S&P Global Ratings

Research

Presale:

American Express Credit Account Master Trust (Series 2019-4)

September 16, 2019

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Preliminary Ratings

Class	Preliminary rating	Preliminary amount (mil. $)	Credit support (%)
A	AAA (sf)	500.000	13.00
B	AA+ (sf)	18.679	9.75
Collateral interest	NR	56.036	N/A

Note: This presale report is based on information as of Sept. 16, 2019. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date(i)	Sept. 23, 2019.
Expected final payment date	Sept. 15, 2021.
Legal final maturity date	April 15, 2024.
Collateral	A pool of receivables generated by American Express credit card accounts and pay-over-time revolving credit features associated with charge card accounts that are owned by American Express National Bank.
Sponsor and account owner	American Express National Bank (A-/Stable/A-2).
Depositor and transferor	American Express Receivables Financing Corp. III LLC.
Servicer	American Express Travel Related Services Co. Inc. (A-/Stable/--).
Lead underwriters	Wells Fargo Securities LLC, Barclays Capital Inc., Mizuho Securities USA LLC, and RBC Capital Markets LLC.
Trustee	The Bank of New York Mellon.

(i)Exact date to be determined.

Rationale

The preliminary ratings assigned to American Express Credit Account Master Trust's (Amex CAMT's or the trust's) class A and B floating-rate asset-backed certificates series 2019-4 reflect:

- Our view that the credit support for each class of certificates is sufficient to withstand the simultaneous stresses we apply for each rating category to our 4.75% base-case loss rate assumption, 25.0% base-case payment rate assumption, and 18.0% base-case yield assumption. In addition, we use stressed purchase rate, excess spread, and certificate interest rate assumptions to determine if sufficient credit support is available for the preliminary ratings. All of the stress assumptions outlined above are based on our current criteria and assumptions (see "U.S. Credit Card Securitizations: Methodology And Assumptions," published Aug. 24, 2017.
- Our view that the 7% minimum transferor percentage is sufficient in our stress scenarios to absorb dilutions, or noncash reductions, in the receivables.
- Our expectation that under a moderate ('BBB') stress scenario, all else being equal, our ratings will remain within one rating category of the assigned preliminary 'AAA (sf)' and 'AA+ (sf)' ratings in the next 12 months, based on our credit stability criteria (for more information, see "Methodology: Credit Stability Criteria," published May 3, 2010).
- Our view of the credit risk inherent in the collateral loan pool based on our economic forecast, the trust portfolio's historical performance, the collateral characteristics, and vintage performance data.
- The corporate credit ratings we assigned to American Express Travel Related Services Co. Inc. (TRS; A-/Stable/--), the servicer, and the originator, American Express National Bank (A-/Stable/A-2).
- TRS' servicing and collection experience and general operational practices.
- Our opinion of the quality and consistency of American Express National Bank's account origination, underwriting, and account management practices.
- Our expectation of the timely interest and the ultimate principal payments by the legal final maturity date, based on stressed cash flow modeling scenarios using assumptions commensurate with the assigned preliminary 'AAA (sf)' and 'AA+ (sf)' ratings.
- The series 2019-4 certificates' underlying payment structure and cash flow mechanics, and the transaction's legal structure.

Transaction Overview

The series 2019-4 transaction will be the trust's fourth securitization in 2019. The trust is a master trust that issues certificates through discrete series. The series 2019-4 certificates will have a senior/subordinate structure consisting of two publicly rated classes of two-year, floating-rate certificates. Interest will be due on the 15th of each month (or the next business day), beginning Oct. 15, 2019. Principal is scheduled to be paid to the certificates on the expected principal payment date. Based on the transaction documents, we expect that this will follow a controlled accumulation period that is initially designated to be 12 months, but it can be shortened to one month depending on the trust's principal payment rate and the payment maturities of the other series issued from the trust.

Credit Support

According to the transaction documents, the series 2019-4 certificates' credit support will be structured as follows:

- The class A certificates will receive credit support from the subordination of the class B certificates and the collateral interest, which will equal 13.00% of the initial collateral amount in aggregate.
- The class B certificates will receive credit support from the subordination of the collateral interest, which will equal 9.75% of the initial collateral amount.

Structural Overview And Payment Priority

According to the transaction documents, the finance charge collections allocated to the series 2019-4 certificates will be deposited into a collection account to make monthly payments in the priority shown in table 1.

Table 1

Finance Charge Collections Payment Waterfall

Priority	Payment
Finance charge collections allocated to the class A certificates	
1	Interest due on the class A certificates.
2	The class A certificates' portion of the servicing fee (if TRS is not the servicer).
3	The class A certificates' portion of the defaulted amount.
Finance charge collections allocated to the class B certificates	
1	Interest due on the class B certificates.
2	The class B certificates' portion of the servicing fee (if TRS is not the servicer).
Finance charge collections allocated to the collateral interest	
1	The collateral interest's portion of the servicing fee (if TRS is not the servicer).

TRS--American Express Travel Related Services Co. Inc.

Excess spread and excess finance charge collections from the series 2019-4 pool and other series in the trust will then be aggregated and applied through a second payment waterfall in the priority shown in table 2.

Table 2

Payment Waterfall (Excess)

Priority	Payment
1	Class A amounts previously due but not paid: monthly interest, additional interest, servicing fee, and investor defaults.
2	Class A investor charge-offs previously not reimbursed.
3	Class B interest not paid in the first payment waterfall.

Table 2

Payment Waterfall (Excess) (cont.)

Priority	Payment
4	Class B amounts previously due but not paid: monthly interest, additional interest, servicing fee, and investor defaults.
5	Reductions in the class B invested amount.
6	Senior interest due on the collateral interest.
7	Servicing fee owed but not paid.
8	An amount necessary to cover any defaults on the collateral interest.
9	Reductions in the collateral interest amount.
10	To the reserve account.
11	Subordinated interest due on the collateral interest.
12	Any remaining amounts will be available as excess finance charges to other series, if needed, then to the holders of the transferor certificates unless a note trust transfer has occurred. Following a note trust transfer, any remaining amounts will be distributed to the collateral interest holder.

If available finance charge collections are insufficient to pay the series 2019-4 certificates' monthly interest payments or the servicing fee, the shortfalls will be paid by reallocating amounts from the available principal collections to the extent available. Reallocated principal collections and unreimbursed investor charge-offs, if any, will reduce the series 2019-4 certificates' collateral amount.

The minimum transferor percentage will equal at least 7% of the invested amount that is required in the transaction documents to cover noncash reductions in the principal receivables balance. We analyzed the monthly dilution data and then staggered the dilution that occurred during 30-, 60-, and 90-day cycles. We then applied a 'AAA' multiple to the steady-state dilution rate to derive our stressed dilution amount. Dilution, which is measured as a percentage of the receivables balance, typically runs slightly higher in portfolios with higher purchase activity, such as the trust, than in a portfolio that has more revolving account balances. This is due to the greater proportion of more recently generated receivables, which may be vulnerable to reductions from returns. If the required transferor's interest and required minimum principal receivables tests are not maintained, collections will be deposited into the excess funding account to meet these thresholds before being released to the transferor.

During the revolving period, principal collections will be allocated to the series 2019-4 certificates based on the series' collateral amount. The principal collections will be paid to the transferor, which will then reinvest the amount in new receivables. During the controlled accumulation period, collected principal will be deposited into a principal funding account daily for distribution to the certificateholders on the expected final payment date. The transaction documents provide that a reserve account, which will be funded to 0.50% of the class A invested amount from the excess cash flow, will be available to cover any negative carry risk if the investment earnings on the cash that is deposited into the principal funding account are less than the amount needed to make monthly interest payments during the accumulation period.

If a payout event occurs at any time, the principal collections allocated to the series 2019-4 certificates will be immediately distributed to the certificateholders in the following priority:

- To the class A certificates until paid in full;
- To the class B certificates until paid in full; and then

- To the collateral interest until paid in full.

Payout events include:

- The trust fails to make interest or principal payments to the certificateholders when due.
- The three-month average excess spread percentage for any monthly period is less than zero.
- The transferors breach any material representation or warranty.
- A servicer defaults.
- The transferors are unable, for any reason, to transfer receivables to the trust.
- The transferor fails to transfer the receivables into the trust to maintain both the minimum transferor's interest and the minimum principal receivables balance required by the documents.
- The trust fails to pay the series 2019-4 certificates in full on their expected principal payment dates.

Legal Structure

On April 1, 2018, American Express Centurion Bank converted into a national bank and merged with American Express Bank FSB. The merged entity was renamed American Express National Bank, the sponsor and originator of the receivables. On the same date, the depositors and transferors American Express Receivables Financing Corp. III LLC and American Express Receivables Financing Corp. IV LLC merged, with American Express Receivables Financing Corp. III LLC as the surviving entity.

American Express National Bank will transfer the receivables from designated accounts to the transferor (a bankruptcy-remote, special-purpose, wholly owned subsidiary), which, in turn, will transfer the receivables to Amex CAMT. S&P Global Ratings will review the legal matters and opinions it believes are relevant to its analysis, as outlined in its criteria.

TRS, a wholly owned subsidiary of American Express Co. (Amex), is the servicer for the trust. The servicer will deposit all interest and principal collections into a collection account within two business days after the receivables have been processed. However, if certain provisions in the transaction documents are met, such as whether the servicer has an S&P Global Ratings credit rating of at least 'A-1' or higher, the servicer may make a single deposit of the collections into a collection account on the payment date.

Collateral Overview

Amex's credit card portfolio has the following features:

- Amex employs a spend-centric business model that aims to win a greater share of each member's wallet, leading to higher purchase volumes than many of its competitors.
- Amex favors co-branded programs, which drive high overall payment rates. American Express National Bank has entered into co-branding arrangements with various retail and services companies through which cardholders can earn benefits, such as frequent-flyer miles, hotel loyalty points, and cash back that may be redeemed with the co-branding partner. Currently, Amex's largest co-branding arrangement is with Delta Air Lines Inc. If any of the account

owners' co-branding arrangements experienced reduced volume or were terminated for any reason, the trust's performance, particularly the payment rate, could change. For this transaction, we believe the credit enhancement available for the class A and B certificates is sufficient to withstand potential adverse shifts in the top co-branded portfolios' compositions at the assigned preliminary rating levels.

- Amex offers reward programs, such as the Membership Rewards Program or various cash back programs. Through the Membership Rewards Program, cardholders can accumulate points based on purchases that can be redeemed for airfare, travel, or other merchandise. These programs drive the high overall payment rates.

Amex's consumer revolving credit product offerings include:

- The Amex credit card account, which was first offered in 1987 and branded as the "Optima Card." In 1999, Amex further expanded in the credit card market with Blue, a credit card targeted at young consumers. The aforementioned co-branded and rewards programs are also included in the credit card accounts designated to the trust.
- Pay Over Time Direct, Pay Over Time Select, and Pay Over Time Travel are charge card accounts that offer pay-over-time features to qualified cardmembers. Each pay-over-time feature allows cardmembers enrolled in the feature to pay off certain eligible charges over time, while all other ineligible charges remain due in full when the cardmember receives their billing statement. While there is generally no preset spending limit on pay-over-time accounts, the total of a cardmember's pay-over-time balances generally may not exceed $50,000. Pay Over Time Direct and Pay Over Time Selected are currently offered to qualified cardmembers, whereas Pay Over Time Travel was only offered prior to July 1, 2018. Cardmembers who are enrolled in Pay Over Time Travel have all eligible travel-related charges (such as airline and cruise ship tickets, hotels, car rentals, and foreign charges) automatically placed into a pay-over-time balance. Cardmembers who enroll in the Pay Over Time Direct have all charges of $100 or more (except for cash and certain other transactions) automatically placed into a pay-over-time balance. Cardmembers who use Pay Over Time Select have charges of $100 or more (except for cash and certain other transactions) placed into a pay-over-time balance by request, subject to approval.

The trust's portfolio consists of American Express credit cards and pay-over-time revolving credit accounts owned by American Express National Bank.

Asset Pool Collateral Characteristics

As of July 31, 2019, the trust consisted of approximately $31.53 billion in principal and finance charge receivables and had the following characteristics:

- An average account balance of $1,943 for all accounts.
- An average account balance of $4,293 for accounts with a nonzero balance.
- Accounts with credit limits of $10,000 or more generated 54.04% of the receivables.
- Pay-over-time accounts with no preset spending limit generated 35.00% of the receivables.
- Accounts aged 60 months or more generated 85.08% of the receivables.
- Accounts 47 months or less generated 9.45% of the receivables.
- 9.16% of accountholders made minimum payments, while 58.65% of accountholders made full payments.

- The top five geographic concentrations are: California (12.38% of receivables), New York (10.80%), Florida (9.07%), Texas (7.16%), and Georgia (5.99%).
- Obligors with FICO scores lower than 660 represented 6.75% of the receivables.
- Obligors with FICO scores of 760 or higher represented 44.37% of the receivables.

Overall, we view the accounts designated to this pool as prime accounts because they are highly seasoned, are well-diversified, have high FICO scores, and continue to demonstrate stable performance and high payment rates from convenience usage.

Collateral Historical Performance

We compared the master trust's portfolio performance as of July 31, 2019, and the years ended Dec. 31, 2012, through Dec. 31, 2017, with S&P Global Ratings' Credit Card Quality Index (CCQI) average (see table 3). S&P Global Ratings compiles the master trust performance data using the monthly servicer reports that the issuers distribute.

Table 3

American Express Credit Account Master Trust

	Seven months ended July 31	Seven months ended July 31	Year ended Dec. 31						
	CCQI	American Express Credit Account Master Trust							
	2019	2019	2018	2017	2016	2015	2014	2013	2012
Annual yield (%)	20.4	24.7	23.3	22.2	21.5	21.4	20.8	20.7	20.6
Monthly payment rate (%)(i)	29.8	36.2	34.2	32.8	33.6	34.2	33.9	32.4	31.0
Annual net losses (%)	2.4	1.5	1.4	1.4	1.1	1.3	1.6	1.9	2.2
Delinquency rate (%)	1.5	0.9	0.9	0.9	0.8	0.9	1.1	1.2	1.4

(i)The data for the trust is the principal payment rate. CCQI--Credit Card Quality Index.

S&P Global Ratings' Credit Rating Assumptions

On Jan. 14, 2019, we affirmed our ratings on 232 classes and upgraded four classes from ABS master trusts collateralized by U.S. bank credit card receivables from 10 U.S. originators and four Canadian originators.

We reviewed the trusts as part of our shelf review for all of the U.S. bank credit card trusts that we rate (see "2019 U.S. And Canadian Credit Card ABS Review," published Jan. 14, 2019).

For Amex CAMT, we assessed and maintained our current base-case assumptions and stresses based on the key variables (i.e., yield, charge-off rate, and payment rate) that we use when analyzing and modeling credit card ABS. We also incorporated other trust-specific performance trends (i.e., delinquency, quality and consistency of pool stratification, underwriting, and account management), a peer analysis, and sensitivity to economic variables such as unemployment. Our base cases and stresses for each variable are shown in table 4 below.

Table 4

S&P Global Ratings Credit Rating Scenarios

	Net losses(i)	Total payment rate(ii)	Yield(ii)	Purchase rate(ii)
S&P Global Ratings' base-case assumption (%)	4.75	25.0	18.00	N/A
S&P Global Ratings' 'AAA' rating stresses	30.0% (6.3x our base case)	12.5% (50.0% of our base case)	11.0% (61.1% of our base case)	3.0%
S&P Global Ratings' 'AA' category rating stresses	23.5% (4.9x our base case)	13.75% (55.0% of our base case)	11.50% (63.9% of our base case)	3.5%

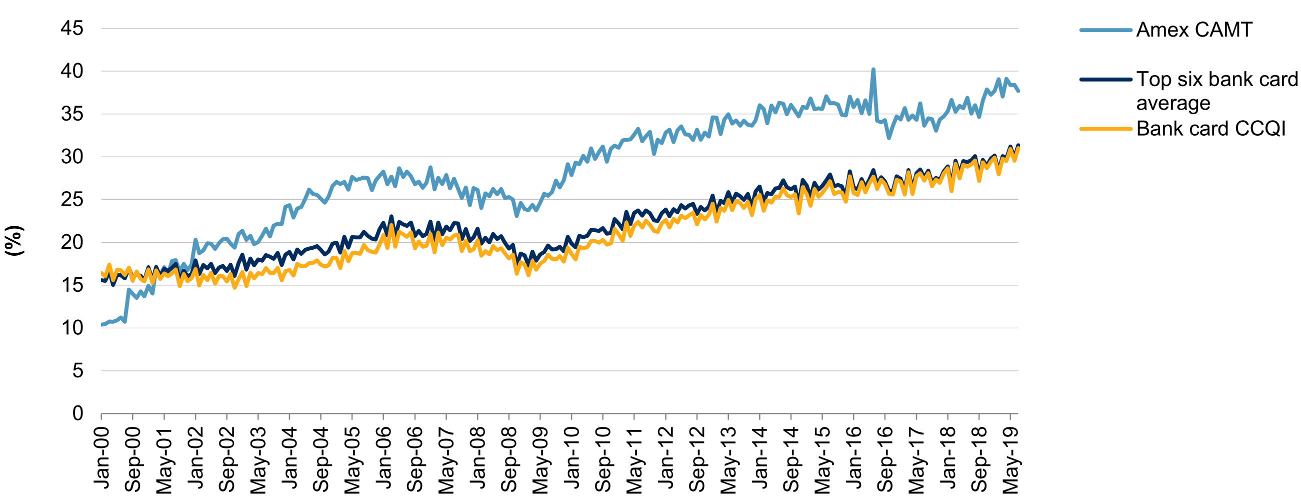
(i)Losses start at the base-case assumption and then rise to the stressed multiple in 12 months. (ii)In the 'AAA' and 'AA' rating category scenarios, the yield, payment rate, and purchase rate start at the stressed level in the first month of the cash flows. N/A--Not applicable.

Total Payment Rate

Our base-case payment rate assumption for the master trust's pool is 25.0%. The pool's payment rate performance is consistently above its peers, averaging 37.5% as of 12 months ended July 31, 2019 (according to our CCQI), which is well above our current base case (see chart 1). Our lower base-case assumptions relative to the trust's performance reflect our view of the company's reliance on the co-brand relationships, which attract convenience users who likely drive high payment rates. Co-branded cards are charged and paid in full each month by transactors who use the cards for rewards and points, not credit. The largest co-branding arrangement is currently with Delta Air Lines Inc. The payment rate could decline if the related program contracts are not renewed upon an amortization stress scenario. We consider the diversification of these co-branded programs a positive factor in our base-case assumption because the likelihood of losing all of these programs is less likely than a pool that relies on one relationship.

Chart 1

Payment Rate



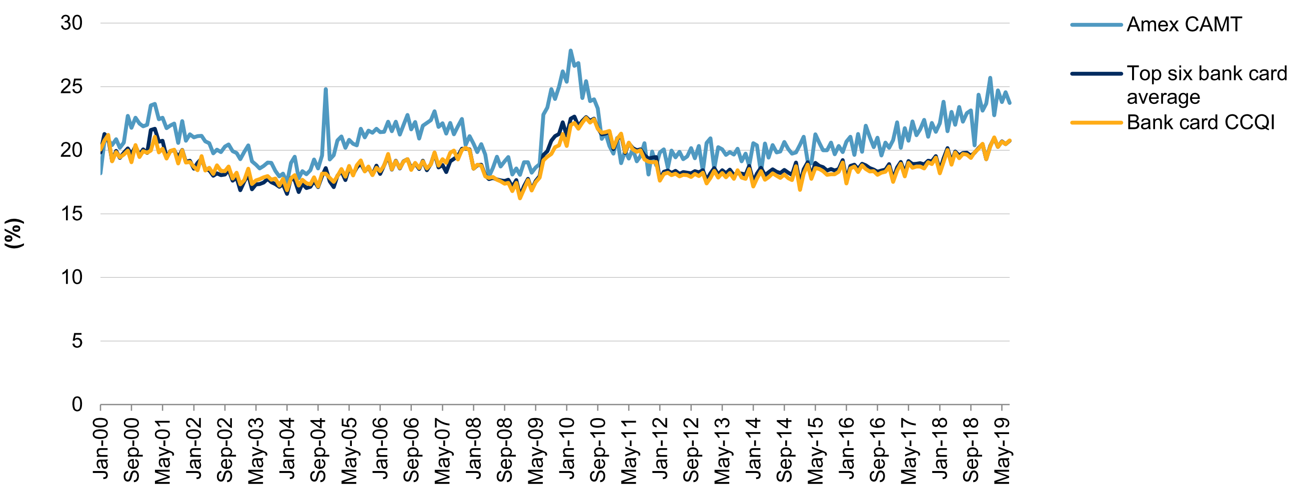
Amex CAMT--American Express Credit Account Master Trust. CCQI--Credit Card Quality Index.

Yield

The trust's yield is in line with our current 18.0% base-case assumption. The pool's yield is strong and stable, averaging 23.6% as of 12 months ended July 31, 2019 (according to our CCQI; see chart 2). The trust's yield began to increase in July 2009, after a segment of the portfolio was repriced by increasing the annual percentage rates, and the trust began discounting principal receivables during the June 2009 monthly period. Many card lenders began taking these measures in 2007 through 2009 partly to offset both the rising losses during the credit crunch and the potential impact of restrictive legislative actions that are aimed to protect consumers, including the Credit Card Accountability Responsibility and Disclosure Act. This portfolio also contains spending-centric obligors and high interchange. While we do not consider interchange in this portfolio, we do consider the decreasing number of convenience users in an amortization stress scenario, which would likely increase the portfolio's yield.

Chart 2

Yield



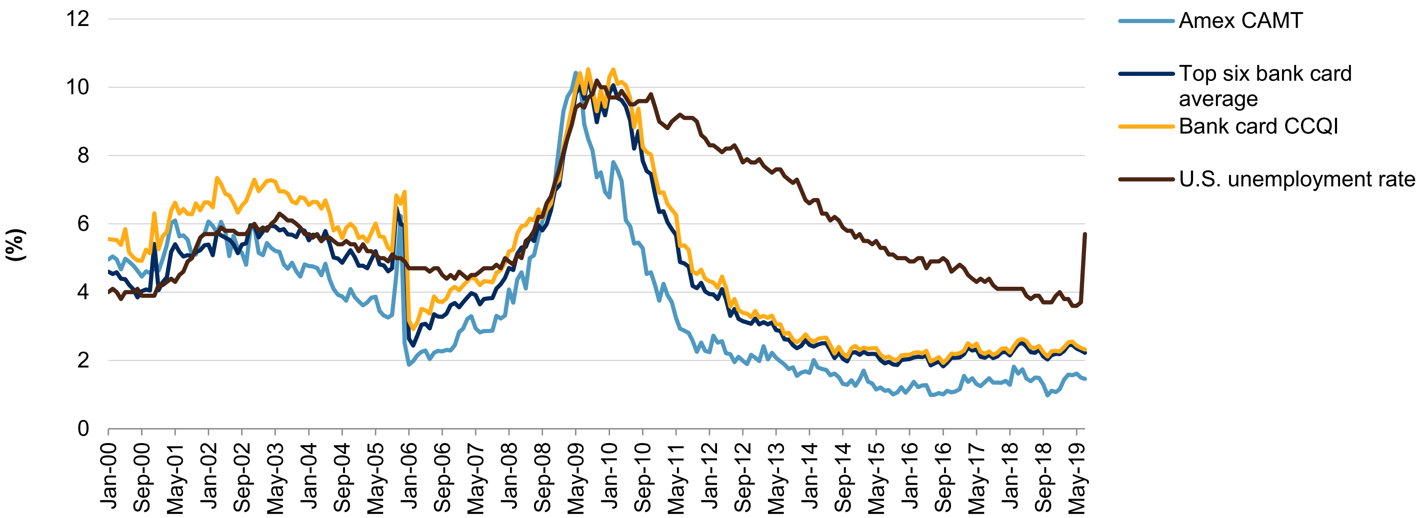
Amex CAMT--American Express Credit Account Master Trust. CCQI--Credit Card Quality Index.

Net Losses

The trust's 1.4% average net loss rate as of 12 months ended July 31, 2019 (according to our CCQI), exhibits the lowest loss rate among its peers over the same time period (see chart 3).

Chart 3

Loss Rate



Amex CAMT--American Express Credit Account Master Trust. CCQI--Credit Card Quality Index.

For our loss rate assumptions, we use our U.S. CCQI as an industry benchmark against which we compare and measure outstanding pools, based on collateral performance. The 'AAA' peak charge-off rate for the benchmark pool is 33%, which reflects our opinion of expected performance under extreme economic stress. When we review individual pools, we also emphasize using peer group comparisons in refining our evaluation of a specific pool relative to similar portfolios based on collateral characteristics. We currently assume 4.75% base-case losses in the trust's cash flow runs, which is a forward-looking view and incorporates economic variables, including our U.S. unemployment economic forecasts of 3.6% in 2019 and 2020, respectively, under our baseline economic scenario. During the most recent recession, Amex CAMT performed better than the industry average in that it maintained lower loss rates and delinquencies and higher payment rates than the average bank card pools measured by our CCQI. Although the loss rates for Amex CAMT increased 135%, compared with 116.7% for the industry, Amex CAMT's loss rates remained well below the average and improved earlier than the CCQI. While Amex CAMT's loss rate spiked at 10.42% in May 2009, it dipped below 8% by October 2009 and is currently the lowest loss rate among its peers. Comparatively, the CCQI loss rate reached 10.4% in June 2009 and hovered around 10% until June 2010.

Purchase Rate

For this pool, we assume a 3.0% purchase rate in our 'AAA' scenario and a 3.5% assumption in our 'AA' rating category scenario. Our purchase rate assumption accounts for our credit rating on the originator relative to the preliminary ratings assigned to the certificates, the originator's ability to continue generating and transferring receivables to the trust, and the originated receivables' credit characteristics.

For Amex CAMT, our purchase rate assumptions consider the ratings assigned to TRS (A-/Stable/--), the servicer, and the originator, American Express National Bank (A-/Stable/A-2). We believe these entities have the proven abilities to consistently originate, manage, and service accounts and receivables throughout economic and business cycles.

Certificate Rate

Series 2019-4 will be the 9th outstanding series issued by Amex CAMT in its group II, where all series in the group share finance charge collections based on the required payments of all series outstanding in the group. Series 2019-4 consists of floating-rate certificates, whose interest rates we stressed based on our current criteria and assumptions. We believe that issuing a new series with higher required payments relative to the outstanding series within group II may reduce the amount of finance charge collections allocated to this series. S&P Global Ratings reviews any new series issuances to determine whether there are any rating implications to the outstanding series.

Sensitivity Analysis

Our ratings incorporate credit stability as one of several factors that we use to determine an issuer's or an issue's creditworthiness (see "Methodology: Credit Stability Criteria," published May 3, 2010). Accordingly, we ran sensitivity analyses to determine the certificates' credit stability during periods of moderate economic stress.

Based on our ratings stability definition, 'AAA' and 'AA+' ratings that we assign to a new class of credit card receivables-backed certificates reflect our opinion that we do not expect the ratings on the certificates to fall more than one rating category within 12 months of the preliminary rating assignment under moderate stress conditions.

To test whether the preliminary 'AAA (sf)' and 'AA+ (sf)' ratings assigned to the class A and B certificates, respectively, would be vulnerable to a downgrade of more than one category in a moderate ('BBB') stress scenario, we ran sensitivity analyses assuming that the pool's base-case loss rate will increase approximately 150% from the current base-case loss rate. In this scenario, we believe that the ratings assigned to the certificates would not become vulnerable to a downgrade by more than one rating category from the preliminary ratings based on the 13.00% and 9.75% credit support available to the class A and B certificates, respectively.

Related Criteria

- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | ABS: U.S. Credit Card Securitizations: Methodology And Assumptions, Aug. 24, 2017
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012

- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Quarterly U.S. Credit Card Quality Index: Market Volatility Does Little To Upset Steady Performance In Second-Quarter 2019, Aug. 27, 2019
- Credit Conditions North America: Trade Tensions Cloud The Outlook, June 27, 2019
- For The U.S. Expansion, Are Trade Troubles "Just A Flesh Wound"?, June 25, 2019
- American Express Co., June 14, 2019
- 2019 U.S. And Canadian Credit Card ABS Review, Jan. 14, 2019
- Global Structured Finance Outlook 2019: Securitization Continues To Be Energized With Potential $1 Trillion In Volume Expected Again, Jan. 7, 2019
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Counterparty Risk Framework Methodology And Assumptions," March 8, 2019; "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.