gayot)), 2. farmerbrown (California, Organic, Soul Food, Tenderloin, \$\$\$, Good (Gayot)), 3. Farallon (Seafood, Downtown, \$\$\$, Good (Gayot)), 4. Fritz (Belgian, Café, Hayes Valley, \$\$\$, Not Available), and 5. Flipper's Gourmet Hamburgers (Breakfast, Burgers, Not Available, \$\$\$, Not Available). Each restaurant listing includes a 'Quick look' button and a 'Make Reservation' or 'Invite guests' button.

- 11% stake
- >1,500 Axiom customers
- Already launched in US and UK
- Web 2.0 revenue opportunities



# Concur



- 13% stake
- Cross-sell opportunity into GCC client base
- Revenue share agreement
- Complements our expense management position

The screenshot displays the Concur web application interface. At the top, there's a navigation bar with 'Concur Central' and 'Expense Reports'. Below this, there are sections for 'Expense Reports' (with links for 'Create' and 'View & Edit') and 'My Work' (with 'Item Description'). A 'Company Links' section lists various resources like 'AmexWeb Home Page' and 'Global Policy with US Addendum'. The main content area shows 'Expense List for report: May 2008' with a 'Report Header Information' section and a table of itemized expenses.

**Report Header Information**

Report Name:	May 2008	Approval Status:	Approved
Report Date:	6/23/2008	Payment Status:	Paid
Report Total:	2,893.31 USD		
Report Comments:	1 Comment		

**Itemization Hidden**

Actions	Date	Expense Type (click to open)	Vendor Name	Business Purpose	Location Name	Payment Type	Amount	Amount Approved
	5/23/2008	Telephone	AT&T MOBILITY LLC	Monthly Cell and Blackberry	Alpharetta, Georgia	AMEX	147.12 USD	121.33 USD
	5/23/2008	Telephone	VERIZON WIRELESS	monthly broadband card	Folsom, California	AMEX	94.51 USD	94.51 USD
	5/6/2008	Transportation - Other	MALCOLM MANAGEMENT CORP	GCC Direct Report dinner	New York, New York	AMEX	11.25 USD	11.25 USD
	5/6/2008	Offsite Group Meeting	OS SITE 25 HOTEL LLC	Project ROME	New York, New York	AMEX	1,912.82 USD	1,912.82 USD
	5/5/2008	Transportation - Other	UFCC 2-WAY RADIO INC	GCC Direct Report dinner	Long Island City, New York	AMEX	19.38 USD	19.38 USD
	5/1/2008	Transportation - Other	AMERICAN LIMOUSINE INC	GE Client Roadshow	Mahwah, New Jersey	AMEX	622.83 USD	622.83 USD
	4/21/2008	Transportation - Other	AMERICAN EXPRESS TKT FEE	Amex Travel Agent fee for	Phoenix, Arizona	AMEX	65.00 USD	65.00 USD

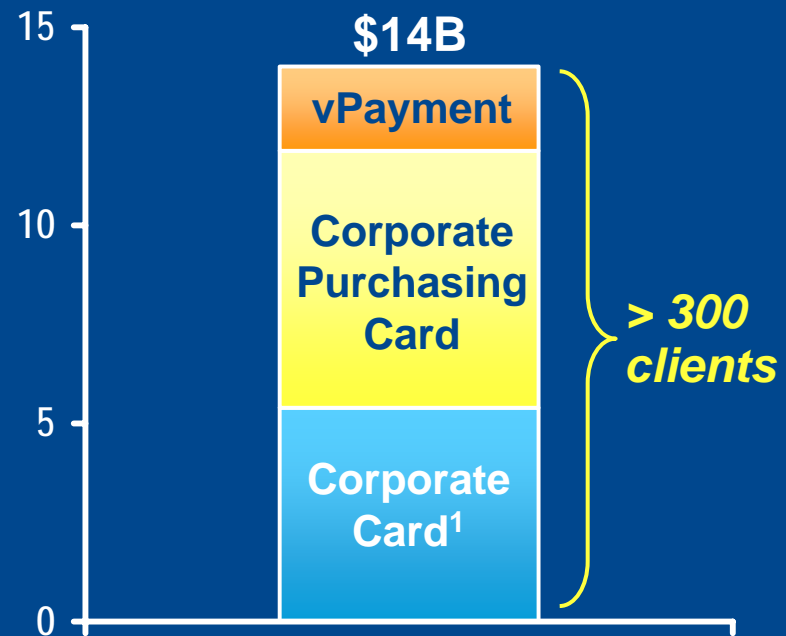


# GE Corporate Payment Services

2007 GE Billings (US\$B)

REUTERS

**AMERICAN EXPRESS  
TO BUY GE UNIT  
FOR \$1.1B**



## Key Integration Focus

- Expanding Coverage
- Customizing Technology
- Converting Customers

<sup>1</sup>Includes \$700M small business billings.





## B2B Criteria

- ❑ Low credit risk
- ❑ High returns
- ❑ High growth
- ❑ Geographic diversity



# B2B Growth Opportunities

## Penetrate New Markets

- ❑ B2B Payments
- ❑ Emerging Markets

## Expand Distribution Footprint

- ❑ Proprietary Salesforce
- ❑ Partner Set

## Add New Products & Services

- ❑ Acquisitions
- ❑ Strategic Investments



## B2B Summary

- ❑ Global customer network and distribution footprint
- ❑ Attractive and valuable business model
- ❑ Significant growth opportunities
- ❑ Playing an important role in AXP performance

**AMERICAN  
EXPRESS**





# Annex 1

Return on equity for the Company on a consolidated basis is calculated by dividing (i) net income for the relevant one year period by (ii) average total stockholders' equity for the relevant one year period, in accordance with GAAP. Return on tangible equity is computed in the same manner as return on equity except the computation of average stockholders' equity excludes average goodwill and other intangibles for the relevant one year period. Return on segment capital for the Company's segments is calculated by dividing (i) segment income for the relevant one year period by (ii) average segment capital for the relevant one year period, in accordance with GAAP. Return on tangible segment capital is computed in the same manner as return on segment capital except the computation of average segment capital excludes average goodwill and other intangibles for the relevant one year period.

*The components of the Return on Equity, Return on Tangible Equity, Return on Segment Capital and Return on Tangible Segment Capital calculations as of Q4'07 are as follows:*

(\$B)	Net Income / Segment Income	Average Stockholders' Equity / Average Segment Capital	Average Goodwill & Other Intangibles	ROE / Return on Segment Capital	ROTE / Return on Tangible Segment Capital
AXP	\$4.0	\$10.8	\$1.6	37%	44%
Global Consumer	\$2.1	\$6.4	\$0.7	33%	37%
Global B2B	\$1.6	\$3.2	\$0.9	48%	67%



# Annex 2

Return on equity for the Company on a consolidated basis is calculated by dividing (i) net income for the relevant one year period by (ii) average total stockholders' equity for the relevant one year period, in accordance with GAAP. Return on tangible equity is computed in the same manner as return on equity except the computation of average stockholders' equity excludes average goodwill and other intangibles for the relevant one year period. Return on segment capital for the Company's segments is calculated by dividing (i) segment income for the relevant one year period by (ii) average segment capital for the relevant one year period, in accordance with GAAP. Return on tangible segment capital is computed in the same manner as return on segment capital except the computation of average segment capital excludes average goodwill and other intangibles for the relevant one year period.

*The components of the Return on Equity, Return on Tangible Equity, Return on Segment Capital and Return on Tangible Segment Capital calculations as of Q2'08 are as follows:*

(\$B)	Net Income / Segment Income	Average Stockholders' Equity / Average Segment Capital	Average Goodwill & Other Intangibles	ROE / Return on Segment Capital	ROTE / Return on Tangible Segment Capital
AXP	\$3.5	\$11.4	\$2.0	31%	38%
Global Consumer	\$1.5	\$6.6	\$0.7	22%	25%
Global B2B	\$1.7	\$3.8	\$1.3	44%	67%
GCS	\$0.6	\$2.6	\$1.3	24%	47%
GNMS	\$1.0	\$1.2	\$0.0	88%	91%