

AMERICAN EXPRESS CO

Form 10-Q

August 03, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended June 30, 2011**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-7657**

**AMERICAN EXPRESS COMPANY**

(Exact name of registrant as specified in its charter)

**New York**

**13-4922250**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

**World Financial Center, 200 Vesey Street, New  
York, NY**

**10285**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (212) 640-2000

None

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting  
company ☐

(Do not check if a smaller  
reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                                     | Outstanding at July 29, 2011 |
|-------------------------------------------|------------------------------|
| Common Shares (par value \$.20 per share) | 1,193,763,777 shares         |

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

| Three Months Ended June 30 ( <i>Millions, except per share amounts</i> ) | <b>2011</b>     | 2010     |
|--------------------------------------------------------------------------|-----------------|----------|
| <b>Revenues</b>                                                          |                 |          |
| Non-interest revenues                                                    |                 |          |
| Discount revenue                                                         | <b>\$ 4,278</b> | \$ 3,680 |
| Net card fees                                                            | <b>545</b>      | 520      |
| Travel commissions and fees                                              | <b>523</b>      | 434      |
| Other commissions and fees                                               | <b>584</b>      | 497      |
| Other                                                                    | <b>537</b>      | 486      |
| Total non-interest revenues                                              | <b>6,467</b>    | 5,617    |
| Interest income                                                          |                 |          |
| Interest and fees on loans                                               | <b>1,611</b>    | 1,657    |
| Interest and dividends on investment securities                          | <b>99</b>       | 125      |
| Deposits with banks and other                                            | <b>18</b>       | 16       |
| Total interest income                                                    | <b>1,728</b>    | 1,798    |
| Interest expense                                                         |                 |          |
| Deposits                                                                 | <b>131</b>      | 137      |
| Short-term borrowings                                                    | <b>1</b>        | 1        |
| Long-term debt and other                                                 | <b>445</b>      | 472      |
| Total interest expense                                                   | <b>577</b>      | 610      |
| Net interest income                                                      | <b>1,151</b>    | 1,188    |
| Total revenues net of interest expense                                   | <b>7,618</b>    | 6,805    |
| Provisions for losses                                                    |                 |          |
| Charge card                                                              | <b>161</b>      | 96       |
| Cardmember loans                                                         | <b>176</b>      | 540      |
| Other                                                                    | <b>20</b>       | 16       |
| Total provisions for losses                                              | <b>357</b>      | 652      |
| Total revenues net of interest expense after provisions for losses       | <b>7,261</b>    | 6,153    |
| <b>Expenses</b>                                                          |                 |          |
| Marketing, promotion, rewards and cardmember services                    | <b>2,581</b>    | 2,143    |
| Salaries and employee benefits                                           | <b>1,595</b>    | 1,315    |
| Professional services                                                    | <b>745</b>      | 636      |

|                                                                                      |          |          |
|--------------------------------------------------------------------------------------|----------|----------|
| Other, net                                                                           | 575      | 464      |
| Total                                                                                | 5,496    | 4,558    |
| Pretax income from continuing operations                                             | 1,765    | 1,595    |
| Income tax provision                                                                 | 470      | 578      |
| Income from continuing operations                                                    | 1,295    | 1,017    |
| Income from discontinued operations, net of tax                                      | 36       |          |
| Net income                                                                           | \$ 1,331 | \$ 1,017 |
| <b>Earnings per Common Share Basic (Note 13):</b>                                    |          |          |
| Income from continuing operations attributable to common shareholders <sup>(a)</sup> | 1.08     | 0.84     |
| Income from discontinued operations                                                  | 0.03     |          |
| Net income attributable to common shareholders <sup>(a)</sup>                        | \$ 1.11  | \$ 0.84  |
| <b>Earnings per Common Share Diluted (Note 13):</b>                                  |          |          |
| Income from continuing operations attributable to common shareholders <sup>(a)</sup> | 1.07     | 0.84     |
| Income from discontinued operations                                                  | 0.03     |          |
| Net income attributable to common shareholders <sup>(a)</sup>                        | \$ 1.10  | \$ 0.84  |
| Average common shares outstanding for earnings per common share:                     |          |          |
| Basic                                                                                | 1,190    | 1,190    |
| Diluted                                                                              | 1,197    | 1,197    |
| Cash dividends declared per common share                                             | \$ 0.18  | \$ 0.18  |

(a) Represents income from continuing operations or net income, as applicable, less earnings allocated to participating share awards and other items of \$15 million and \$13 million for the three months ended June 30, 2011 and 2010, respectively.

See Notes to Consolidated Financial Statements.

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**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

| Six Months Ended June 30 <i>(Millions, except per share amounts)</i> | 2011     | 2010     |
|----------------------------------------------------------------------|----------|----------|
| <b>Revenues</b>                                                      |          |          |
| Non-interest revenues                                                |          |          |
| Discount revenue                                                     | \$ 8,180 | \$ 7,102 |
| Net card fees                                                        | 1,082    | 1,041    |
| Travel commissions and fees                                          | 977      | 819      |
| Other commissions and fees                                           | 1,113    | 997      |
| Other                                                                | 1,012    | 911      |
| Total non-interest revenues                                          | 12,364   | 10,870   |
| Interest income                                                      |          |          |
| Interest and fees on loans                                           | 3,230    | 3,432    |
| Interest and dividends on investment securities                      | 187      | 242      |
| Deposits with banks and other                                        | 38       | 29       |
| Total interest income                                                | 3,455    | 3,703    |
| Interest expense                                                     |          |          |
| Deposits                                                             | 268      | 265      |
| Short-term borrowings                                                | 1        | 2        |
| Long-term debt and other                                             | 901      | 941      |
| Total interest expense                                               | 1,170    | 1,208    |
| Net interest income                                                  | 2,285    | 2,495    |
| Total revenues net of interest expense                               | 14,649   | 13,365   |
| Provisions for losses                                                |          |          |
| Charge card                                                          | 359      | 323      |
| Cardmember loans                                                     | 56       | 1,228    |
| Other                                                                | 39       | 44       |
| Total provisions for losses                                          | 454      | 1,595    |
| Total revenues net of interest expense after provisions for losses   | 14,195   | 11,770   |
| <b>Expenses</b>                                                      |          |          |
| Marketing, promotion, rewards and cardmember services                | 5,031    | 4,130    |
| Salaries and employee benefits                                       | 3,117    | 2,642    |
| Professional services                                                | 1,408    | 1,197    |
| Other, net                                                           | 1,142    | 954      |

|                                                                                      |                 |          |
|--------------------------------------------------------------------------------------|-----------------|----------|
| Total                                                                                | <b>10,698</b>   | 8,923    |
| Pretax income from continuing operations                                             | <b>3,497</b>    | 2,847    |
| Income tax provision                                                                 | <b>1,025</b>    | 945      |
| Income from continuing operations                                                    | <b>2,472</b>    | 1,902    |
| Income from discontinued operations, net of tax                                      | <b>36</b>       |          |
| Net income                                                                           | <b>\$ 2,508</b> | \$ 1,902 |
| <b>Earnings per Common Share Basic (Note 13):</b>                                    |                 |          |
| Income from continuing operations attributable to common shareholders <sup>(a)</sup> | <b>\$ 2.05</b>  | \$ 1.58  |
| Income from discontinued operations                                                  | <b>0.03</b>     |          |
| Net income attributable to common shareholders <sup>(a)</sup>                        | <b>\$ 2.08</b>  | \$ 1.58  |
| <b>Earnings per Common Share Diluted (Note 13):</b>                                  |                 |          |
| Income from continuing operations attributable to common shareholders <sup>(a)</sup> | <b>\$ 2.04</b>  | \$ 1.57  |
| Income from discontinued operations                                                  | <b>0.03</b>     |          |
| Net income attributable to common shareholders <sup>(a)</sup>                        | <b>\$ 2.07</b>  | \$ 1.57  |
| Average common shares outstanding for earnings per common share:                     |                 |          |
| Basic                                                                                | <b>1,190</b>    | 1,188    |
| Diluted                                                                              | <b>1,197</b>    | 1,194    |
| Cash dividends declared per common share                                             | <b>\$ 0.36</b>  | \$ 0.36  |

(a) Represents income from continuing operations or net income, as applicable, less earnings allocated to participating share awards and other items of \$30 million and \$25 million for the six months ended June 30, 2011 and 2010, respectively.

See Notes to Consolidated Financial Statements.

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**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

|                                                                                                                                                                                                       | <b>June 30,<br/>2011</b> | December<br>31,<br>2010 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| <i>(Millions, except per share data)</i>                                                                                                                                                              |                          |                         |
| <b>Assets</b>                                                                                                                                                                                         |                          |                         |
| Cash and cash equivalents                                                                                                                                                                             |                          |                         |
| Cash and cash due from banks                                                                                                                                                                          | \$ 2,253                 | \$ 2,145                |
| Interest-bearing deposits in other banks (including securities purchased under resale agreements: 2011, \$478; 2010, \$372)                                                                           | 20,361                   | 13,557                  |
| Short-term investment securities                                                                                                                                                                      | 468                      | 654                     |
| <br>Total                                                                                                                                                                                             | <br>23,082               | <br>16,356              |
| Accounts receivable                                                                                                                                                                                   |                          |                         |
| Cardmember receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2011, \$7,500; 2010, \$8,192), less reserves: 2011, \$415; 2010, \$386 | 39,728                   | 36,880                  |
| Other receivables, less reserves: 2011, \$111; 2010, \$175                                                                                                                                            | 3,655                    | 3,554                   |
| Loans                                                                                                                                                                                                 |                          |                         |
| Cardmember loans, (includes gross loans available to settle obligations of a consolidated variable interest entity: 2011, \$32,137; 2010, \$34,726), less reserves: 2011, \$2,560; 2010, \$3,646      | 56,189                   | 57,204                  |
| Other loans, less reserves: 2011, \$19; 2010, \$24                                                                                                                                                    | 377                      | 412                     |
| Investment securities                                                                                                                                                                                 | 9,429                    | 14,010                  |
| Premises and equipment at cost, less accumulated depreciation: 2011, \$4,680; 2010, \$4,483                                                                                                           | 3,062                    | 2,905                   |
| Other assets (includes restricted cash of consolidated variable interest entities: 2011, \$304; 2010, \$3,759)                                                                                        | 12,274                   | 15,368                  |
| <br>Total assets                                                                                                                                                                                      | <br>\$ 147,796           | <br>\$ 146,689          |
| <b>Liabilities and Shareholders Equity</b>                                                                                                                                                            |                          |                         |
| <b>Liabilities</b>                                                                                                                                                                                    |                          |                         |
| Customer deposits                                                                                                                                                                                     | \$ 32,291                | \$ 29,727               |
| Travelers Cheques outstanding                                                                                                                                                                         | 5,233                    | 5,618                   |
| Accounts payable                                                                                                                                                                                      | 10,931                   | 9,691                   |
| Short-term borrowings                                                                                                                                                                                 | 3,702                    | 3,414                   |
| Long-term debt (includes debt issued by consolidated variable interest entities: 2011, \$18,113; 2010, \$23,341)                                                                                      | 61,395                   | 66,416                  |
| Other liabilities                                                                                                                                                                                     | 16,039                   | 15,593                  |
| <br>Total liabilities                                                                                                                                                                                 | <br>129,591              | <br>130,459             |
| <b>Contingencies (Note 15)</b>                                                                                                                                                                        |                          |                         |
| <b>Shareholders Equity</b>                                                                                                                                                                            |                          |                         |
|                                                                                                                                                                                                       | 238                      | 238                     |

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Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 1,193 million shares as of June 30, 2011 and 1,197 million shares as of December 31, 2010

|                                                                                                      |                   |                   |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Additional paid-in capital                                                                           | <b>12,281</b>     | 11,937            |
| Retained earnings                                                                                    | <b>6,437</b>      | 4,972             |
| Accumulated other comprehensive (loss) income                                                        |                   |                   |
| Net unrealized securities gains, net of tax: 2011, \$(73); 2010, \$(19)                              | <b>149</b>        | 57                |
| Net unrealized derivatives losses, net of tax: 2011, \$1; 2010, \$4                                  |                   | (7)               |
| Foreign currency translation adjustments, net of tax: 2011, \$577; 2010, \$405                       | <b>(441)</b>      | (503)             |
| Net unrealized pension and other postretirement benefit losses, net of tax: 2011, \$228; 2010, \$226 | <b>(459)</b>      | (464)             |
| Total accumulated other comprehensive loss                                                           | <b>(751)</b>      | (917)             |
| Total shareholders' equity                                                                           | <b>18,205</b>     | 16,230            |
| Total liabilities and shareholders' equity                                                           | <b>\$ 147,796</b> | <b>\$ 146,689</b> |

See Notes to Consolidated Financial Statements.

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**AMERICAN EXPRESS COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|                                                                                               |             |          |
|-----------------------------------------------------------------------------------------------|-------------|----------|
| Six Months Ended June 30 ( <i>Millions</i> )                                                  | <b>2011</b> | 2010     |
| <b>Cash Flows from Operating Activities</b>                                                   |             |          |
| Net income                                                                                    | \$ 2,508    | \$ 1,902 |
| Income from discontinued operations, net of tax                                               | (36)        |          |
| Income from continuing operations                                                             | 2,472       | 1,902    |
| Adjustments to reconcile net income to net cash provided by operating activities:             |             |          |
| Provisions for losses                                                                         | 454         | 1,595    |
| Depreciation and amortization                                                                 | 505         | 441      |
| Deferred taxes and other                                                                      | 380         | 699      |
| Stock-based compensation                                                                      | 156         | 131      |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: |             |          |
| Other receivables                                                                             | (86)        | 202      |
| Other assets                                                                                  | (572)       | 120      |
| Accounts payable and other liabilities                                                        | 1,526       | (81)     |
| Travelers Cheques outstanding                                                                 | (446)       | (559)    |
| Net cash provided by operating activities                                                     | 4,389       | 4,450    |
| <b>Cash Flows from Investing Activities</b>                                                   |             |          |
| Sale of investments                                                                           | 893         | 1,253    |
| Maturity and redemption of investments                                                        | 4,497       | 7,025    |
| Purchase of investments                                                                       | (650)       | (4,911)  |
| Net (increase) decrease in cardmember loans/receivables                                       | (1,569)     | 367      |
| Purchase of premises and equipment, net of sales: 2011, \$3; 2010, \$7                        | (558)       | (322)    |
| Acquisitions/Dispositions, net of cash acquired                                               | (582)       | (254)    |
| Net decrease in restricted cash                                                               | 3,476       | 2,327    |
| Net cash provided by investing activities                                                     | 5,507       | 5,485    |
| <b>Cash Flows from Financing Activities</b>                                                   |             |          |
| Net increase in customer deposits                                                             | 2,545       | 2,068    |
| Net increase in short-term borrowings                                                         | 204         | 298      |
| Issuance of long-term debt                                                                    | 3,328       | 1,444    |
| Principal payments on long-term debt                                                          | (8,597)     | (9,509)  |
| Issuance of American Express common shares                                                    | 430         | 295      |
| Repurchase of American Express common shares                                                  | (750)       |          |
| Dividends paid                                                                                | (433)       | (433)    |
| Net cash used in financing activities                                                         | (3,273)     | (5,837)  |
| Effect of exchange rate changes on cash                                                       | 103         | (10)     |
| Net increase in cash and cash equivalents                                                     | 6,726       | 4,088    |

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|                                                  |                  |           |
|--------------------------------------------------|------------------|-----------|
| Cash and cash equivalents at beginning of period | <b>16,356</b>    | 16,599    |
| Cash and cash equivalents at end of period       | <b>\$ 23,082</b> | \$ 20,687 |

See Notes to Consolidated Financial Statements.

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**AMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**1. Basis of Presentation**

**The Company**

American Express is a global service company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. The Company has also recently focused on generating alternative sources of revenue on a global basis in areas such as online and mobile payments and fee-based services. The Company's various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, targeted direct and third-party sales forces and direct response advertising.

The accompanying Consolidated Financial Statements should be read in conjunction with the financial statements incorporated by reference in the Annual Report on Form 10-K of American Express Company (the Company) for the year ended December 31, 2010.

The interim consolidated financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial position and the consolidated results of operations for the interim periods have been made. All adjustments made were of a normal, recurring nature. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

Beginning the first quarter of 2011, certain payments to business partners previously expensed in other, net expense were reclassified as contra-revenue within total non-interest revenues or as marketing and promotion expense. These partner payments are primarily related to certain co-brand contracts where upfront payments are amortized over the life of the contract. Amounts in prior periods for this item and certain other amounts have been reclassified to conform to the current presentation and are insignificant to the affected line items. In addition, in the first quarter of 2011, the Company reclassified \$353 million, reducing both cash and cash due from banks, and other liabilities, on the December 31, 2010 Consolidated Balance Sheet from amounts previously reported to correct for the effect of a misclassification.

Accounting estimates are an integral part of the Consolidated Financial Statements. These estimates are based, in part, on management's assumptions concerning future events. Among the more significant assumptions are those that relate to reserves for cardmember losses relating to loans and charge card receivables, reserves for Membership Rewards costs, fair value measurement, goodwill and income taxes. These accounting estimates reflect the best judgment of management, but actual results could differ.

**2. Acquisitions**

During the first quarter of 2011, the Company completed the acquisition of a controlling interest in Loyalty Partner (March 1, 2011) for total consideration of \$616 million (\$585 million plus \$31 million in cash acquired). In addition, the Company may acquire the remaining noncontrolling equity interest (NCI) over the next five years at a price based on business performance, which currently has an estimated fair value of \$150 million. Loyalty Partner is a leading marketing services company known for the loyalty programs it operates in Germany, Poland and India. Loyalty Partner also provides market analysis, operating platforms and consulting services that help merchants grow their businesses.

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**AMERICAN EXPRESS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The Company purchased Accertify (November 10, 2010) and Revolution Money (January 15, 2010) for total consideration of \$151 million and \$305 million, respectively. Accertify is an online fraud solution provider, and Revolution Money, which was subsequently rebranded by the Company as Serve, is a provider of secure person-to-person payment services through an internet-based platform. These acquisitions did not have a significant impact on either the Company's consolidated results of operations or the segments in which they are reflected for the three and six months ended June 30, 2011 and 2010.

The following table summarizes the assets acquired and liabilities assumed for these acquisitions as of the acquisition dates:

| <i>(Millions)</i>                 | Loyalty<br>Partner <sup>(a)</sup> | Accertify  | Revolution<br>Money      |
|-----------------------------------|-----------------------------------|------------|--------------------------|
| Goodwill                          | \$ 559                            | \$ 131     | \$ 184                   |
| Definite-lived intangible assets  | 283                               | 15         | 119                      |
| All other assets                  | 188                               | 11         | 7                        |
| <br>Total assets                  | <br>1,030                         | <br>157    | <br>310                  |
| Total liabilities (including NCI) | 414                               | 6          | 5                        |
| <br>Net assets acquired           | <br>\$ 616                        | <br>\$ 151 | <br>\$ 305               |
| <br>Reportable operating segment  | <br>ICS                           | <br>GNMS   | <br>Corporate<br>& Other |

(a) Amounts have been updated from the first quarter of 2011 due to adjustments to the preliminary purchase price allocation. The final purchase price allocation will be completed in a subsequent quarter.

**3. Fair Values**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, and is based on the Company's principal or most advantageous market for the specific asset or liability.

U.S. generally accepted accounting principles (GAAP) provide for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

Level 1 Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Inputs other than quoted prices that are observable for the asset or liability

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows).

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***Financial Assets and Financial Liabilities Carried at Fair Value***

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy (as described in the preceding paragraphs), as of June 30, 2011 and December 31, 2010:

| <i>(Millions)</i>                     |               | <b>2011</b> |               |               | <b>2010</b> |               |
|---------------------------------------|---------------|-------------|---------------|---------------|-------------|---------------|
|                                       | Total         | Level 1     | Level 2       | Total         | Level 1     | Level 2       |
| <b>Assets:</b>                        |               |             |               |               |             |               |
| Investment securities: <sup>(a)</sup> |               |             |               |               |             |               |
| Equity securities                     | \$ 484        | \$ 484      | \$            | \$ 475        | \$ 475      | \$            |
| Debt securities and other             | 8,945         |             | 8,945         | 13,535        |             | 13,535        |
| Derivatives <sup>(b)</sup>            | 1,071         |             | 1,071         | 1,089         |             | 1,089         |
| <br>Total assets                      | <br>\$ 10,500 | <br>\$ 484  | <br>\$ 10,016 | <br>\$ 15,099 | <br>\$ 475  | <br>\$ 14,624 |
| <b>Liabilities:</b>                   |               |             |               |               |             |               |
| Derivatives <sup>(b)</sup>            | \$ 204        | \$          | \$ 204        | \$ 419        | \$          | \$ 419        |
| <br>Total liabilities                 | <br>\$ 204    | <br>\$      | <br>\$ 204    | <br>\$ 419    | <br>\$      | <br>\$ 419    |

(a) Refer to Note 6 for the fair values of investment securities on a further disaggregated basis.

(b) Refer to Note 9 for the fair values of derivative assets and liabilities on a further disaggregated basis and the netting of derivative assets and derivative liabilities when a legally enforceable master netting agreement exists between the Company and its derivative counterparty. These balances have been presented gross in the table above.

The Company did not measure any financial instruments at fair value using significantly unobservable inputs (Level 3) during the six months ended June 30, 2011 or during the year ended December 31, 2010, nor were there transfers between Level 1 and Level 2 of the valuation hierarchy during those periods.

GAAP requires disclosure of the estimated fair value of all financial instruments. A financial instrument is defined as cash, evidence of an ownership in an entity, or a contract between two entities to deliver cash or another financial instrument or to exchange other financial instruments. The disclosure requirements for the fair value of financial instruments exclude leases, equity method investments, affiliate investments, pension and benefit obligations, insurance contracts and all non-financial instruments.

**Valuation Techniques Used in Measuring Fair Value**

For the financial assets and liabilities measured at fair value on a recurring basis (categorized in the valuation hierarchy table above) the Company applies the following valuation techniques to measure fair value:

***Investment Securities***

When available, quoted market prices in active markets are used to determine fair value. Such investment securities are classified within Level 1 of the fair value hierarchy.

When quoted prices in an active market are not available, the fair values for the Company's investment securities are obtained primarily from pricing services engaged by the Company, and the Company receives one price for each security. The fair values provided by the pricing services are estimated using pricing models, where the

inputs to those models are based on observable market inputs. The inputs to the valuation techniques applied by the pricing services vary depending on the type of security being priced but are typically benchmark yields, benchmark security prices, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. The pricing services did not apply any adjustments to the pricing models used. In addition, the Company did not apply any adjustments to prices received from the pricing services. The Company classifies the prices obtained from the pricing services within Level 2 of the fair value hierarchy because the underlying inputs are directly observable from active markets or recent trades of similar securities in inactive markets. However, the pricing models used do entail a certain amount of subjectivity and therefore differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

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The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services to test their reasonableness by comparing their prices to valuations from different pricing sources as well as comparing prices to the sale prices received from sold securities. Refer to Note 6 for additional fair value information.

***Derivative Financial Instruments***

The fair value of the Company's derivative financial instruments, which could be presented as either assets or liabilities on the Consolidated Balance Sheets, is estimated by a third-party valuation service that uses proprietary pricing models, or by internal pricing models. The pricing models do not contain a high level of subjectivity as the valuation techniques used do not require significant judgment, and inputs to those models are readily observable from actively quoted markets. The pricing models used are consistently applied and reflect the contractual terms of the derivatives, including the period of maturity, and market-based parameters such as interest rates, foreign exchange rates, equity indices or prices, and volatility.

Credit valuation adjustments are necessary when the market parameters, such as a benchmark curve, used to value derivatives are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 9 for additional fair value information.

***Financial Assets and Financial Liabilities Carried at Other Than Fair Value***

The following table discloses the estimated fair value for the Company's financial assets and financial liabilities that are not carried at fair value, as of June 30, 2011 and December 31, 2010:

| <i>(Billions)</i>                                                     | 2011           |            | 2010           |            |
|-----------------------------------------------------------------------|----------------|------------|----------------|------------|
|                                                                       | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <b>Financial Assets:</b>                                              |                |            |                |            |
| Assets for which carrying values equal or approximate fair value      | \$ 68          | \$ 68 (a)  | \$ 61          | \$ 61 (b)  |
| Loans, net                                                            | \$ 57          | \$ 57 (a)  | \$ 58          | \$ 58 (b)  |
| <b>Financial Liabilities:</b>                                         |                |            |                |            |
| Liabilities for which carrying values equal or approximate fair value | \$ 48          | \$ 48      | \$ 43          | \$ 43      |
| Certificates of deposit                                               | \$ 10          | \$ 10      | \$ 13          | \$ 13      |
| Long-term debt                                                        | \$ 61          | \$ 64 (a)  | \$ 66          | \$ 69 (b)  |

(a) Includes fair values of cardmember receivables and loans of \$7.4 billion and \$31.2 billion, respectively, available to settle obligations of consolidated variable interest entities (VIE) and long-term debt of \$18.4 billion issued by consolidated VIEs as of June 30, 2011. Refer to the Consolidated Balance Sheets for the related carrying values.

(b) Includes fair values of cardmember receivables and loans of \$8.1 billion and \$33.2 billion, respectively, available to settle obligations of consolidated VIEs and long-term debt of \$23.6 billion issued by consolidated VIEs as of December 31, 2010. Refer to the Consolidated Balance Sheets for the related carrying values.

The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of June 30, 2011 and December 31, 2010, and require management judgment. These figures may not be indicative of their future fair values. The fair value of the Company cannot be reliably estimated by aggregating the amounts presented.



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The following methods were used to determine estimated fair values:

**Financial Assets for Which Carrying Values Equal or Approximate Fair Value**

Financial assets for which carrying values equal or approximate fair value include cash and cash equivalents, cardmember receivables, accrued interest and certain other assets. For these assets, the carrying values approximate fair value because they are short term in duration or variable rate in nature.

**Financial Assets Carried at Other Than Fair Value**

***Loans, net***

Loans are recorded at historical cost, less reserves, on the Consolidated Balance Sheets. In estimating the fair value for the Company's loans the principal market is assumed to be the securitization market and the Company uses the hypothetical securitization price to determine the fair value of the portfolio. The securitization price is estimated from the assumed proceeds of the hypothetical securitization in the current market, adjusted for securitization uncertainties such as market conditions and liquidity.

**Financial Liabilities for Which Carrying Values Equal or Approximate Fair Value**

Financial liabilities for which carrying values equal or approximate fair value include accrued interest, customer deposits (excluding certificates of deposit, which are described further below), Travelers Cheques outstanding, short-term borrowings and certain other liabilities for which the carrying values approximate fair value because they are short term in duration, variable rate in nature or have no defined maturity.

**Financial Liabilities Carried at Other Than Fair Value**

***Certificates of Deposit***

Certificates of deposit (CDs) are recorded at their historical issuance cost on the Consolidated Balance Sheets. Fair value is estimated using a discounted cash flow methodology based on the Company's current borrowing rates for similar types of CDs.

***Long-term Debt***

Long-term debt is recorded at historical issuance cost on the Consolidated Balance Sheets. Fair value is estimated using either quoted market prices or discounted cash flows based on the Company's current borrowing rates for similar types of borrowings.

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**4. Accounts Receivable and Loans**

The Company's charge and lending payment card products result in the generation of cardmember receivables (from charge payment products) and cardmember loans (from lending payment products) described below.

**Cardmember and Other Receivables**

Cardmember receivables, representing amounts due from charge payment product customers, are recorded at the time a cardmember enters into a point-of-sale transaction with a merchant. Each charge card transaction is authorized based on its likely economics reflecting a cardmember's most recent credit information and spend patterns. Global limits are established to limit the maximum exposure for the Company from high risk and some high spend charge cardmembers, and accounts of high risk, out-of-pattern charge cardmembers can be monitored even if they are current. Charge card customers generally must pay the full amount billed each month.

Cardmember receivable balances are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 5), and include principal and any related accrued fees.

Accounts receivable as of June 30, 2011 and December 31, 2010 were as follows:

| <i>(Millions)</i>                                 | <b>2011</b>      | <b>2010</b> |
|---------------------------------------------------|------------------|-------------|
| U.S. Card Services <sup>(a)</sup>                 | <b>\$ 19,249</b> | \$ 19,155   |
| International Card Services                       | <b>6,872</b>     | 6,673       |
| Global Commercial Services <sup>(b)</sup>         | <b>13,814</b>    | 11,259      |
| Global Network & Merchant Services <sup>(c)</sup> | <b>208</b>       | 179         |
| Cardmember receivables, gross <sup>(d)</sup>      | <b>40,143</b>    | 37,266      |
| Less: Cardmember receivables reserve for losses   | <b>415</b>       | 386         |
| Cardmember receivables, net                       | <b>\$ 39,728</b> | \$ 36,880   |
| Other receivables, net <sup>(e)</sup>             | <b>\$ 3,655</b>  | \$ 3,554    |

(a) Includes \$7.0 billion and \$7.7 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of June 30, 2011 and December 31, 2010, respectively.

(b) Includes \$0.5 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of both June 30, 2011 and December 31, 2010.

(c) Includes receivables primarily related to the Company's International Currency Card portfolios.

(d) Includes approximately \$13.1 billion and \$11.7 billion of cardmember receivables outside the United States as of June 30, 2011 and December 31, 2010, respectively.

(e) Other receivables primarily represent amounts for tax-related receivables, amounts due from the Company's travel customers and suppliers, purchased joint venture receivables, amounts due from third-party issuing

partners, amounts due from certain merchants for billed discount revenue, accrued interest on investments and other receivables due to the Company in the ordinary course of business.

**Cardmember and Other Loans**

Cardmember loans, representing amounts due from lending payment product customers, are recorded at the time a cardmember enters into a point-of-sale transaction with a merchant or when a charge card customer enters into an extended payment arrangement. The Company's lending portfolios primarily include revolving loans to cardmembers obtained through either their credit card accounts or the lending on charge feature of their charge card accounts. These loans have a range of terms such as credit limits, interest rates, fees and payment structures, which can be adjusted over time based on new information about cardmembers and in accordance with applicable regulations and the respective product's terms and conditions. Cardmembers holding revolving loans are typically required to make monthly payments greater than or equal to certain pre-established amounts. The amounts that cardmembers choose to revolve are subject to finance charges. When cardmembers fall behind their required payments, their accounts are monitored.

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Cardmember loans are presented on the Consolidated Balance Sheets net of reserves for losses and unamortized net card fees and include accrued interest and fees receivable. The Company's policy generally is to cease accruing for interest receivable on a cardmember loan at the time the account is written off. The Company establishes reserves for interest that the Company believes will not be collected.

Loans as of June 30, 2011 and December 31, 2010 consisted of:

| <i>(Millions)</i>                         | <b>2011</b>      | 2010      |
|-------------------------------------------|------------------|-----------|
| U.S. Card Services <sup>(a)</sup>         | <b>\$ 49,908</b> | \$ 51,565 |
| International Card Services               | <b>8,806</b>     | 9,255     |
| Global Commercial Services                | <b>35</b>        | 30        |
| Cardmember loans, gross <sup>(b)</sup>    | <b>58,749</b>    | 60,850    |
| Less: Cardmember loans reserve for losses | <b>2,560</b>     | 3,646     |
| Cardmember loans, net                     | <b>\$ 56,189</b> | \$ 57,204 |
| Other loans, net <sup>(c)</sup>           | <b>\$ 377</b>    | \$ 412    |

(a) Includes approximately \$32.1 billion and \$34.7 billion of gross cardmember loans available to settle obligations of a consolidated VIE as of June 30, 2011 and December 31, 2010, respectively.

(b) Cardmember loan balance is net of unamortized net card fees of \$142 million and \$134 million as of June 30, 2011 and December 31, 2010, respectively.

(c) Other loans primarily represent small business installment loans and a store card portfolio whose billed business is not processed on the Company's network.

**Cardmember Loans and Cardmember Receivables Aging**

Generally, a cardmember account is considered past due if payment is not received within 30 days after the billing statement date. The following table represents the aging of cardmember loans and receivables as of June 30, 2011 and December 31, 2010:

|                                |                  | 30-59<br>Days<br>Past<br>Due | 60-89<br>Days<br>Past<br>Due | 90+<br>Days<br>Past<br>Due |                  |
|--------------------------------|------------------|------------------------------|------------------------------|----------------------------|------------------|
| <b>2011 (Millions)</b>         | Current          |                              |                              |                            | Total            |
| <b>Cardmember Loans:</b>       |                  |                              |                              |                            |                  |
| U.S. Card Services             | <b>\$ 49,153</b> | <b>\$ 209</b>                | <b>\$ 157</b>                | <b>\$ 389</b>              | <b>\$ 49,908</b> |
| International Card Services    | <b>8,625</b>     | <b>61</b>                    | <b>38</b>                    | <b>82</b>                  | <b>8,806</b>     |
| <b>Cardmember Receivables:</b> |                  |                              |                              |                            |                  |
| U.S. Card Services             | <b>\$ 18,927</b> | <b>\$ 114</b>                | <b>\$ 62</b>                 | <b>\$ 146</b>              | <b>\$ 19,249</b> |

|                                            |     |     |     |    |        |
|--------------------------------------------|-----|-----|-----|----|--------|
| International Card Services <sup>(a)</sup> | (b) | (b) | (b) | 71 | 6,872  |
| Global Commercial Services <sup>(a)</sup>  | (b) | (b) | (b) | 92 | 13,814 |

2010 (Millions)

**Cardmember Loans:**

|                             |           |        |        |        |           |
|-----------------------------|-----------|--------|--------|--------|-----------|
| U.S. Card Services          | \$ 50,508 | \$ 282 | \$ 226 | \$ 549 | \$ 51,565 |
| International Card Services | 9,044     | 66     | 48     | 97     | 9,255     |

**Cardmember Receivables:**

|                                            |           |        |       |        |           |
|--------------------------------------------|-----------|--------|-------|--------|-----------|
| U.S. Card Services                         | \$ 18,864 | \$ 104 | \$ 55 | \$ 132 | \$ 19,155 |
| International Card Services <sup>(a)</sup> | (b)       | (b)    | (b)   | 64     | 6,673     |
| Global Commercial Services <sup>(a)</sup>  | (b)       | (b)    | (b)   | 96     | 11,259    |

- (a) For cardmember receivables in International Card Services (ICS) and Global Commercial Services (GCS), delinquency data is tracked based on days past billing status rather than days past due. A cardmember account is considered 90 days past billing if payment has not been received within 90 days of the cardmember's billing statement date. In addition, if the Company initiates collection procedures on an account prior to the account becoming 90 days past billing the associated cardmember receivable balance is considered as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes.
- (b) Historically, data for periods prior to 90 days past billing are not available due to system constraints. Therefore, it has not been utilized for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

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**Credit Quality Indicators for Loans and Receivables**

The following tables present the key credit quality indicators as of or for the six months ended June 30:

|                                                    | 2011                             |                                                     |                                                 | 2010                             |                                                     |                                                 |
|----------------------------------------------------|----------------------------------|-----------------------------------------------------|-------------------------------------------------|----------------------------------|-----------------------------------------------------|-------------------------------------------------|
|                                                    | Net Write-Off Rate               |                                                     |                                                 | Net Write-Off Rate               |                                                     |                                                 |
|                                                    | Principal<br>Only <sup>(a)</sup> | Principal,<br>Interest,<br>&<br>Fees <sup>(a)</sup> | 30 Days<br>Past<br>Due<br>as a %<br>of<br>Total | Principal<br>Only <sup>(a)</sup> | Principal,<br>Interest,<br>&<br>Fees <sup>(a)</sup> | 30 Days<br>Past<br>Due<br>as a %<br>of<br>Total |
| U.S. Card Services<br>Cardmember Loans             | 3.4%                             | 3.8%                                                | 1.5%                                            | 6.7%                             | 7.4%                                                | 2.7%                                            |
| International Card<br>Services Cardmember<br>Loans | 3.1%                             | 3.7%                                                | 2.1%                                            | 5.2%                             | 6.2%                                                | 3.0%                                            |
| U.S. Card Services<br>Cardmember Receivables       | 1.6%                             | 1.7%                                                | 1.7%                                            | 1.7%                             | 1.9%                                                | 1.5%                                            |

|                                                       | 2011                                                     |                                                        | 2010                                                                    |                                                        |
|-------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------|
|                                                       | Net<br>Loss<br>Ratio<br>as<br>a % of<br>Charge<br>Volume | 90 Days<br>Past<br>Billing<br>as a % of<br>Receivables | Net<br>Loss<br>Ratio<br>as<br>a % of<br>Charge<br>Volume <sup>(b)</sup> | 90 Days<br>Past<br>Billing<br>as a % of<br>Receivables |
| International Card Services Cardmember<br>Receivables | 0.15%                                                    | 1.0%                                                   | 0.34%                                                                   | 1.0%                                                   |
| Global Commercial Services Cardmember<br>Receivables  | 0.06%                                                    | 0.7%                                                   | 0.17%                                                                   | 1.0%                                                   |

(a) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company's practice is to include uncollectible interest and/or fees as part of its total provision for losses, a net write-off rate including principal, interest and/or fees is also presented.

(b) In the first quarter of 2010, the Company modified its reporting in the ICS and GCS segments to write-off past due cardmember receivables when 180 days past due or earlier, versus its prior methodology of writing them off when 360 days past billing or earlier. This change is consistent with bank regulatory guidance and the write-off methodology adopted for the cardmember receivables portfolio in the U.S. Card Services

(USCS) segment in the fourth quarter of 2008. This change resulted in approximately \$60 million and \$48 million of net write-offs for ICS and GCS, respectively, being included in the first quarter of 2010, which increased the net loss ratios and decreased the 90 days past billing metrics for these segments, but did not have a substantial impact on provisions for losses.

Refer to Note 5 for other factors, including external environmental factors, that management considers as part of its evaluation process for reserves for losses.

### **Impaired Loans and Receivables**

Impaired loans and receivables are defined by GAAP as individual larger balance or homogeneous pools of smaller balance restructured loans and receivables for which it is probable that the lender will be unable to collect all amounts due according to the original contractual terms of the loan and receivable agreement. The Company considers impaired loans and receivables to include: (i) loans over 90 days past due still accruing interest, (ii) non-accrual loans, and (iii) loans and receivables modified in a troubled debt restructuring (TDR).

The Company may modify, through various company sponsored programs, cardmember loans and receivables in instances where the cardmember is experiencing financial difficulty to minimize losses to the Company while providing cardmembers with temporary or permanent financial relief. The Company has classified cardmember loans and receivables in these modification programs as TDRs. Such modifications may include reducing the interest rate (as low as zero percent, in which case the loan is characterized as non-accrual in our TDR disclosures) or delinquency fees on the loans and receivables and/or placing the cardmember on a fixed payment plan not exceeding 60 months. In accordance with the modification agreement with the cardmember, loans with modified terms will revert back to their original contractual terms (including their contractual interest rate) when they exit the TDR program, either (i) when all payments have been made in accordance with the modification agreement or (ii) in the event that a payment

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is not made and the cardmember defaults out of the program. In either case, in accordance with its normal policy, the Company establishes a reserve for cardmember interest charges that it believes will not be collected.

The performance of a TDR is closely monitored to understand its impact on the Company's reserve for losses. Though the ultimate success of these modification programs remains uncertain, the Company believes they improve the cumulative loss performance of such loans and receivables.

Reserves for a TDR are determined by the difference between cash flows expected to be received from the cardmember discounted at the original effective interest rates and the carrying value of the cardmember loan or receivable balance. The Company determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty rate. All changes in the impairment measurement, including the component due to the passage of time, are included in the provision for losses within the Consolidated Statements of Income.

The following tables provide additional information with respect to the Company's impaired cardmember loans and receivables as of June 30, 2011 and December 31, 2010:

|                                                    | Loans<br>over<br>90 Days<br>Past Due<br>&<br>Accruing<br>Interest <sup>(a)</sup> | Non-<br>Accrual<br>Loans <sup>(b)</sup> | Loans &<br>Receivables<br>Modified<br>as a TDR <sup>(c)</sup> | Total<br>Impaired<br>Loans &<br>Receivables | Unpaid<br>Principal<br>Balance <sup>(d)</sup> | Allowance<br>for<br>TDRs <sup>(e)</sup> |
|----------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------|
| <i>(Millions)</i>                                  |                                                                                  |                                         |                                                               |                                             |                                               |                                         |
| <b>2011</b>                                        |                                                                                  |                                         |                                                               |                                             |                                               |                                         |
| U.S. Card Services<br>Cardmember Loans             | \$ 53                                                                            | \$ 471                                  | \$ 898                                                        | \$ 1,422                                    | \$ 1,359                                      | \$ 215                                  |
| International Card<br>Services Cardmember<br>Loans | 81                                                                               | 6                                       | 9                                                             | 96                                          | 93                                            | 4                                       |
| U.S. Card Services<br>Cardmember<br>Receivables    |                                                                                  |                                         | 138                                                           | 138                                         | 131                                           | 83                                      |
| Total <sup>(f)</sup>                               | \$ 134                                                                           | \$ 477                                  | \$ 1,045                                                      | \$ 1,656                                    | \$ 1,583                                      | \$ 302                                  |

|  | Loans<br>over<br>90 Days<br>Past Due<br>&<br>Accruing | Non-<br>Accrual | Loans &<br>Receivables<br>Modified | Total<br>Impaired<br>Loans & | Unpaid<br>Principal | Allowance |
|--|-------------------------------------------------------|-----------------|------------------------------------|------------------------------|---------------------|-----------|
|--|-------------------------------------------------------|-----------------|------------------------------------|------------------------------|---------------------|-----------|

| (Millions)           | Interest <sup>(a)</sup> | Loans <sup>(b)</sup> | as a TDR <sup>(c)</sup> | Receivables | Balance <sup>(d)</sup> | for<br>TDRs <sup>(e)</sup> |
|----------------------|-------------------------|----------------------|-------------------------|-------------|------------------------|----------------------------|
| <b>2010</b>          |                         |                      |                         |             |                        |                            |
| U.S. Card Services   |                         |                      |                         |             |                        |                            |
| Cardmember Loans     | \$ 90                   | \$ 628               | \$ 1,076                | \$ 1,794    | \$ 1,704               | \$ 274                     |
| International Card   |                         |                      |                         |             |                        |                            |
| Services Cardmember  |                         |                      |                         |             |                        |                            |
| Loans                | 95                      | 8                    | 11                      | 114         | 112                    | 5                          |
| U.S. Card Services   |                         |                      |                         |             |                        |                            |
| Cardmember           |                         |                      |                         |             |                        |                            |
| Receivables          |                         |                      | 114                     | 114         | 109                    | 63                         |
| Total <sup>(f)</sup> | \$ 185                  | \$ 636               | \$ 1,201                | \$ 2,022    | \$ 1,925               | \$ 342                     |

- (a) The Company's policy is generally to accrue interest through the date of charge-off (at 180 days past due). The Company establishes reserves for interest that the Company believes will not be collected.
- (b) Non-accrual loans not in modification programs include certain cardmember loans placed with outside collection agencies for which the Company has ceased accruing interest. The Company's policy is not to resume the accrual of interest on these loans. Payments received are applied against the recorded loan balance. Interest income is recognized on a cash basis for any payments received after the loan balance has been paid in full.
- (c) The total loans and receivables modified as a TDR include \$559 million and \$655 million that are non-accrual and \$8 million and \$7 million that are past due 90 days and still accruing interest as of June 30, 2011 and December 31, 2010, respectively. These amounts are excluded from the previous two columns.
- (d) Unpaid principal balance consists of cardmember charges billed and excludes other amounts charged directly by the Company such as interest and fees.
- (e) Represents the reserve for losses for TDRs, which are evaluated separately for impairment. The Company records a reserve for losses for all impaired loans. Refer to Cardmember Loans Evaluated Separately and Collectively for Impairment in Note 5 for further discussion of the reserve for losses on loans over 90 days past due and accruing interest and non-accrual loans, which are evaluated collectively for impairment.
- (f) These disclosures either do not apply or are not significant for cardmember receivables in ICS and GCS.

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The following table provides information with respect to the Company's interest income recognized and average balances of impaired cardmember loans and receivables:

|                                              | Three Months Ended<br>June 30, 2011 |                    | Six Months Ended<br>June 30, 2011 |                    |
|----------------------------------------------|-------------------------------------|--------------------|-----------------------------------|--------------------|
|                                              | Interest<br>Income<br>Recognized    | Average<br>Balance | Interest<br>Income<br>Recognized  | Average<br>Balance |
| <i>(Millions)</i>                            |                                     |                    |                                   |                    |
| U.S. Card Services Cardmember Loans          | \$ 17                               | \$ 1,500           | \$ 35                             | \$ 1,598           |
| International Card Services Cardmember Loans | 8                                   | 101                | 17                                | 106                |
| U.S. Card Services Cardmember Receivables    |                                     | 137                |                                   | 130                |
| Total <sup>(a)</sup>                         | \$ 25                               | \$ 1,738           | \$ 52                             | \$ 1,834           |

|                                              | Three Months Ended<br>June 30, 2010 |                    | Six Months Ended<br>June 30, 2010 |                    |
|----------------------------------------------|-------------------------------------|--------------------|-----------------------------------|--------------------|
|                                              | Interest<br>Income<br>Recognized    | Average<br>Balance | Interest<br>Income<br>Recognized  | Average<br>Balance |
| <i>(Millions)</i>                            |                                     |                    |                                   |                    |
| U.S. Card Services Cardmember Loans          | \$ 12                               | \$ 2,433           | \$ 24                             | \$ 2,513           |
| International Card Services Cardmember Loans | 11                                  | 148                | 25                                | 155                |
| U.S. Card Services Cardmember Receivables    |                                     | 118                |                                   | 111                |
| Total <sup>(a)</sup>                         | \$ 23                               | \$ 2,699           | \$ 49                             | \$ 2,779           |

(a) These disclosures either do not apply or are not significant for cardmember receivables in ICS and GCS.

## 5. Reserves for Losses

Reserves for losses relating to cardmember loans and receivables represent management's best estimate of the losses inherent in the Company's outstanding portfolio of loans and receivables. Management's evaluation process requires certain estimates and judgments.

Reserves for these losses are primarily based upon models that analyze portfolio performance and reflect management's judgment regarding overall reserve adequacy. The analytic models take into account several factors, including average losses and recoveries over an appropriate historical period. Management considers whether to adjust the analytic models for specific factors such as increased risk in certain portfolios, impact of risk management initiatives on portfolio performance and concentration of credit risk based on factors such as tenure, industry or geographic regions. In addition, management adjusts the reserves for losses on cardmember loans for other external environmental factors including leading economic and market indicators such as the unemployment rate, Gross Domestic Product (GDP), home price indices, non-farm payrolls, personal consumption expenditures index, consumer confidence index, purchasing managers index, bankruptcy filings and the legal and regulatory

environment. Generally, due to the short-term nature of cardmember receivables, the impact of additional external factors on the inherent losses within the cardmember receivable portfolio is not significant. As part of this evaluation process, management also considers various reserve coverage metrics, such as reserves as a percentage of past due amounts, reserves as a percentage of cardmember receivables or loans and net write-off coverage.

Cardmember loans and receivables balances are written off when management deems amounts to be uncollectible and is generally determined by the number of days past due, which is generally no later than 180 days past due. Cardmember loans and receivables in bankruptcy or owed by deceased individuals are written off upon notification. Recoveries are recognized on a cash basis.

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**Changes in Cardmember Receivables Reserve for Losses**

The following table presents changes in the cardmember receivables reserve for losses for the six months ended June 30:

| <i>(Millions)</i>                                      | <b>2011</b>   | 2010   |
|--------------------------------------------------------|---------------|--------|
| Balance, January 1                                     | <b>\$ 386</b> | \$ 546 |
| Additions:                                             |               |        |
| Cardmember receivables provisions <sup>(a)</sup>       | <b>279</b>    | 239    |
| Cardmember receivables provisions other <sup>(b)</sup> | <b>80</b>     | 84     |
| Total provision                                        | <b>359</b>    | 323    |
| Deductions:                                            |               |        |
| Cardmember receivables net write-offs <sup>(c)</sup>   | <b>(260)</b>  | (365)  |
| Cardmember receivables other <sup>(d)</sup>            | <b>(70)</b>   | (64)   |
| Balance, June 30                                       | <b>\$ 415</b> | \$ 440 |

(a) Represents loss provisions for cardmember receivables consisting of principal (resulting from authorized transactions) and fee reserve components.

(b) Primarily represents loss provisions for cardmember receivables resulting from unauthorized transactions.

(c) Represents write-offs consisting of principal (resulting from authorized transactions) and fee components, less recoveries of \$171 million and \$189 million for the six months ended June 30, 2011 and 2010, respectively.

(d) These amounts include net write-offs of cardmember receivables resulting from unauthorized transactions and foreign currency translation adjustments.

***Cardmember Receivables Evaluated Separately and Collectively for Impairment***

The following table presents cardmember receivables evaluated separately and collectively for impairment and related reserves as of June 30, 2011 and December 31, 2010:

| <i>(Millions)</i>                                                                     | <b>2011</b>      | 2010      |
|---------------------------------------------------------------------------------------|------------------|-----------|
| Cardmember receivables evaluated separately for impairment <sup>(a)</sup>             | <b>\$ 138</b>    | \$ 114    |
| Reserves on cardmember receivables evaluated separately for impairment <sup>(a)</sup> | <b>\$ 83</b>     | \$ 63     |
| Cardmember receivables evaluated collectively for impairment                          | <b>\$ 40,005</b> | \$ 37,152 |
| Reserves on cardmember receivables evaluated collectively for impairment              | <b>\$ 332</b>    | \$ 323    |

- (a) Represents receivables modified in a TDR and related reserves. Refer to the Impaired Loans and Receivables discussion in Note 4 for further information.

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**Changes in Cardmember Loans Reserve for Losses**

The following table presents changes in the cardmember loans reserve for losses for the six months ended June 30:

|                                                                                     |                 |          |
|-------------------------------------------------------------------------------------|-----------------|----------|
| <i>(Millions)</i>                                                                   | <b>2011</b>     | 2010     |
| Balance, January 1                                                                  | <b>\$ 3,646</b> | \$ 3,268 |
| Reserves established for consolidation of a variable interest entity <sup>(a)</sup> |                 | 2,531    |
| Total adjusted balance, January 1                                                   | <b>3,646</b>    | 5,799    |
| Additions:                                                                          |                 |          |
| Cardmember loans provisions <sup>(b)</sup>                                          | <b>7</b>        | 1,190    |
| Cardmember loans provisions other <sup>(c)</sup>                                    | <b>49</b>       | 38       |
| Total provision                                                                     | <b>56</b>       | 1,228    |
| Deductions:                                                                         |                 |          |
| Cardmember loans net write-offs principal <sup>(d)</sup>                            | <b>(992)</b>    | (1,902)  |
| Cardmember loans net write-offs interest and fees <sup>(d)</sup>                    | <b>(115)</b>    | (206)    |
| Cardmember loans other <sup>(e)</sup>                                               | <b>(35)</b>     | (53)     |
| Balance, June 30                                                                    | <b>\$ 2,560</b> | \$ 4,866 |

- (a) Represents the establishment of cardmember reserves for losses for cardmember loans issued by the American Express Credit Account Master Trust (the Lending Trust) for the securitized loan portfolio that was consolidated under accounting guidance for consolidation of VIEs effective January 1, 2010. The establishment of the \$2.5 billion reserve for losses for the securitized loan portfolio was determined by applying the same methodology as is used for the Company's unsecuritized loan portfolio. There was no incremental reserve required nor were any charge-offs recorded in conjunction with the consolidation of the Lending Trust.
- (b) Represents loss provisions for cardmember loans consisting of principal (resulting from authorized transactions), interest and fee reserves components.
- (c) Primarily represents loss provisions for cardmember loans resulting from unauthorized transactions.
- (d) Cardmember loans net write-offs principal for the six months ended June 30, 2011 and 2010 include recoveries of \$300 million and \$280 million, respectively. Recoveries of interest and fees were de minimis.
- (e) These amounts include net write-offs related to unauthorized transactions and foreign currency translation adjustments.

***Cardmember Loans Evaluated Separately and Collectively for Impairment***

The following table presents cardmember loans evaluated separately and collectively for impairment and the related reserves as of June 30, 2011 and December 31, 2010:

| <i>(Millions)</i>                                                                 | <b>2011</b>      | <b>2010</b>      |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Cardmember loans evaluated separately for impairment <sup>(a)</sup>               | <b>\$ 907</b>    | <b>\$ 1,087</b>  |
| Reserves on cardmember loans evaluated separately for impairment <sup>(a)</sup>   | <b>\$ 219</b>    | <b>\$ 279</b>    |
| Cardmember loans evaluated collectively for impairment <sup>(b)</sup>             | <b>\$ 57,842</b> | <b>\$ 59,763</b> |
| Reserves on cardmember loans evaluated collectively for impairment <sup>(b)</sup> | <b>\$ 2,341</b>  | <b>\$ 3,367</b>  |

(a) Represents loans modified in a TDR and related reserves. Refer to the Impaired Loans and Receivables discussion in Note 4 for further information.

(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans and related reserves. The reserves include the results of analytical models that are specific to individual pools of loans and reserves for external environmental factors that apply broadly to all loans collectively evaluated for impairment and are not specific to any individual pool of loans.

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**6. Investment Securities**

Investment securities include debt and equity securities and are classified as available for sale. The Company's investment securities, principally debt securities, are carried at fair value on the Consolidated Balance Sheets with unrealized gains (losses) recorded in Accumulated Other Comprehensive Income (AOCI), net of income tax provisions (benefits). Realized gains and losses are recognized in results of operations upon disposition of the securities using the specific identification method on a trade date basis. Refer to Note 3 for a description of the Company's methodology for determining the fair value of its investment securities.

The following is a summary of investment securities as of June 30, 2011 and December 31, 2010:

| (Millions)                                | 2011     |                              |                               |                            | 2010      |                              |                               |                            |
|-------------------------------------------|----------|------------------------------|-------------------------------|----------------------------|-----------|------------------------------|-------------------------------|----------------------------|
|                                           | Cost     | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value | Cost      | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Estimated<br>Fair<br>Value |
| State and municipal obligations           | \$ 5,363 | \$ 40                        | \$ (246)                      | \$ 5,157                   | \$ 6,140  | \$ 24                        | \$ (367)                      | \$ 5,797                   |
| U.S. Government agency obligations        | 352      | 5                            |                               | 357                        | 3,402     | 12                           | (1)                           | 3,413                      |
| U.S. Government treasury obligations      | 1,935    | 8                            |                               | 1,943                      | 2,450     | 6                            |                               | 2,456                      |
| Corporate debt securities <sup>(a)</sup>  | 1,011    | 15                           |                               | 1,026                      | 1,431     | 15                           | (1)                           | 1,445                      |
| Mortgage-backed securities <sup>(b)</sup> | 277      | 9                            | (1)                           | 285                        | 272       | 6                            | (2)                           | 276                        |
| Equity securities <sup>(c)</sup>          | 98       | 386                          |                               | 484                        | 98        | 377                          |                               | 475                        |
| Foreign government bonds and obligations  | 111      | 6                            |                               | 117                        | 95        | 4                            |                               | 99                         |
| Other <sup>(d)</sup>                      | 60       |                              |                               | 60                         | 49        |                              |                               | 49                         |
| Total                                     | \$ 9,207 | \$ 469                       | \$ (247)                      | \$ 9,429                   | \$ 13,937 | \$ 444                       | \$ (371)                      | \$ 14,010                  |

(a) The June 30, 2011 and December 31, 2010 balances include, on a cost basis, \$0.9 billion and \$1.3 billion, respectively, of corporate debt obligations issued under the Temporary Liquidity Guarantee Program (TLGP) that are guaranteed by the Federal Deposit Insurance Corporation (FDIC).

(b) Represents mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

(c) Represents the Company's investment in Industrial and Commercial Bank of China (ICBC).

(d) Other is comprised of investments in various mutual funds.

**Other-Than-Temporary Impairment**

Realized losses are recognized upon management's determination that a decline in fair value is other than temporary. The determination of other-than-temporary impairment is a subjective process, requiring the use of judgments and assumptions regarding the amount and timing of recovery. The Company reviews and evaluates its investments at least quarterly and more often, as market conditions may require, to identify investments that have indications of other-than-temporary impairments. It is reasonably possible that a change in estimate could occur in the near term relating to other-than-temporary impairment. Accordingly, the Company considers several factors when evaluating debt securities for other-than-temporary impairment including the determination of the extent to which the decline in fair value of the security is due to increased default risk for the specific issuer or market interest rate risk. With respect to increased default risk, the Company assesses the collectibility of principal and interest payments by monitoring issuers' credit ratings, related changes to those ratings, specific credit events associated with the individual issuers as well as the credit ratings of a financial guarantor, where applicable, and the extent to which amortized cost exceeds fair value and the duration and size of that difference. With respect to market interest rate risk, including benchmark interest rates and credit spreads, the Company assesses whether it has the intent to sell the securities and whether it is more likely than not that the Company will not be required to sell the securities before recovery of any unrealized losses.

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The following table provides information about the Company's investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2011 and December 31, 2010:

| (Millions)                         | 2011                |            |                   |            | 2010                |            |                   |            |
|------------------------------------|---------------------|------------|-------------------|------------|---------------------|------------|-------------------|------------|
|                                    | Less than 12 months |            | 12 months or more |            | Less than 12 months |            | 12 months or more |            |
|                                    | Gross               |            | Gross             |            | Gross               |            | Gross             |            |
|                                    | Estimated           | Unrealized | Estimated         | Unrealized | Estimated           | Unrealized | Estimated         | Unrealized |
|                                    | Fair                |            | Fair              |            | Fair                |            | Fair              |            |
| Description of Securities          | Value               | Losses     | Value             | Losses     | Value               | Losses     | Value             | Losses     |
| State and municipal obligations    | \$ 1,601            | \$ (72)    | \$ 1,094          | \$ (174)   | \$ 2,535            | \$ (156)   | \$ 1,076          | \$ (211)   |
| U.S. Government agency obligations |                     |            |                   |            | 299                 | (1)        |                   |            |
| Corporate debt securities          |                     |            |                   |            |                     |            | 3                 | (1)        |
| Mortgage-backed securities         | 46                  | (1)        |                   |            | 71                  | (2)        |                   |            |
| Total                              | \$ 1,647            | \$ (73)    | \$ 1,094          | \$ (174)   | \$ 2,905            | \$ (159)   | \$ 1,079          | \$ (212)   |

The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost as of June 30, 2011 and December 31, 2010:

| (Millions)                            | Less than 12 months |            |            | 12 months or more |            |            | Total      |            |            |
|---------------------------------------|---------------------|------------|------------|-------------------|------------|------------|------------|------------|------------|
|                                       | Gross               |            |            | Gross             |            |            | Gross      |            |            |
|                                       | Number              | of         |            | Number            | of         |            | Number     | of         |            |
|                                       | of                  | Estimated  | Unrealized | of                | Estimated  | Unrealized | of         | Estimated  | Unrealized |
|                                       | Securities          | Fair Value | Losses     | Securities        | Fair Value | Losses     | Securities | Fair Value | Losses     |
| Ratio of Fair Value to Amortized Cost |                     |            |            |                   |            |            |            |            |            |
| <b>2011:</b>                          |                     |            |            |                   |            |            |            |            |            |
| 90%-100%                              | 280                 | \$ 1,576   | \$ (61)    | 64                | \$ 353     | \$ (30)    | 344        | \$ 1,929   | \$ (91)    |
| Less than 90%                         | 11                  | 71         | (12)       | 73                | 741        | (144)      | 84         | 812        | (156)      |
| Total as of June 30, 2011             | 291                 | \$ 1,647   | \$ (73)    | 137               | \$ 1,094   | \$ (174)   | 428        | \$ 2,741   | \$ (247)   |
| <b>2010:</b>                          |                     |            |            |                   |            |            |            |            |            |
| 90%-100%                              | 457                 | \$ 2,554   | \$ (113)   | 31                | \$ 79      | \$ (7)     | 488        | \$ 2,633   | \$ (120)   |
| Less than 90%                         | 48                  | 351        | (46)       | 115               | 1,000      | (205)      | 163        | 1,351      | (251)      |
| Total as of December 31, 2010         | 505                 | \$ 2,905   | \$ (159)   | 146               | \$ 1,079   | \$ (212)   | 651        | \$ 3,984   | \$ (371)   |

The gross unrealized losses on state and municipal securities and all other debt securities can be attributed to higher credit spreads generally for state and municipal securities, higher credit spreads for specific issuers, changes in market benchmark interest rates, or a combination thereof, all as compared to those prevailing when the investment securities were acquired.

In assessing default risk on these investment securities, the Company has qualitatively considered the key factors identified above and determined that it expects to collect all of the contractual cash flows due on the investment securities.

Overall, for the investment securities in gross unrealized loss positions identified above, (a) the Company does not intend to sell the investment securities, (b) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (c) the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairments during the six months ended June 30, 2011 or the year ended December 31, 2010.

### **Supplemental Information**

Gross realized gains on sales of investment securities, included in other non-interest revenues for the three and six months ended June 30, 2010, were \$1 million and \$2 million, respectively (there were no gross realized gains for the three and six months ended June 30, 2011). Gross realized losses on sales of investment securities, included in other non-interest revenues for both the three and six months ended June 30, 2010, were \$6 million (there were no gross realized losses for the three and six months ended June 30, 2011).

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Contractual maturities of investment securities, excluding equity securities and other securities, as of June 30, 2011 were as follows:

| <i>(Millions)</i>                     | Cost     | Estimated<br>Fair Value |
|---------------------------------------|----------|-------------------------|
| Due within 1 year                     | \$ 2,549 | \$ 2,560                |
| Due after 1 year but within 5 years   | 824      | 839                     |
| Due after 5 years but within 10 years | 268      | 279                     |
| Due after 10 years                    | 5,408    | 5,207                   |
| Total                                 | \$ 9,049 | \$ 8,885                |

The expected payments on state and municipal obligations and mortgage-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

**7. Asset Securitizations****Charge Trust and Lending Trust**

The Company periodically securitizes cardmember receivables and loans arising from its card business through the transfer of those assets to securitization trusts. The trusts then issue securities to third-party investors, collateralized by the transferred assets.

Cardmember receivables are transferred to the Charge Trust and cardmember loans are transferred to the Lending Trust. The Charge Trust and the Lending Trust are consolidated by American Express Travel Related Services Company, Inc. (TRS), which is a consolidated subsidiary of the Company. The trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue securities that are collateralized by the underlying cardmember receivables and loans.

TRS, in its role as servicer of the Charge Trust and the Lending Trust, has the power to direct the most significant activity of the trusts, which is the collection of the underlying cardmember receivables and loans in the trusts. In addition, TRS owns approximately \$1.0 billion of subordinated securities issued by the Lending Trust as of June 30, 2011. These subordinated securities have the obligation to absorb losses of the Lending Trust and provide the right to receive benefits from the Lending Trust, both of which are significant to the VIE. TRS' role as servicer for the Charge Trust does not provide it with a significant obligation to absorb losses or a significant right to receive benefits. However, TRS' position as the parent company of the entities that transferred the receivables to the Charge Trust makes it the party most closely related to the Charge Trust. Based on these considerations, TRS was determined to be the primary beneficiary of both the Charge Trust and the Lending Trust.

The debt securities issued by the Charge Trust and the Lending Trust are non-recourse to the Company. Securitized cardmember receivables and loans held by the Charge Trust and the Lending Trust are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions. The long-term debt of each trust is payable only out of collections on their respective underlying securitized assets.

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There was approximately \$7 million and \$9 million of restricted cash held by the Charge Trust as of June 30, 2011 and December 31, 2010, respectively, and approximately \$297 million and \$3.7 billion of restricted cash held by the Lending Trust as of June 30, 2011 and December 31, 2010, respectively, included in other assets on the Company's Consolidated Balance Sheets. These amounts relate to collections of cardmember receivables and loans to be used by the trusts to fund future expenses, and obligations, including interest paid on investor certificates, credit losses and upcoming debt maturities.

**Charge Trust and Lending Trust Triggering Events**

Under the respective terms of the Charge Trust and the Lending Trust agreements, the occurrence of certain events could result in establishment of reserve funds, or in a worst-case scenario, early amortization of investor certificates. During the six months ended June 30, 2011 and the year ended December 31, 2010, no triggering events have occurred resulting in funding of reserve accounts or early amortization.

**8. Customer Deposits**

As of June 30, 2011 and December 31, 2010, customer deposits were categorized as interest-bearing or non-interest-bearing deposits as follows:

| <i>(Millions)</i>       | <b>2011</b>      | <b>2010</b> |
|-------------------------|------------------|-------------|
| U.S.:                   |                  |             |
| Interest-bearing        | <b>\$ 31,580</b> | \$ 29,053   |
| Non-interest-bearing    | <b>4</b>         | 17          |
| Non-U.S.:               |                  |             |
| Interest-bearing        | <b>682</b>       | 640         |
| Non-interest-bearing    | <b>25</b>        | 17          |
| Total customer deposits | <b>\$ 32,291</b> | \$ 29,727   |

Customer deposits were aggregated by deposit type offered by the Company as of June 30, 2011 and December 31, 2010 as follows:

| <i>(Millions)</i>             | <b>2011</b>      | <b>2010</b> |
|-------------------------------|------------------|-------------|
| U.S. retail deposits:         |                  |             |
| Savings accounts    Direct    | <b>\$ 12,965</b> | \$ 7,725    |
| Certificates of deposit       |                  |             |
| Direct                        | <b>926</b>       | 1,052       |
| Third party                   | <b>8,640</b>     | 11,411      |
| Sweep accounts    Third party | <b>9,049</b>     | 8,865       |
| Other deposits                | <b>711</b>       | 674         |
| Total customer deposits       | <b>\$ 32,291</b> | \$ 29,727   |

The scheduled maturities of all certificates of deposit as of June 30, 2011 were as follows:

| <i>(Millions)</i> | U.S.            | Non-U.S.      | Total            |
|-------------------|-----------------|---------------|------------------|
| 2011              | <b>\$ 2,087</b> | <b>\$ 407</b> | <b>\$ 2,494</b>  |
| 2012              | <b>3,217</b>    | <b>27</b>     | <b>3,244</b>     |
| 2013              | <b>2,550</b>    |               | <b>2,550</b>     |
| 2014              | <b>1,153</b>    |               | <b>1,153</b>     |
| 2015              | <b>121</b>      |               | <b>121</b>       |
| After 5 years     | <b>438</b>      |               | <b>438</b>       |
| Total             | <b>\$ 9,566</b> | <b>\$ 434</b> | <b>\$ 10,000</b> |

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As of June 30, 2011 and December 31, 2010, certificates of deposit in denominations of \$100,000 or more were as follows:

| <i>(Millions)</i> | <b>2011</b>   | 2010   |
|-------------------|---------------|--------|
| U.S.              | <b>\$ 606</b> | \$ 689 |
| Non-U.S.          | <b>349</b>    | 291    |
| Total             | <b>\$ 955</b> | \$ 980 |

**9. Derivatives and Hedging Activities**

The Company uses derivative financial instruments (derivatives) to manage exposure to various market risks. Market risk is the risk to earnings or value resulting from movements in market prices. The Company's market risk exposure is primarily generated by:

Interest rate risk in its card, insurance and Travelers Cheque businesses, as well as its investment portfolios; and

Foreign exchange risk in its operations outside the United States.

General principles and the overall framework for managing market risk across the Company are defined in the Market Risk Policy, which is the responsibility of the Asset-Liability Committee (ALCO). Market risk limits and escalation triggers in that policy are approved by the ALCO and by the Enterprise-wide Risk Management Committee (ERMC). Market risk is centrally monitored for compliance with policy and limits by the Market Risk Committee, which reports into the ALCO and is chaired by the Chief Market Risk Officer. Market risk management is also guided by policies covering the use of derivatives, funding and liquidity and investments. Derivatives derive their value from an underlying variable or multiple variables, including interest rate, foreign exchange, and equity indices or prices. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of the Company's market risk management. The Company does not engage in derivatives for trading purposes.

The Company's market exposures are in large part byproducts of the delivery of its products and services. Interest rate risk arises through the funding of cardmember receivables and fixed-rate loans with variable-rate borrowings as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR.

Interest rate exposure within the Company's charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by short-term and variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to synthetically convert fixed-rate debt obligations to variable-rate obligations or to convert variable-rate debt obligations to fixed rate obligations. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

Foreign exchange risk is generated by cardmember cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity, and foreign currency earnings in units outside the United States. The Company's foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure to the extent it is economically justified through various means,

including the use of derivatives such as foreign exchange forward and cross-currency swap contracts, which can help lock in the value of the Company's exposure to specific currencies.

Derivatives may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company manages this risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months,

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considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved and rated as investment grade. Counterparty risk exposures are monitored by the Company's Institutional Risk Management Committee (IRMC). The IRMC formally reviews large institutional exposures to ensure compliance with the Company's ERM guidelines and procedures and determines the risk mitigation actions, when necessary. Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, the Company has, in certain limited instances, entered into agreements with its derivative counterparties including master netting agreements, which may provide a right of offset for certain exposures between the parties.

In relation to the Company's credit risk, under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of a specified credit risk-related event. As of June 30, 2011, and December 31, 2010, the counterparty credit risk associated with the Company's derivatives was not significant.

The Company's derivatives are carried at fair value on the Consolidated Balance Sheets. The accounting for changes in fair value depends on the instruments' intended use and the resulting hedge designation, if any, as discussed below. Refer to Note 3 for a description of the Company's methodology for determining the fair value of its derivatives.

The following table summarizes the total gross fair value, excluding interest accruals, of derivative assets and liabilities as of June 30, 2011 and December 31, 2010:

| <i>(Millions)</i>                                                                 | Other Assets<br>Fair Value |          | Other Liabilities<br>Fair Value |        |
|-----------------------------------------------------------------------------------|----------------------------|----------|---------------------------------|--------|
|                                                                                   | 2011                       | 2010     | 2011                            | 2010   |
| Derivatives designated as hedging instruments:                                    |                            |          |                                 |        |
| Interest rate contracts                                                           |                            |          |                                 |        |
| Fair value hedges                                                                 | \$ 864                     | \$ 909   | \$ 9                            | \$ 38  |
| Cash flow hedges                                                                  |                            | 2        |                                 | 13     |
| Foreign exchange contracts                                                        |                            |          |                                 |        |
| Net investment hedges                                                             | 141                        | 66       | 100                             | 272    |
| Total derivatives designated as hedging instruments                               | \$ 1,005                   | \$ 977   | \$ 109                          | \$ 323 |
| Derivatives not designated as hedging instruments:                                |                            |          |                                 |        |
| Interest rate contracts                                                           | \$ 2                       | \$ 3     | \$ 3                            | \$ 3   |
| Foreign exchange contracts, including certain embedded derivatives <sup>(a)</sup> | 64                         | 109      | 90                              | 91     |
| Equity-linked embedded derivative <sup>(b)</sup>                                  |                            |          | 2                               | 2      |
| Total derivatives not designated as hedging instruments                           | \$ 66                      | \$ 112   | \$ 95                           | \$ 96  |
| Total derivatives <sup>(c)</sup>                                                  | \$ 1,071                   | \$ 1,089 | \$ 204                          | \$ 419 |

(a) Includes foreign currency derivatives embedded in certain operating agreements.

(b) Represents an equity-linked derivative embedded in one of the Company's investment securities.

- (c) GAAP permits the netting of derivative assets and derivative liabilities when a legally enforceable master netting agreement exists between the Company and its derivative counterparty. As of June 30, 2011 and December 31, 2010, \$21 million and \$18 million, respectively, of derivative assets and liabilities have been offset and presented net on the Consolidated Balance Sheets.

**Derivative Financial Instruments that Qualify for Hedge Accounting**

Derivatives executed for hedge accounting purposes are documented and designated as such when the Company enters into the contracts. In accordance with its risk management policies, the Company structures its hedges with very similar terms to the hedged items. The Company formally assesses, at inception of the hedge accounting relationship and on a quarterly basis, whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of the hedged items. These assessments usually are made through the application of a regression analysis method. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

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**Fair Value Hedges**

A fair value hedge involves a derivative designated to hedge the Company's exposure to future changes in the fair value of an asset or a liability, or an identified portion thereof that is attributable to a particular risk. The Company is exposed to interest rate risk associated with its fixed-rate long-term debt. The Company uses interest rate swaps to synthetically convert certain fixed-rate long-term debt obligations to floating-rate obligations at the time of issuance. As of June 30, 2011 and December 31, 2010, the Company hedged \$16.4 billion and \$15.9 billion, respectively, of its fixed-rate debt to floating-rate debt using interest rate swaps.

To the extent the fair value hedge is effective, the gain or loss on the hedging instrument offsets the loss or gain on the hedged item attributable to the hedged risk. Any difference between the changes in the fair value of the derivative and the hedged item is referred to as hedge ineffectiveness and is reflected in earnings as a component of other, net expenses. Hedge ineffectiveness may be caused by differences between the debt's interest coupon and the benchmark rate, which are primarily due to credit spreads at inception of the hedging relationship that are not reflected in the valuation of the interest rate swap. Furthermore, hedge ineffectiveness may be caused by changes in the relationship between 3-month LIBOR and 1-month LIBOR rates, as these so-called basis spreads may impact the valuation of the interest rate swap without causing an offsetting impact in the value of the hedged debt. If a fair value hedge is de-designated or no longer considered to be effective, changes in fair value of the derivative continue to be recorded through earnings but the hedged asset or liability is no longer adjusted for changes in fair value due to changes in interest rates. The existing basis adjustment of the hedged asset or liability is then amortized or accreted as an adjustment to yield over the remaining life of that asset or liability.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company's hedges of fixed-rate long-term debt:

For the Three Months Ended June 30:

| <i>(Millions)</i>       |            | Gains (losses) recognized in income |      |             |            |          |                           |       |
|-------------------------|------------|-------------------------------------|------|-------------|------------|----------|---------------------------|-------|
|                         |            | Derivative contract                 |      | Hedged item |            |          | Net hedge ineffectiveness |       |
| Derivative relationship | Location   | Amount                              | 2011 | 2010        | Location   | Amount   | 2011                      | 2010  |
|                         | Other, net |                                     |      |             | Other, net |          |                           |       |
| Interest rate contracts | expenses   | \$                                  | 142  | \$ 289      | expenses   | \$ (138) | \$ 4                      | \$ 37 |

For the Six Months Ended June 30:

| <i>(Millions)</i>       |            | Gains (losses) recognized in income |      |             |            |        |                           |       |
|-------------------------|------------|-------------------------------------|------|-------------|------------|--------|---------------------------|-------|
|                         |            | Derivative contract                 |      | Hedged item |            |        | Net hedge ineffectiveness |       |
| Derivative relationship | Location   | Amount                              | 2011 | 2010        | Location   | Amount | 2011                      | 2010  |
|                         | Other, net |                                     |      |             | Other, net |        |                           |       |
| Interest rate contracts | expenses   | \$                                  | (16) | \$ 413      | expenses   | \$ 1   | \$ (15)                   | \$ 46 |

The Company also recognized a net reduction in interest expense on long-term debt and other of \$126 million and \$130 million for the three months ended June 30, 2011 and 2010, respectively, primarily related to the net settlements (interest accruals) on the Company's interest rate derivatives designated as fair value hedges. For the six months ended

June 30, 2011 and 2010, the impact on interest expense was a net reduction in interest expense on long-term debt and other of \$251 million and \$262 million, respectively.

**Cash Flow Hedges**

A cash flow hedge involves a derivative designated to hedge the Company's exposure to variable future cash flows attributable to a particular risk. Such exposures may relate to either an existing recognized asset or liability or a forecasted transaction. The Company hedges existing long-term variable-rate debt, the rollover of short-term borrowings and the anticipated forecasted issuance of additional funding through the use of derivatives, primarily interest rate swaps. These derivative instruments synthetically convert floating-rate debt obligations to fixed-rate obligations for the duration of the instrument. As of June 30, 2011 and December 31, 2010, the Company hedged \$784 million and \$1.3 billion of its floating-rate debt using interest rate swaps, respectively.

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For derivatives designated as cash flow hedges, the effective portion of the gain or loss on the derivatives is recorded in AOCI and reclassified into earnings when the hedged cash flows are recognized in earnings. The amount that is reclassified into earnings is presented in the Consolidated Statements of Income in the same line item in which the hedged instrument or transaction is recognized, primarily in interest expense. Any ineffective portion of the gain or loss on the derivatives is reported as a component of other, net expenses. If a cash flow hedge is de-designated or terminated prior to maturity, the amount previously recorded in AOCI is recognized into earnings over the period that the hedged item impacts earnings. If a hedge relationship is discontinued because it is probable that the forecasted transaction will not occur according to the original strategy, any related amounts previously recorded in AOCI are recognized into earnings immediately.

In the normal course of business, as the hedged cash flows are recognized into earnings, the Company expects to reclassify \$0.1 million of net pretax losses on derivatives from AOCI into earnings during the next 12 months.

**Net Investment Hedges**

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. The Company primarily designates foreign currency derivatives, typically foreign exchange forwards, and on occasion foreign currency denominated debt, as hedges of net investments in certain foreign operations. These instruments reduce exposure to changes in currency exchange rates on the Company's investments in non-U.S. subsidiaries. The effective portion of the gain or loss on net investment hedges is recorded in AOCI as part of the cumulative translation adjustment. Any ineffective portion of the gain or loss on net investment hedges is recognized in other, net expenses during the period of change.

The following table summarizes the impact of cash flow hedges and net investment hedges on the Consolidated Statements of Income:

For the Three Months Ended June 30:

|                                  |                     | Gains (losses) recognized in income             |        |                              |           |
|----------------------------------|---------------------|-------------------------------------------------|--------|------------------------------|-----------|
|                                  |                     | Amount reclassified<br>from AOCI into<br>income |        | Net hedge<br>ineffectiveness |           |
|                                  | Location            | 2011                                            | 2010   | Location                     | 2011 2010 |
| Cash flow hedges: <sup>(a)</sup> |                     |                                                 |        |                              |           |
| Interest rate contracts          | Interest expense    | \$ (5)                                          | \$ (8) | Other, net expenses          | \$ \$     |
| Net investment hedges:           |                     |                                                 |        |                              |           |
| Foreign exchange contracts       | Other, net expenses | \$                                              | \$     | Other, net expenses          | \$ \$     |

For the Six Months Ended June 30:

|  |          | Gains (losses) recognized in income             |      |                              |           |
|--|----------|-------------------------------------------------|------|------------------------------|-----------|
|  |          | Amount reclassified<br>from AOCI into<br>income |      | Net hedge<br>ineffectiveness |           |
|  | Location | 2011                                            | 2010 | Location                     | 2011 2010 |

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|                                  | Location            | 2011    | 2010    | Location            | 2011   | 2010 |
|----------------------------------|---------------------|---------|---------|---------------------|--------|------|
| Cash flow hedges: <sup>(a)</sup> |                     |         |         |                     |        |      |
| Interest rate contracts          | Interest expense    | \$ (13) | \$ (21) | Other, net expenses | \$     | \$   |
| Net investment hedges:           |                     |         |         |                     |        |      |
| Foreign exchange contracts       | Other, net expenses | \$      | \$      | Other, net expenses | \$ (3) | \$   |

(a) During the three and six months ended June 30, 2011 and 2010, there were no forecasted transactions that were considered no longer probable to occur.

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Derivatives Not Designated as Hedges

The Company has derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions and non-U.S. dollar cash flow exposures from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards, options and cross-currency swaps. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of a designated currency at an agreed upon rate for settlement on a specified date. The changes in the fair value of the derivatives effectively offset the related foreign exchange gains or losses on the underlying balance sheet exposures. From time to time, the Company may enter into interest rate swaps to specifically manage funding costs related to its proprietary card business.

The Company has certain operating agreements whose payments may be linked to a market rate or price, primarily foreign currency rates. The payment components embedded in these agreements may meet the definition of a derivative, which is assessed to determine if it requires separate accounting and reporting. If so, the embedded derivative is accounted for separately and is classified as a foreign exchange contract based on its primary risk exposure. In addition, the Company also holds an investment security containing an embedded equity-linked derivative.

For derivatives that are not designated as hedges, changes in fair value are reported in current period earnings.

The following table summarizes the impact of derivatives not designated as hedges on the Consolidated Statements of Income:

| For the Three Months Ended June 30: <i>(Millions)</i> | Gains (losses) recognized in income             |             |
|-------------------------------------------------------|-------------------------------------------------|-------------|
|                                                       | Location                                        | Amount      |
|                                                       | <b>2011</b>                                     | <b>2010</b> |
| Interest rate contracts                               | Other, net expenses                             | \$ (13)     |
|                                                       | Interest and dividends on investment securities |             |
| Foreign exchange contracts <sup>(a)</sup>             | Interest expense on short-term borrowings       | 2           |
|                                                       | Interest expense on long-term debt and other    | 31          |
|                                                       | Other, net expenses                             | (68)        |
| Equity-linked contract                                | Other non-interest                              | (1)         |

|       |          |         |         |
|-------|----------|---------|---------|
|       | revenues |         |         |
| Total |          | \$ (33) | \$ (11) |

| For the Six Months Ended June 30: (Millions) | Gains (losses) recognized in income |         |
|----------------------------------------------|-------------------------------------|---------|
|                                              | Amount                              |         |
| Location                                     | 2011                                | 2010    |
| Other, net                                   |                                     |         |
| expenses                                     | \$ 2                                | \$ (14) |
| Interest                                     |                                     |         |
| and                                          |                                     |         |
| dividends                                    |                                     |         |
| on                                           |                                     |         |
| investment                                   |                                     |         |
| securities                                   | 5                                   | 1       |
| Interest                                     |                                     |         |
| expense                                      |                                     |         |
| on                                           |                                     |         |
| short-term                                   |                                     |         |
| borrowings                                   | 3                                   | 4       |
| Interest                                     |                                     |         |
| expense                                      |                                     |         |
| on                                           |                                     |         |
| long-term                                    |                                     |         |
| debt and                                     |                                     |         |
| other                                        | 61                                  | 42      |
| Other, net                                   |                                     |         |
| expenses                                     | (49)                                | (54)    |
| Other                                        |                                     |         |
| non-interest                                 |                                     |         |
| revenues                                     |                                     | (1)     |
| Equity-linked contract                       |                                     |         |
| Total                                        | \$ 22                               | \$ (22) |

(a) For the three and six months ended June 30, 2011 and 2010, foreign exchange contracts include embedded foreign currency derivatives. Gains (losses) on these embedded derivatives are included in other, net expenses.

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**10. Guarantees**

The Company provides cardmember protection plans that cover losses associated with purchased products, as well as certain other guarantees in the ordinary course of business which are within the scope of GAAP governing the accounting for guarantees.

In relation to its maximum amount of undiscounted future payments as seen in the table that follows, to date the Company has not experienced any significant losses related to guarantees. The Company's initial recognition of guarantees is at fair value, which has been determined in accordance with GAAP governing fair value measurement. In addition, the Company establishes reserves when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

The following table provides information related to such guarantees as of June 30, 2011 and December 31, 2010:

| Type of Guarantee                         | Maximum amount of<br>undiscounted future<br>payments <sup>(a)</sup><br>(Billions) |       | Amount of related<br>liability <sup>(b)</sup><br>(Millions) |        |
|-------------------------------------------|-----------------------------------------------------------------------------------|-------|-------------------------------------------------------------|--------|
|                                           | 2011                                                                              | 2010  | 2011                                                        | 2010   |
| Card and travel operations <sup>(c)</sup> | \$ 69                                                                             | \$ 67 | \$ 114                                                      | \$ 114 |
| Other <sup>(d)</sup>                      | 1                                                                                 | 1     | 104                                                         | 99     |
| Total                                     | \$ 70                                                                             | \$ 68 | \$ 218                                                      | \$ 213 |

(a) Represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed parties. The Merchant Protection guarantee is calculated using management's best estimate of maximum exposure based on all eligible claims as measured against annual billed business volumes. The Company mitigates this risk by withholding settlement from the merchant or obtaining deposits and other guarantees from merchants considered higher risk due to various factors. The amounts being held by the Company are not significant when compared to the maximum potential amount of undiscounted future payments.

(b) Included as part of other liabilities on the Company's Consolidated Balance Sheets.

(c) Includes Credit Card Registry, Return Protection, Account Protection and Merchant Protection, which the Company offers directly to cardmembers.

(d) Other primarily includes guarantees related to the Company's business dispositions and real estate, each of which are individually smaller indemnifications.

**11. Comprehensive Income**

Comprehensive income includes net income and changes in AOCI, which is a balance sheet item in the Shareholders Equity section of the Company's Consolidated Balance Sheets. AOCI is comprised of items that have not been recognized in earnings but may be recognized in earnings in the future when certain events occur.

The components of comprehensive income, net of tax, were as follows:

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| <i>(Millions)</i>                                             | Three Months Ended |          | Six Months Ended |          |
|---------------------------------------------------------------|--------------------|----------|------------------|----------|
|                                                               | June 30,           |          | June 30,         |          |
|                                                               | <b>2011</b>        | 2010     | <b>2011</b>      | 2010     |
| Net income                                                    | <b>\$ 1,331</b>    | \$ 1,017 | <b>\$ 2,508</b>  | \$ 1,902 |
| Other comprehensive income gains (losses):                    |                    |          |                  |          |
| Net unrealized securities gains                               | <b>91</b>          | 25       | <b>92</b>        | 9        |
| Net unrealized derivative gains                               | <b>3</b>           | 5        | <b>7</b>         | 12       |
| Foreign currency translation adjustments                      | <b>(4)</b>         | (34)     | <b>62</b>        | (65)     |
| Net unrealized pension and other postretirement benefit gains | <b>8</b>           | 8        | <b>5</b>         | 35       |
| Total                                                         | <b>\$ 1,429</b>    | \$ 1,021 | <b>\$ 2,674</b>  | \$ 1,893 |

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**12. Income Taxes**

The Company is under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which the Company has significant business operations. The tax years under examination and open for examination vary by jurisdiction. In June 2008, the IRS completed its field examination of the Company's federal tax returns for the years 1997 through 2002. In July 2009, the IRS completed its field examination of the Company's federal tax returns for the years 2003 and 2004. In April 2011, unagreed issues for 1997 through 2004 were resolved at IRS Appeals. Additional refund claims for those years continue to be reviewed by the IRS. In addition, the Company is currently under examination by the IRS for the years 2005 through 2007.

The Company believes it is reasonably possible that the unrecognized tax benefits could decrease within the next 12 months by as much as \$679 million principally as a result of potential resolutions of prior years' tax items with various taxing authorities. The prior years' tax items include unrecognized tax benefits relating to the deductibility of certain expenses or losses and the attribution of taxable income to a particular jurisdiction or jurisdictions. Of the \$679 million of unrecognized tax benefits, approximately \$452 million relates to amounts recorded to equity that, if recognized, would not impact the effective tax rate. With respect to the remaining \$227 million, it is not possible to quantify the impact that the decrease could have on the effective tax rate and net income due to the inherent complexities and the number of tax years open for examination in multiple jurisdictions. Resolution of the prior years' items that comprise this remaining amount could have an impact on the effective tax rate and on net income, either favorably (principally as a result of settlements that are less than the liability for unrecognized tax benefits) or unfavorably (if such settlements exceed the liability for unrecognized tax benefits).

The following table summarizes the Company's effective tax rate from continuing operations:

|                                      | Three Months<br>Ended | Six Months<br>Ended | Year Ended<br>December 31, |
|--------------------------------------|-----------------------|---------------------|----------------------------|
|                                      | June 30, 2011         | June 30, 2011       | 2010                       |
| Effective tax rate <sup>(a)(b)</sup> | <b>27%</b>            | <b>29%</b>          | 32%                        |

(a) Each of the periods reflects recurring, permanent tax benefits in relation to the level of pretax income.

(b) The income tax provision from continuing operations for the three and six months ended June 30, 2011 includes the impact of a \$102 million tax benefit related to the favorable resolution of certain prior years' tax items.

Discontinued operations for the three and six months ended June 30, 2011 included the impact of a \$36 million tax benefit related to the favorable resolution of certain prior years' tax items related to American Express Bank, Ltd., which was sold to Standard Chartered PLC during the quarter ended March 31, 2008.

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**13. Earnings Per Common Share (EPS)**

The computations of basic and diluted EPS were as follows:

| <i>(Millions, except per share amounts)</i>                                     | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|---------------------------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
|                                                                                 | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| <b>Numerator:</b>                                                               |                                |          |                              |          |
| Basic and diluted:                                                              |                                |          |                              |          |
| Income from continuing operations                                               | <b>\$ 1,295</b>                | \$ 1,017 | <b>\$ 2,472</b>              | \$ 1,902 |
| Earnings allocated to participating share awards and other items <sup>(a)</sup> | <b>(15)</b>                    | (13)     | <b>(30)</b>                  | (25)     |
| Income from discontinued operations, net of tax                                 | <b>36</b>                      |          | <b>36</b>                    |          |
| Net income attributable to common shareholders                                  | <b>\$ 1,316</b>                | \$ 1,004 | <b>\$ 2,478</b>              | \$ 1,877 |
| <b>Denominator:</b>                                                             |                                |          |                              |          |
| Basic: Weighted-average common stock                                            | <b>1,190</b>                   | 1,190    | <b>1,190</b>                 | 1,188    |
| Add: Weighted-average stock options <sup>(b)</sup>                              | <b>7</b>                       | 7        | <b>7</b>                     | 6        |
| Diluted                                                                         | <b>1,197</b>                   | 1,197    | <b>1,197</b>                 | 1,194    |
| <b>Basic EPS:</b>                                                               |                                |          |                              |          |
| Income from continuing operations attributable to common shareholders           | <b>\$ 1.08</b>                 | \$ 0.84  | <b>\$ 2.05</b>               | \$ 1.58  |
| Income from discontinued operations                                             | <b>0.03</b>                    |          | <b>0.03</b>                  |          |
| Net income attributable to common shareholders                                  | <b>\$ 1.11</b>                 | \$ 0.84  | <b>\$ 2.08</b>               | \$ 1.58  |
| <b>Diluted EPS:</b>                                                             |                                |          |                              |          |
| Income from continuing operations attributable to common shareholders           | <b>\$ 1.07</b>                 | \$ 0.84  | <b>\$ 2.04</b>               | \$ 1.57  |
| Income from discontinued operations                                             | <b>0.03</b>                    |          | <b>0.03</b>                  |          |
| Net income attributable to common shareholders                                  | <b>\$ 1.10</b>                 | \$ 0.84  | <b>\$ 2.07</b>               | \$ 1.57  |

(a) The Company's unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method (i) exclude any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities from the numerator and (ii) exclude the participating securities from the denominator.

(b)

For the three and six months ended June 30, 2011, the dilutive effect of unexercised stock options excludes 19 million and 20 million options, respectively. For the three and six months ended June 30, 2010, the dilutive effect of unexercised stock options excludes 35 million and 38 million options, respectively. Such amounts for all periods were excluded from the computation of EPS because inclusion of the options would have been anti-dilutive.

Subordinated debentures of \$750 million issued by the Company in 2006 would affect the EPS computation only in the unlikely event the Company fails to achieve specified performance measures related to the Company's tangible common equity and consolidated net income. In that circumstance the Company would reflect the additional common shares in the EPS computation.

#### 14. Details of Certain Consolidated Statements of Income Lines

The following is a detail of other commissions and fees:

| <i>(Millions)</i>                   | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|-------------------------------------|--------------------------------|--------|------------------------------|--------|
|                                     | <b>2011</b>                    | 2010   | <b>2011</b>                  | 2010   |
| Foreign currency conversion revenue | \$ <b>213</b>                  | \$ 205 | \$ <b>426</b>                | \$ 393 |
| Delinquency fees                    | <b>142</b>                     | 153    | <b>285</b>                   | 312    |
| Service fees                        | <b>89</b>                      | 80     | <b>176</b>                   | 162    |
| Other                               | <b>140</b>                     | 59     | <b>226</b>                   | 130    |
| Total other commissions and fees    | \$ <b>584</b>                  | \$ 497 | \$ <b>1,113</b>              | \$ 997 |

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The following is a detail of other revenues:

|                                          | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|------------------------------------------|--------------------------------|--------|------------------------------|--------|
| <i>(Millions)</i>                        | <b>2011</b>                    | 2010   | <b>2011</b>                  | 2010   |
| Global Network Services partner revenues | \$ 156                         | \$ 133 | \$ 302                       | \$ 247 |
| Gain (Loss) on investment securities     |                                | (5)    |                              | (4)    |
| Other                                    | <b>381</b>                     | 358    | <b>710</b>                   | 668    |
| Total other revenues                     | \$ 537                         | \$ 486 | \$ 1,012                     | \$ 911 |

The following is a detail of marketing, promotion, rewards and cardmember services:

|                                                             | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Millions)</i>                                           | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Marketing and promotion                                     | \$ 795                         | \$ 824   | \$ 1,504                     | \$ 1,443 |
| Cardmember rewards                                          | <b>1,613</b>                   | 1,192    | <b>3,190</b>                 | 2,403    |
| Cardmember services                                         | <b>173</b>                     | 127      | <b>337</b>                   | 284      |
| Total marketing, promotion, rewards and cardmember services | \$ 2,581                       | \$ 2,143 | \$ 5,031                     | \$ 4,130 |

The following is a detail of other, net expense:

|                                 | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|---------------------------------|--------------------------------|--------|------------------------------|--------|
| <i>(Millions)</i>               | <b>2011</b>                    | 2010   | <b>2011</b>                  | 2010   |
| Occupancy and equipment         | \$ 391                         | \$ 379 | \$ 785                       | \$ 763 |
| Communications                  | <b>92</b>                      | 97     | <b>187</b>                   | 192    |
| MasterCard and Visa settlements | (213)                          | (213)  | (426)                        | (426)  |
| Other                           | <b>305</b>                     | 201    | <b>596</b>                   | 425    |
| Total other, net expense        | \$ 575                         | \$ 464 | \$ 1,142                     | \$ 954 |

## 15. Contingencies

The Company and its subsidiaries are involved in a number of legal proceedings concerning matters arising in connection with the conduct of their respective business activities and are periodically subject to governmental examinations (including by regulatory authorities), information gathering requests, subpoenas, inquiries and investigations (collectively, governmental examinations). As of June 30, 2011, the Company and various of its

subsidiaries were named as a defendant or were otherwise involved in numerous legal proceedings and governmental examinations in various jurisdictions, both in and outside the United States. The Company discloses or refers to certain of its more significant legal proceedings and governmental examinations under Item 1. Legal Proceedings in Part II. Other Information (Legal Proceedings).

The Company has recorded liabilities for certain of its outstanding legal proceedings and governmental examinations. A liability is accrued when it is both (a) probable that a loss with respect to the legal proceeding has occurred and (b) the amount of loss can be reasonably estimated although, as discussed below, there may be an exposure to loss in excess of the accrued liability. The Company evaluates, on a quarterly basis, developments in legal proceedings and governmental examinations that could cause an increase or decrease in the amount of the liability that has been previously accrued.

The Company's legal proceedings range from cases brought by a single plaintiff to class actions with hundreds of thousands of putative class members. These legal proceedings, as well as governmental examinations, involve various lines of business of the Company and a variety of claims (including, but not

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**AMERICAN EXPRESS COMPANY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

limited to, common law tort, contract, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against the Company specify the damages claimed by the plaintiff, many seek a not-yet-quantified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against the Company are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable the Company to estimate a range of possible loss.

Other matters have progressed sufficiently through discovery and/or development of important factual information and legal issues such that the Company is able to estimate a range of possible loss. Accordingly, for those legal proceedings and governmental examination disclosed or referred to in Legal Proceedings as to which a loss is reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to \$520 million in excess of the accrued liability (if any) related to those matters. This aggregate range represents management's estimate of possible loss with respect to these matters and is based on currently available information. This estimated range of possible loss does not represent the Company's maximum loss exposure. The legal proceedings and governmental examinations underlying the estimated range will change from time to time and actual results may vary significantly from the current estimate.

Based on its current knowledge, and taking into consideration its litigation-related liabilities, the Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding or governmental examination that would have a material adverse effect on the Company's consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other factors, the size of the loss or liability imposed and the level of the Company's income for that period.

**16. Reportable Operating Segments**

The Company is a leading global payments and travel company that is principally engaged in businesses comprising four reportable operating segments: USCS, ICS, GCS and GNMS. Corporate functions and auxiliary businesses, including the Company's publishing business, the Enterprise Growth Group (including the Global Prepaid Group), as well as other company operations are included in Corporate & Other.

Beginning in the first quarter of 2011, the Company changed its segment allocation methodology to better align segment reporting with the Company's previously announced management reorganization, which has been implemented over the last several quarters. The reorganization included the formation of the Enterprise Growth Group, which is reported in the Corporate & Other segment. Starting in the first quarter of 2011, certain business activities such as Loyalty Edge and Global Foreign Exchange Services that were previously managed and reported in the USCS and GCS operating segments, respectively, are now managed by Enterprise Growth and reported in the Corporate & Other segment. The reorganization also included consolidation of certain corporate support functions into the Global Services organization. Greater centralization of activities has led to modifications in the costs being allocated from the Corporate & Other segment to the reported operating segments starting in the first quarter of 2011. Prior period segment results have been revised for these changes.

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The following table presents certain operating segment information:

| <i>(Millions)</i>                                                        | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |           |
|--------------------------------------------------------------------------|--------------------------------|----------|------------------------------|-----------|
|                                                                          | 2011                           | 2010     | 2011                         | 2010      |
| <b>Non-interest revenues:</b>                                            |                                |          |                              |           |
| USCS                                                                     | \$ 2,696                       | \$ 2,496 | \$ 5,182                     | \$ 4,777  |
| ICS                                                                      | 1,112                          | 864      | 2,101                        | 1,742     |
| GCS                                                                      | 1,259                          | 1,076    | 2,436                        | 2,089     |
| GNMS                                                                     | 1,183                          | 1,004    | 2,271                        | 1,938     |
| Corporate & Other, including adjustments and eliminations <sup>(a)</sup> | 217                            | 177      | 374                          | 324       |
| Total                                                                    | \$ 6,467                       | \$ 5,617 | \$ 12,364                    | \$ 10,870 |
| <b>Interest income:</b>                                                  |                                |          |                              |           |
| USCS                                                                     | \$ 1,263                       | \$ 1,315 | \$ 2,557                     | \$ 2,726  |
| ICS                                                                      | 347                            | 342      | 672                          | 705       |
| GCS                                                                      | 2                              | 2        | 4                            | 3         |
| GNMS                                                                     | 1                              | 1        | 2                            | 2         |
| Corporate & Other, including adjustments and eliminations <sup>(a)</sup> | 115                            | 138      | 220                          | 267       |
| Total                                                                    | \$ 1,728                       | \$ 1,798 | \$ 3,455                     | \$ 3,703  |
| <b>Interest expense:</b>                                                 |                                |          |                              |           |
| USCS                                                                     | \$ 200                         | \$ 204   | \$ 403                       | \$ 394    |
| ICS                                                                      | 108                            | 99       | 214                          | 205       |
| GCS                                                                      | 70                             | 55       | 128                          | 104       |
| GNMS                                                                     | (55)                           | (46)     | (103)                        | (93)      |
| Corporate & Other, including adjustments and eliminations <sup>(a)</sup> | 254                            | 298      | 528                          | 598       |
| Total                                                                    | \$ 577                         | \$ 610   | \$ 1,170                     | \$ 1,208  |
| <b>Total revenues, net of interest expense:</b>                          |                                |          |                              |           |
| USCS                                                                     | \$ 3,759                       | \$ 3,607 | \$ 7,336                     | \$ 7,109  |
| ICS                                                                      | 1,351                          | 1,107    | 2,559                        | 2,242     |
| GCS                                                                      | 1,191                          | 1,023    | 2,312                        | 1,988     |
| GNMS                                                                     | 1,239                          | 1,051    | 2,376                        | 2,033     |
| Corporate & Other, including adjustments and eliminations <sup>(a)</sup> | 78                             | 17       | 66                           | (7)       |

|                                                                          |                 |          |                  |           |
|--------------------------------------------------------------------------|-----------------|----------|------------------|-----------|
| Total                                                                    | <b>\$ 7,618</b> | \$ 6,805 | <b>\$ 14,649</b> | \$ 13,365 |
| <b>Income (loss) from continuing operations:</b>                         |                 |          |                  |           |
| USCS                                                                     | <b>\$ 665</b>   | \$ 516   | <b>\$ 1,220</b>  | \$ 930    |
| ICS                                                                      | <b>161</b>      | 155      | <b>350</b>       | 294       |
| GCS                                                                      | <b>177</b>      | 112      | <b>361</b>       | 197       |
| GNMS                                                                     | <b>324</b>      | 261      | <b>637</b>       | 514       |
| Corporate & Other, including adjustments and eliminations <sup>(a)</sup> | <b>(32)</b>     | (27)     | <b>(96)</b>      | (33)      |
| Total                                                                    | <b>\$ 1,295</b> | \$ 1,017 | <b>\$ 2,472</b>  | \$ 1,902  |

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***Business Introduction***

American Express is a global service company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world.

The Company's range of products and services include:

- charge and credit card products;
- expense management products and services;
- consumer and business travel services;
- stored value products such as Travelers Cheques and other prepaid products;
- network services;
- merchant acquisition and processing, point-of-sale, servicing and settlement, and marketing and information products and services for merchants; and
- fee services, including market and trend analyses and related consulting services, fraud prevention services, and the design of customized customer loyalty and rewards programs.

The Company's products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, targeted direct and third-party sales forces, and direct response advertising.

The Company recently created the Enterprise Growth Group, which focuses on generating alternative sources of revenue on a global basis, both organically and through acquisitions, in areas such as online and mobile payments and fee-based services.

The Company's products and services generate the following types of revenue for the Company:

- Discount revenue, which is the Company's largest revenue source, represents fees charged to merchants when cardmembers use their cards to purchase goods and services on the Company's network;
- Net card fees, which represent revenue earned for annual charge card memberships;
- Travel commissions and fees, which are earned by charging a transaction or management fee for airline or other travel-related transactions;
- Other commissions and fees, which are earned on foreign exchange conversions and card-related fees and assessments;
- Other revenue, which represents insurance premiums earned from cardmember travel and other insurance programs, revenues arising from contracts with Global Network Services (GNS) partners (including royalties and signing fees), publishing revenues and other miscellaneous revenue and fees; and
- Interest and fees on loans, which principally represents interest income earned on outstanding balances, and card fees related to the cardmember loans portfolio.

In addition to funding and operating costs associated with these types of revenue, other major expense categories are related to marketing and reward programs that add new cardmembers and promote cardmember loyalty and spending, and provisions for anticipated cardmember credit and fraud losses.

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***Financial Targets***

The Company will seek to achieve three financial targets, on average and over time:

Revenues net of interest expense growth of at least 8 percent;

Earnings per share (EPS) growth of 12 to 15 percent; and

Return on average equity (ROE) of 25 percent or more.

If the Company achieves its EPS target as well as the ROE target, it would seek to return, on average and over time, approximately 50 percent of the capital it generates to shareholders as a dividend or through the repurchase of common stock.

***Forward-Looking Statements and Non-GAAP Measures***

Certain of the statements in this Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Refer to the *Forward-Looking Statements* section below. In addition, certain calculations included within this Form 10-Q constitute non-GAAP financial measures. The Company's calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies.

***Bank Holding Company***

The Company is a bank holding company under the Bank Holding Company Act of 1956 and the Federal Reserve Board (Federal Reserve) is the Company's primary federal regulator. As such, the Company is subject to the Federal Reserve's regulations, policies and minimum capital standards.

***Current Business Environment/Outlook***

The Company's results for the second quarter of 2011 continued to reflect strong spending growth and improved credit performance. During the quarter cardmember spending volumes grew both in the United States and internationally, and across all of the Company's businesses.

While the positive impacts of stronger billings growth and modestly higher borrowing levels were partially offset by lower loan yields, the strong billings growth, improved credit trends and the benefit of a lower effective tax rate provided the Company with the opportunity to invest in the business at significant levels and also generate strong earnings. These investments continue to be focused both on driving near-term metrics and building capabilities that will benefit the medium to long-term success of the Company.

The Company also continued to invest in its rewards programs. During the second quarter rewards costs rose significantly, reflecting greater rewards-related spending volumes and higher co-brand expense. In addition, higher cardmember redemptions led to an increase in the ultimate redemption rate, while a shift in redemption mix also drove an increase in the weighted average cost per point. These increases in the ultimate redemption rate and weighted average cost per point, both of which impacted the expense related to points earned during the quarter as well as the Membership Rewards liability for unredeemed points at the beginning of the quarter, led to a more pronounced increase in rewards costs during this quarter than in previous quarters.

The Company's improving credit trends mentioned above contributed to a reduction in loan write-offs and in loss reserve levels over the course of the second quarter of 2011 when compared to 2010. Despite a reduction of approximately \$400 million in loss reserve levels during the quarter, reserve coverage ratios remain at appropriate levels. Going forward, the Company expects benefits to its results from reserve releases to diminish.

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Net interest yield declined compared to the second quarter of 2010. The lower yield reflects lower revolving levels and lower balances at penalty rates due to the implementation of elements of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act), which were partially offset by the benefit of certain repricing initiatives effective during 2009 and 2010. Going forward, yield will continue to be influenced by certain strategies the Company decides to employ, such as its current focus on premium lending, as well as other factors such as the credit quality of its portfolio, the percentage of the portfolio that is revolving, the cost of funds and potential pricing changes.

Despite the continued momentum across the Company's businesses, the economic and regulatory environment remains uncertain. The uncertain environment includes questions about the creditworthiness of sovereign issuers within Europe and the ongoing possibility of a credit downgrade of U.S. government-issued securities. Sovereign defaults or credit downgrades could lead to disruptions in the money markets, changes in the foreign exchange value of the Euro or the U.S. dollar, or both, reduce the attractiveness and value of U.S. and European assets, or increase borrowing costs for consumers and companies in Europe and the United States. In addition, the Company received the last settlement payment from Mastercard in the second quarter, will receive the last payment from Visa in the fourth quarter and faces more difficult year-over-year comparisons in light of strong 2010 volume and credit performance. In light of these factors, the Company is continuing to implement its plan to slow the growth of its operating expenses as it exits this year and enters 2012.

### ***Reengineering Initiatives***

During 2011, the Company expects to record restructuring charges related to employee severance obligations, other employee-related costs and lease termination costs resulting from the planned consolidation of facilities within the Company's global servicing network, which was first announced in the fourth quarter of 2010. The expected aggregate amount of \$60 million to \$80 million pretax (approximately \$38 million to \$51 million after-tax) is expected to include approximately \$25 million to \$35 million in costs associated with additional employee compensation and approximately \$35 million to \$45 million in other costs principally relating to the termination of certain real property leases. During the first and second quarter, respectively, the Company has recorded \$11 million (\$7 million after-tax) and \$4 million (\$2 million after-tax) of such additional charges.

Substantially all of the reengineering activities are expected to be completed by the end of the fourth quarter of 2011. In the second quarter of 2011, the Company recorded \$44 million (\$34 million after-tax) of additional severance related reengineering costs unrelated to the global servicing initiatives described above.

### ***Acquisitions***

During the first quarter of 2011, the Company completed the acquisition of a controlling interest in Loyalty Partner (March 1, 2011) for total consideration of \$616 million (\$585 million plus \$31 million in cash acquired). In addition, the Company may acquire the remaining noncontrolling equity interest over the next five years at a price based on business performance, which currently has an estimated fair value of \$150 million. Loyalty Partner is a leading marketing services company best known for the loyalty programs it operates in Germany, Poland and India. Loyalty Partner also provides market analysis, operating platforms and consulting services that help merchants grow their businesses. The final purchase price allocation will be completed in a subsequent quarter.

Refer to Note 2 of the Consolidated Financial Statements for further information.

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**American Express Company**  
**Selected Statistical Information**

Refer to Glossary of Selected Terminology for the definitions of certain key terms and related information appearing in the tables below.

|                                                                   | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-------------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Billions, except percentages and where indicated)</i>         | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Card billed business:                                             |                                |          |                              |          |
| United States                                                     | <b>\$ 136.8</b>                | \$ 119.7 | <b>\$ 260.9</b>              | \$ 227.7 |
| Outside the United States                                         | <b>70.8</b>                    | 55.6     | <b>134.6</b>                 | 108.6    |
| Total                                                             | <b>\$ 207.6</b>                | \$ 175.3 | <b>\$ 395.5</b>              | \$ 336.3 |
| Total cards-in-force: <i>(millions)</i>                           |                                |          |                              |          |
| United States                                                     | <b>49.8</b>                    | 49.0     | <b>49.8</b>                  | 49.0     |
| Outside the United States                                         | <b>44.2</b>                    | 39.9     | <b>44.2</b>                  | 39.9     |
| Total                                                             | <b>94.0</b>                    | 88.9     | <b>94.0</b>                  | 88.9     |
| Basic cards-in-force: <i>(millions)</i> <sup>(a)</sup>            |                                |          |                              |          |
| United States                                                     | <b>38.7</b>                    | 37.9     | <b>38.7</b>                  | 37.9     |
| Outside the United States                                         | <b>35.3</b>                    | 31.8     | <b>35.3</b>                  | 31.8     |
| Total                                                             | <b>74.0</b>                    | 69.7     | <b>74.0</b>                  | 69.7     |
| Average discount rate                                             | <b>2.54%</b>                   | 2.56%    | <b>2.54%</b>                 | 2.56%    |
| Average basic cardmember spending <i>(dollars)</i> <sup>(b)</sup> | <b>\$ 3,767</b>                | \$ 3,288 | <b>\$ 7,206</b>              | \$ 6,299 |
| Average fee per card <i>(dollars)</i> <sup>(b)</sup>              | <b>\$ 39</b>                   | \$ 37    | <b>\$ 39</b>                 | \$ 37    |
| Average fee per card adjusted <i>(dollars)</i> <sup>(b)</sup>     | <b>\$ 43</b>                   | \$ 41    | <b>\$ 43</b>                 | \$ 41    |

- (a) Prior to and including the fourth quarter of 2010, the Company did not have the data necessary to separately report Basic and Supplementary cards-in-force (CIF) for Global Network Services; therefore, all cards-in-force for Global Network Services was reported as Basic CIF. Beginning in the first quarter of 2011, as the necessary data became available, the Company began to separately report Basic and Supplementary CIF for Global Network Services. The Company has accordingly revised prior periods to conform with the current period presentation.
- (b) Average basic cardmember spending and average fee per card are computed from proprietary card activities only. Average fee per card is computed based on net card fees, including the amortization of deferred direct acquisition costs, plus card fees included in interest and fees on loans (including related amortization of deferred direct acquisition costs), divided by average worldwide proprietary cards-in-force. The card fees related to cardmember loans included in interest and fees on loans were \$68 million and \$48 million for the three months ended June 30, 2011 and 2010, respectively, and \$132 million and \$99 million for the six months ended June 30, 2011 and 2010, respectively. The adjusted average fee per card, which is a non-GAAP measure, is computed in the same manner, but excludes amortization of deferred direct acquisition costs (a portion of which is charge card related and included in net card fees and a portion of which is lending related and included in interest and fees on loans). The

amount of amortization excluded was \$56 million for both the three months ended June 30, 2011 and 2010, and \$110 million and \$107 million for the six months ended June 30, 2011 and 2010, respectively. The Company presents adjusted average fee per card because the Company believes this metric presents a useful indicator of card fee pricing across a range of its proprietary card products.

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**American Express Company**  
**Selected Statistical Information**  
(continued)

|                                                                | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|----------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Billions, except percentages and where indicated)</i>      | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| <b>Worldwide cardmember receivables</b>                        |                                |          |                              |          |
| Total receivables                                              | \$ 40.1                        | \$ 34.6  | \$ 40.1                      | \$ 34.6  |
| Loss reserves <i>(millions)</i>                                |                                |          |                              |          |
| Beginning balance                                              | \$ 421                         | \$ 498   | \$ 386                       | \$ 546   |
| Provision for losses on authorized transactions <sup>(a)</sup> | 119                            | 55       | 279                          | 239      |
| Net write-offs                                                 | (128)                          | (121)    | (260)                        | (365)    |
| Other                                                          | 3                              | 8        | 10                           | 20       |
| Ending balance                                                 | \$ 415                         | \$ 440   | \$ 415                       | \$ 440   |
| % of receivables                                               | 1.0%                           | 1.3%     | 1.0%                         | 1.3%     |
| Net write-off rate principal USCS                              | 1.5%                           | 1.6%     | 1.6%                         | 1.7%     |
| Net write-off rate principal and fees USCS                     | 1.7%                           | 1.8%     | 1.7%                         | 1.9%     |
| 30 days past due as a % of total USCS                          | 1.7%                           | 1.5%     | 1.7%                         | 1.5%     |
| Net loss ratio as a % of charge volume ICS/GCS <sup>(j)</sup>  | 0.09%                          | 0.10%    | 0.09%                        | 0.23%    |
| 90 days past billing as a % of total ICS/GCS <sup>(j)</sup>    | 0.8%                           | 1.0%     | 0.8%                         | 1.0%     |
| <b>Worldwide cardmember loans</b>                              |                                |          |                              |          |
| Total loans                                                    | \$ 58.7                        | \$ 57.3  | \$ 58.7                      | \$ 57.3  |
| 30 days past due as a % of total                               | 1.6%                           | 2.8%     | 1.6%                         | 2.8%     |
| Loss reserves <i>(millions)</i>                                |                                |          |                              |          |
| Beginning balance                                              | \$ 2,921                       | \$ 5,314 | \$ 3,646                     | \$ 3,268 |
| Adoption of GAAP consolidation standard <sup>(d)</sup>         |                                |          |                              | 2,531    |
| Provision for losses on authorized transactions                | 146                            | 520      | 7                            | 1,190    |
| Net write-offs principal                                       | (457)                          | (867)    | (992)                        | (1,902)  |
| Net write-offs interest and fees                               | (54)                           | (92)     | (115)                        | (206)    |
| Other                                                          | 4                              | (9)      | 14                           | (15)     |
| Ending balance                                                 | \$ 2,560                       | \$ 4,866 | \$ 2,560                     | \$ 4,866 |
| Ending Reserves principal                                      | \$ 2,488                       | \$ 4,743 | \$ 2,488                     | \$ 4,743 |
| Ending Reserves interest and fees                              | \$ 72                          | \$ 123   | \$ 72                        | \$ 123   |
| % of loans                                                     | 4.4%                           | 8.5%     | 4.4%                         | 8.5%     |
| % of past due                                                  | 273%                           | 307%     | 273%                         | 307%     |
| Average loans                                                  | \$ 58.5                        | \$ 57.5  | \$ 58.6                      | \$ 58.5  |
| Net write-off rate principal only <sup>(k)</sup>               | 3.1%                           | 6.0%     | 3.4%                         | 6.5%     |
| Net write-off rate principal, interest and fees <sup>(k)</sup> | 3.5%                           | 6.7%     | 3.8%                         | 7.2%     |
| Net interest income divided by average loans <sup>(e)(f)</sup> | 7.9%                           | 8.3%     | 7.9%                         | 8.6%     |
| Net interest yield on cardmember loans <sup>(e)</sup>          | 9.0%                           | 9.6%     | 9.1%                         | 9.9%     |

- (a) Represents loss provisions for cardmember receivables consisting of principal (resulting from authorized transactions) and fee reserve components.
- (b) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company's practice is to include uncollectible interest and/or fees as part of its total provision for losses, a net write-off rate including principal, interest and/or fees is also presented.
- (c) Effective January 1, 2010, the Company revised the time period in which past due cardmember receivables in International Card Services and Global Commercial Services are written off to when they are 180 days past due or earlier, consistent with applicable bank regulatory guidance and the write-off methodology adopted for U.S. Card Services in the fourth quarter of 2008. Previously, receivables were written off when they were 360 days past billing or earlier. Therefore, the net write-offs for the first quarter of 2010 include net write-offs of approximately \$60 million for International Card Services and approximately \$48 million for Global Commercial Services resulting from this write-off methodology change, which increased the net loss ratios and decreased the 90 days past billing metrics for these segments, but did not have a substantial impact on provisions for losses.
- (d) In accordance with GAAP governing accounting for consolidation of variable interest entities (VIE) effective January 1, 2010, which resulted in the consolidation of the American Express Credit Account Master Trust (the Lending Trust), \$29.0 billion of additional cardmember loans along with a \$2.5 billion loan loss reserve were recorded on the Company's balance sheets.

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- (e) See below for calculations of net interest yield on cardmember loans, a non-GAAP measure, and net interest income divided by average loans, a GAAP measure. The Company believes net interest yield on cardmember loans is useful to investors because it provides a measure of profitability of the Company's cardmember loan portfolio.
- (f) This calculation includes elements of total interest income and total interest expense that are not attributable to the cardmember loan portfolio, and thus is not representative of net interest yield on cardmember loans. The calculation includes interest income and interest expense attributable to investment securities and other interest-bearing deposits as well as to cardmember loans, and interest expense attributable to other activities, including cardmember receivables.

**American Express Company**  
**Selected Statistical Information**  
**(continued)**

**Calculation of Net Interest Yield on Cardmember Loans**

|                                                             | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Millions, except percentages and where indicated)</i>   | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Net interest income                                         | <b>\$ 1,151</b>                | \$ 1,188 | <b>\$ 2,285</b>              | \$ 2,495 |
| Average loans <i>(billions)</i>                             | <b>\$ 58.5</b>                 | \$ 57.5  | <b>\$ 58.6</b>               | \$ 58.5  |
| Adjusted net interest income                                | <b>\$ 1,313</b>                | \$ 1,379 | <b>\$ 2,639</b>              | \$ 2,877 |
| Adjusted average loans <i>(billions)</i>                    | <b>\$ 58.2</b>                 | \$ 57.4  | <b>\$ 58.4</b>               | \$ 58.4  |
| Net interest income divided by average loans <sup>(a)</sup> | <b>7.9%</b>                    | 8.3%     | <b>7.9%</b>                  | 8.6%     |
| Net interest yield on cardmember loans                      | <b>9.0%</b>                    | 9.6%     | <b>9.1%</b>                  | 9.9%     |

(a) Refer to Selected Statistical Information, footnote (e) above.

The following discussions regarding Consolidated Results of Operations and Consolidated Liquidity and Capital Resources are presented on a basis consistent with GAAP unless otherwise noted.

Beginning the first quarter of 2011, certain payments to business partners previously expensed in other, net expense have been reclassified as contra-revenue within discount revenue or as marketing and promotion expense. These partner payments are primarily related to certain co-brand contracts where upfront payments are amortized over the life of the contract. Amounts in prior periods for this item and certain other amounts have been reclassified to conform to the current presentation and are insignificant to the affected line items.

**Consolidated Results of Operations for the Three Months Ended June 30, 2011 and 2010**

The Company's consolidated net income for the three months ended June 30, 2011 increased \$314 million or 31 percent to \$1.3 billion and diluted EPS, including discontinued operations, increased by \$0.26 to \$1.10.

The Company's total revenues net of interest expense and total expenses increased by approximately 12 percent and 21 percent, respectively, while total provisions for losses decreased by 45 percent for the three months ended June 30, 2011, as compared to the same period in the prior year. Assuming no changes in foreign currency exchange rates from 2010 to 2011, total revenues net of interest expense and total expenses increased approximately 8 percent and 17 percent, respectively, while provisions for losses decreased approximately 46 percent in 2011<sup>1</sup>.

<sup>1</sup> The foreign currency adjusted information, a non-GAAP measure, assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the three months ended June 30, 2011 apply to the period against which such results are being compared). The Company believes the presentation of information on a foreign currency adjusted basis is helpful to investors by making it easier to compare the Company's performance in one period to

that of another period without the variability caused by fluctuations in currency exchange rates.

**Table of Contents*****Total Revenues Net of Interest Expense***

Consolidated total revenues net of interest expense for the three months ended June 30, 2011 of \$7.6 billion were up \$813 million or 12 percent from 2010. The increase in total revenues net of interest expense primarily reflects higher discount revenues, greater travel commissions and fees, increased other commissions and fees, higher other revenue and higher net card fees, partially offset by lower net interest income.

Discount revenue for the three months ended June 30, 2011 increased \$598 million or 16 percent as compared to 2010 to \$4.3 billion as a result of 18 percent growth in billed business volumes, partially offset by a slight decline in the average discount rate. The lower revenue growth versus total billed business growth reflects the relatively faster growth in billed business related to GNS, where the Company shares the discount revenue with card issuing partners, and higher contra-revenue items, including corporate incentive payments and partner payments. The average discount rate was 2.54 percent and 2.56 percent for the three months ended June 30, 2011 and 2010, respectively.

U.S. billed business and billed business outside the United States were up 14 percent and 27 percent, respectively, for the three months ended June 30, 2011 as compared to the same period in the prior year. The increase in billed business within the United States reflected an increase in average spending per proprietary basic card and a slight increase in basic cards-in-force. The increase in billed business outside the United States reflected an increase in average spending per proprietary basic card and basic cards-in-force.

The table below summarizes selected statistics for billed business and average spend during the three months ended June 30, 2011 compared to the same period in the prior year:

|                                                                        |                                | 2011                                                                                        |
|------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------|
|                                                                        | Percentage Increase (Decrease) | Percentage Increase (Decrease) Assuming No Changes in Foreign Exchange Rates <sup>(a)</sup> |
| <b>Worldwide<sup>(b)</sup></b>                                         |                                |                                                                                             |
| Billed business                                                        | 18%                            | 15%                                                                                         |
| Proprietary billed business                                            | 16                             | 13                                                                                          |
| GNS billed business <sup>(c)</sup>                                     | 36                             | 25                                                                                          |
| Average spending per proprietary basic card                            | 15                             | 11                                                                                          |
| Basic cards-in-force                                                   | 6                              |                                                                                             |
| <b>United States<sup>(b)</sup></b>                                     |                                |                                                                                             |
| Billed business                                                        | 14                             |                                                                                             |
| Average spending per proprietary basic card                            | 11                             |                                                                                             |
| Basic cards-in-force                                                   | 2                              |                                                                                             |
| Proprietary consumer card billed business <sup>(d)</sup>               | 12                             |                                                                                             |
| Proprietary small business billed business <sup>(d)</sup>              | 14                             |                                                                                             |
| Proprietary Corporate Services billed business <sup>(e)</sup>          | 15                             |                                                                                             |
| <b>Outside the United States<sup>(b)</sup></b>                         |                                |                                                                                             |
| Billed business                                                        | 27                             | 15                                                                                          |
| Average spending per proprietary basic card                            | 24                             | 12                                                                                          |
| Basic cards-in-force                                                   | 11                             |                                                                                             |
| Proprietary consumer and small business billed business <sup>(f)</sup> | 23                             | 11                                                                                          |
| Proprietary Corporate Services billed business <sup>(e)</sup>          | 27                             | 14                                                                                          |

- (a) Refer to footnote 1 on page 37 relating to changes in foreign exchange rates.
- (b) Captions in the table above not designated as proprietary or GNS include both proprietary and GNS data.
- (c) Included in the Global Network & Merchant Services (GNMS) segment.
- (d) Included in the U.S. Card Services (USCS) segment.
- (e) Included in the Global Commercial Services (GCS) segment.
- (f) Included in the International Card Services (ICS) segment.

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Assuming no changes in foreign exchange rates, total billed business outside the United States grew 19 percent in Japan, Asia Pacific and Australia, 15 percent in Latin America and Canada, and 11 percent in Europe, the Middle East and Africa.

Total cards-in-force increased 6 percent worldwide due to a 15 percent increase in GNS, a 2 percent increase in USCS, a 1 percent increase in GCS, and a 1 percent increase in ICS. During the three months ended June 30, 2011, total cards-in-force increased by 400,000 in the United States and increased by 1,200,000 outside the United States compared to the first quarter of 2011.

Travel commissions and fees increased \$89 million or 21 percent to \$523 million, primarily reflecting a 17 percent increase in worldwide travel sales and a slight increase in the sales commission rate.

Other commissions and fees increased \$87 million or 18 percent to \$584 million, primarily driven by revenues related to Loyalty Partner operations.

Other revenues increased \$51 million or 10 percent to \$537 million, primarily reflecting higher GNS partner royalty revenues, higher foreign exchange fees, higher global prepaid revenues and greater merchant-related fee revenues.

Interest income decreased \$70 million or 4 percent to \$1.7 billion for the three months ended June 30, 2011 compared to the same period in the prior year. Interest and fees on loans decreased 3 percent, driven by a lower yield, which was partially offset by a 2 percent increase in average cardmember loans. The lower net yield reflects lower revolving levels and lower balances at penalty rates due to the implementation of elements of the CARD Act and improved credit performance. These reductions to yield were partially offset by the benefit of certain repricing initiatives effective during 2009 and 2010. Interest and dividends on investment securities decreased \$26 million or 21 percent to \$99 million, primarily reflecting decreased investment levels, partially offset by higher investment yields. Interest on deposits with banks and others increased \$2 million or 13 percent to \$18 million, primarily due to higher average deposit balances versus the prior year.

Interest expense decreased \$33 million or 5 percent to \$577 million for the three months ended June 30, 2011 compared to the same period in 2010. Interest on deposits decreased \$6 million or 4 percent to \$131 million, as an increase in balances was more than offset by a lower cost of funds. Interest on long-term debt and other decreased 6 percent, reflecting a lower average long-term debt balance, partially offset by a higher effective cost of funds.

### ***Provisions for Losses***

Provisions for losses of \$357 million for the three months ended June 30, 2011 decreased \$295 million or 45 percent compared to the same period in 2010. Charge card provisions for losses increased \$65 million or 68 percent, primarily driven by higher average receivable levels and a lower provisions for losses in the prior year due to improving credit performance. Cardmember loans provisions for losses decreased \$364 million to \$176 million or 67 percent, reflecting lower write-off dollars and a lower cardmember reserve requirement at the end of the second quarter of 2011 due to improving credit performance. Other provisions for losses increased \$4 million or 25 percent.

### ***Expenses***

Consolidated expenses for the three months ended June 30, 2011 were \$5.5 billion, up \$938 million or 21 percent from \$4.6 billion in 2010. The increase reflects increased cardmember rewards expenses, higher salaries and employee benefits expenses, greater professional services expenses and cardmember services expenses, partially offset by lower marketing and promotion expenses.

Marketing and promotion expenses decreased \$29 million or 4 percent to \$795 million for the three months ended June 30, 2011 from \$824 million in 2010 due to lower USCS product media spending, partially offset by higher international investments.

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Cardmember rewards expenses increased \$421 million or 35 percent to \$1.6 billion in 2011 from \$1.2 billion in 2010, reflecting greater rewards-related spending volumes and higher co-brand expense. In addition, higher redemption rates led to an increase in the ultimate redemption rate, while a shift in redemption mix also drove an increase in the weighted average cost per point. These increases in the ultimate redemption rate and weighted average cost per point, both of which impacted the expense related to points earned during the quarter as well as the Membership Rewards liability for unredeemed points at the beginning of the quarter, led to a more pronounced increase in rewards costs during this quarter than in previous quarters. Refer to "Critical Accounting Policies" in the Company's 2010 Annual Report to Shareholders for further discussion of its accounting policy for reserves for Membership Rewards costs.

Cardmember services expense increased \$46 million or 36 percent to \$173 million reflecting increased costs associated with new benefits made available to U.S. cardmembers.

Salaries and employee benefits expenses increased \$280 million or 21 percent to \$1.6 billion for the three months ended June 30, 2011 from \$1.3 billion in 2010, reflecting higher employee levels, merit increases for existing employees, higher benefit-related costs, \$48 million (\$36 million after-tax) of severance costs related to reengineering activities and higher incentive related compensation.

Professional services expenses for the three months ended June 30, 2011 increased \$109 million or 17 percent compared to the same period in 2010, reflecting higher technology development expenditures including various initiatives related to digitizing the business, globalizing operating platforms and enhancing analytical and data capabilities; higher legal costs; and greater third-party merchant sales-force commissions. The increase also includes reduction of previously capitalized amounts related to software developed by third-party vendors of approximately \$38 million, or \$24 million after tax.

Other, net expenses for the three months ended June 30, 2011 increased \$104 million compared to the same period in 2010, primarily reflecting a smaller benefit related to accounting for hedging the Company's fixed-rate debt in the second quarter of 2011 versus the prior year as well as a prior year foreign exchange translation gain.

***Income Taxes***

The effective tax rate from continuing operations was 27 percent for the three months ended June 30, 2011 compared to 36 percent for the same period in 2010. The tax rates in both periods reflect the level of pretax income in relation to recurring permanent tax benefits. In addition, the tax rate in the second quarter of 2011 includes the impact of a \$102 million tax benefit related to the favorable resolution of certain prior years' tax items while the tax rate in 2010 includes the impact of a \$44 million valuation allowance related to deferred tax assets associated with certain of the Company's non-U.S. travel operations.

**Consolidated Results of Operations for the Six Months Ended June 30, 2011 and 2010**

The Company's consolidated net income for the six months ended June 30, 2011 increased \$606 million or 32 percent to \$2.5 billion and diluted EPS, including discontinued operations, increased by \$0.50 or 32 percent to \$2.07.

The Company's total revenues net of interest expense and total expenses increased by approximately 10 percent and 20 percent, respectively, while total provisions for losses decreased by 72 percent for the six months ended June 30, 2011 as compared to the same period in the prior year. Assuming no changes in foreign currency exchange rates from 2010 to 2011, total revenues net of interest expense and total expenses increased approximately 7 percent and 17 percent, respectively<sup>2</sup>.

<sup>2</sup> The foreign currency adjusted information, a non-GAAP measure, assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the six months ended June 30, 2011 apply to the period against which such results are being compared). The Company believes the presentation of information on a foreign currency adjusted basis is helpful to investors by making it easier to compare the Company's performance in one period to that of another period without the variability caused by fluctuations in currency exchange rates.

**Table of Contents*****Total Revenues Net of Interest Expense***

Consolidated total revenues net of interest expense for the six months ended June 30, 2011 of \$14.6 billion were up \$1.3 billion or 10 percent from 2010. The increase in total revenues net of interest expense primarily reflects higher discount revenues, greater travel commissions and fees, increased other commissions and fees, higher other revenue and higher net card fees, partially offset by lower net interest income.

Discount revenue for the six months ended June 30, 2011 increased \$1.1 billion or 15 percent as compared to 2010 to \$8.2 billion as a result of an 18 percent increase in billed business. The average discount rate was 2.54 percent and 2.56 percent for the six months ended June 30, 2011 and 2010, respectively.

U.S. billed business and billed business outside the United States were up 15 percent and 24 percent, respectively, for the six months ended June 30, 2011. The increase in billed business within the United States reflected an increase in average spending per proprietary basic card and a slight increase in basic cards-in-force. The increase in billed business outside the United States reflected an increase in average spending per proprietary basic card and basic cards-in-force.

The table below summarizes selected statistics for billed business and average spend during the six months ended June 30, 2011 compared to the same period in the prior year:

|                                                                        |                                | <b>2011</b>                                                                                 |
|------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------|
|                                                                        |                                | Percentage Increase (Decrease) Assuming No Changes in Foreign Exchange Rates <sup>(a)</sup> |
|                                                                        | Percentage Increase (Decrease) |                                                                                             |
| <b>Worldwide<sup>(b)</sup></b>                                         |                                |                                                                                             |
| Billed business                                                        | <b>18%</b>                     | <b>15%</b>                                                                                  |
| Proprietary billed business                                            | <b>15</b>                      | <b>13</b>                                                                                   |
| GNS billed business <sup>(c)</sup>                                     | <b>33</b>                      | <b>25</b>                                                                                   |
| Average spending per proprietary basic card                            | <b>14</b>                      | <b>12</b>                                                                                   |
| Basic cards-in-force                                                   | <b>6</b>                       |                                                                                             |
| <b>United States<sup>(b)</sup></b>                                     |                                |                                                                                             |
| Billed business                                                        | <b>15</b>                      |                                                                                             |
| Average spending per proprietary basic card                            | <b>12</b>                      |                                                                                             |
| Basic cards-in-force                                                   | <b>2</b>                       |                                                                                             |
| Proprietary consumer card billed business <sup>(d)</sup>               | <b>13</b>                      |                                                                                             |
| Proprietary small business billed business <sup>(d)</sup>              | <b>14</b>                      |                                                                                             |
| Proprietary Corporate Services billed business <sup>(e)</sup>          | <b>16</b>                      |                                                                                             |
| <b>Outside the United States<sup>(b)</sup></b>                         |                                |                                                                                             |
| Billed business                                                        | <b>24</b>                      | <b>15</b>                                                                                   |
| Average spending per proprietary basic card                            | <b>21</b>                      | <b>12</b>                                                                                   |
| Basic cards-in-force                                                   | <b>11</b>                      |                                                                                             |
| Proprietary consumer and small business billed business <sup>(f)</sup> | <b>20</b>                      | <b>10</b>                                                                                   |
| Proprietary Corporate Services billed business <sup>(e)</sup>          | <b>24</b>                      | <b>15</b>                                                                                   |

(a) Refer to footnote 2 on page 40 relating to changes in foreign exchange rates.

(b) Captions in the table above not designated as proprietary or GNS include both proprietary and GNS data.

- (c) Included in the Global Network & Merchant Services (GNMS) segment.
- (d) Included in the U.S. Card Services (USCS) segment.
- (e) Included in the Global Commercial Services (GCS) segment.
- (f) Included in the International Card Services (ICS) segment.

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Assuming no changes in foreign exchange rates, total billed business outside the United States grew 18 percent in Japan, Asia Pacific and Australia, 15 percent in Latin America and Canada, and 10 percent in Europe, the Middle East and Africa.

Total cards-in-force increased 6 percent worldwide due to a 15 percent increase in GNS, a 2 percent increase in USCS and a 1 percent increase in GCS. During the six months ended June 30, 2011, total cards-in-force increased by 800,000 in the United States and increased by 4,300,000 outside of the United States compared to the same period in 2010.

Travel commissions and fees increased \$158 million or 19 percent to \$977 million, primarily reflecting a 17 percent increase in worldwide travel sales, partially offset by a lower travel commission rate.

Other commissions and fees increased \$116 million or 12 percent to \$1.1 billion, driven primarily by revenues related to Loyalty Partner operations, and greater foreign conversion revenues related to higher spending, partially offset by lower delinquency fees.

Other revenues increased \$101 million or 11 percent to \$1.0 billion, primarily reflecting higher GNS partner royalty revenues, higher merchant-related fee revenues, higher foreign exchange fees and higher global prepaid revenues and publishing revenues, partially offset by reduced insurance premium revenues.

Interest income decreased \$248 million or 7 percent to \$3.5 billion for the six months ended June 30, 2011 compared to the same period in the prior year. Interest and fees on loans decreased \$202 million or 6 percent to \$3.2 billion, driven by a lower yield on cardmember loans, partially offset by an increase in average cardmember loans. The lower net yield reflects lower revolving levels and lower balances at penalty rates due to the implementation of elements of the CARD Act and improved credit performance. These reductions to yield were partially offset by the benefit of certain repricing initiatives effective during 2009 and 2010. Interest and dividends on investment securities decreased \$55 million or 23 percent to \$187 million, primarily reflecting decreased average investment levels, partially offset by higher investment yields. Interest on deposits with banks and others increased \$9 million or 31 percent to \$38 million, primarily due to higher average deposit balances versus the prior year.

Interest expense decreased \$38 million or 3 percent to \$1.2 billion for the six months ended June 30, 2011 compared to the same period in 2010. Interest on deposits increased \$3 million or 1 percent to \$268 million, as an increase in average deposit balances was partially offset by a lower cost of funds. Interest on long-term debt and other decreased \$40 million or 4 percent, reflecting a lower average long-term debt balance, partially offset by a higher effective cost of funds.

***Provisions for Losses***

Provisions for losses of \$454 million for the six months ended June 30, 2011 decreased \$1.1 billion or 72 percent compared to the same period in 2010. Charge card provisions for losses increased \$36 million or 11 percent, primarily driven by higher average receivable levels and a lower provisions for losses in the prior year due to improved credit trends. Cardmember loans provisions for losses decreased \$1.2 billion or 95 percent to \$56 million, primarily reflecting lower write-offs, and a lower cardmember reserve requirement as of June 30, 2011, due to improving credit performance. Other provisions for losses decreased \$5 million or 11 percent.

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***Expenses***

Consolidated expenses for the six months ended June 30, 2011 were \$10.7 billion, up \$1.8 billion or 20 percent from \$8.9 billion in 2010. The increase reflects increased cardmember rewards expenses, higher salaries and employee benefits expenses, greater professional services expenses, higher other, net expenses, higher marketing and promotional expenses, higher cardmember services expenses, and higher occupancy and equipment expenses, slightly offset by lower communication expenses.

Marketing and promotion expenses increased \$61 million or 4 percent to \$1.5 billion for the six months ended June 30, 2011 from \$1.4 billion in 2010, reflecting increased investment spending resulting from continued strong credit and business trends during the first six months of 2011.

Cardmember rewards expenses increased \$787 million or 33 percent to \$3.2 billion in 2011 from \$2.4 billion in 2010, reflecting higher rewards-related spending volumes and co-brand expense. In addition, higher redemption rates led to an increase in the ultimate redemption rate; to a lesser extent, a shift in redemption mix also drove an increase in the weighted average cost per point. These increases in the ultimate redemption rate and weighted average cost per point, both of which impacted the expense related to points earned during the period as well as the Membership Rewards liability for unredeemed points at the beginning of the period, led to a more pronounced increase in rewards costs during this period than in previous periods.

Salaries and employee benefits expenses increased \$475 million or 18 percent to \$3.1 billion for the six months ended June 30, 2011 from \$2.6 billion in 2010, reflecting higher employee levels, merit increases for existing employees, higher benefit-related costs, costs related to reengineering activities and higher incentive related compensation.

Professional services expenses for the six months ended June 30, 2011 increased \$211 million or 18 percent compared to the same period in 2010, reflecting higher technology development expenditures including various initiatives related to digitizing the business, globalizing operating platforms, and enhancing analytical and data capabilities; higher legal costs; and greater third-party merchant sales-force commissions. The increase also includes reduction of amounts previously capitalized related to software developed by third-party vendors.

Other, net expenses for the six months ended June 30, 2011 increased \$171 million compared to the same period in 2010, primarily reflecting a loss on foreign exchange translation in the six months ended June 30, 2011 versus a gain on similar translation in the prior year, as well as a smaller benefit related to accounting for hedging the Company's fixed-rate debt compared to the prior year, higher taxes other than income and higher travel and entertainment costs.

***Income Taxes***

The effective tax rate from continuing operations was 29 percent for the six months ended June 30, 2011 compared to 33 percent for the same period in 2010. The tax rates in both periods reflect the level of pretax income in relation to recurring permanent tax benefits. In addition, the tax rate for the six months ended June 30, 2011 includes the impact of a \$102 million tax benefit related to the favorable resolution of certain prior years' tax items while the tax rate in 2010 included the impact of a \$44 million valuation allowance related to deferred tax assets associated with certain of the Company's non-U.S. travel operations.

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### **Consolidated Capital Resources and Liquidity**

The Company's balance sheet management objectives are to maintain:

A solid and flexible equity capital profile;

A broad, deep and diverse set of funding sources to finance its assets and meet operating requirements; and

Liquidity programs that enable the Company to continuously meet expected future financing obligations and business requirements, even in the event it is unable to raise new funds under its regular funding programs.

### ***Capital Strategy***

The Company's objective is to retain sufficient levels of capital generated through earnings and other sources to maintain a solid equity capital base and to provide flexibility to satisfy future business growth. The Company believes capital allocated to growing businesses with a return on risk-adjusted equity in excess of its costs will generate shareholder value.

The level and composition of the Company's consolidated capital position are determined through the Company's internal capital adequacy assessment process (ICAAP), which reflects its business activities, as well as marketplace conditions and credit rating agency requirements. They are also influenced by subsidiary capital requirements. The Company, as a bank holding company, is also subject to regulatory requirements administered by the U.S. federal banking agencies. The Federal Reserve has established specific capital adequacy guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items.

The Company currently calculates and reports its capital ratios under the measurement standards commonly referred to as Basel I. In June 2004, the Basel Committee on Banking Supervision (commonly referred to as Basel) published new international guidelines for determining regulatory capital (Basel II). In December 2007, the U.S. bank regulatory agencies jointly adopted a final rule based on Basel II. The Company has adopted Basel II in certain non-U.S. jurisdictions and is currently taking steps towards Basel II implementation in the U.S.

The Dodd-Frank Reform Act and a series of international capital and liquidity standards known as Basel III published by Basel on December 16, 2010 will in the future change these current quantitative measures. In general, these changes will involve, for the U.S. banking industry as a whole, a reduction in the types of instruments deemed to be capital along with an increase in the amount of capital that assets, liabilities and certain off-balance sheet items require. These changes will generally serve to reduce reported capital ratios compared to current capital guidelines. The specific U.S. guidelines supporting the new standards and the Basel III capital standards have not been finalized, but are generally expected to be issued before this year-end. In addition to these measurement changes, international and U.S. banking regulators could increase the ratio levels at which banks would be deemed to be well capitalized.

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The following table presents the regulatory risk-based capital ratios and leverage ratio for the Company and its significant bank subsidiaries, as well as additional ratios widely utilized in the marketplace, as of June 30, 2011. As noted below, certain of these ratios are based on shareholders' equity of \$18.2 billion as of June 30, 2011.

|                                                       | Well-Capitalized Ratio | Actual       |
|-------------------------------------------------------|------------------------|--------------|
| <b>Risk-Based Capital</b>                             |                        |              |
| Tier 1                                                | 6%                     |              |
| <i>American Express Company</i>                       |                        | <b>12.3%</b> |
| Centurion Bank                                        |                        | <b>20.2%</b> |
| FSB                                                   |                        | <b>17.9%</b> |
| Total                                                 | 10%                    |              |
| <i>American Express Company</i>                       |                        | <b>14.3%</b> |
| Centurion Bank                                        |                        | <b>21.5%</b> |
| FSB                                                   |                        | <b>20.4%</b> |
| <b>Tier 1 Leverage</b>                                | 5%                     |              |
| <i>American Express Company</i>                       |                        | <b>10.1%</b> |
| Centurion Bank                                        |                        | <b>22.5%</b> |
| FSB                                                   |                        | <b>15.6%</b> |
| <b>Tier 1 Common Risk-Based</b>                       |                        |              |
| <i>American Express Company</i>                       |                        | <b>12.3%</b> |
| <b>Common Equity to Risk-Weighted Assets</b>          |                        |              |
| <i>American Express Company</i>                       |                        | <b>15.8%</b> |
| <b>Tangible Common Equity to Risk-Weighted Assets</b> |                        |              |
| <i>American Express Company</i>                       |                        | <b>11.9%</b> |

Basel III, when implemented by the U.S. banking agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital than prior requirements, with a greater emphasis on common equity. While final implementation of the rules related to capital ratios will be determined by the Federal Reserve, the Company estimates that had the new rules been in place during the second quarter of 2011, the reported Tier 1 risk-based capital and Tier 1 common risk-based ratios would decline by approximately 40 basis points. In addition, the impact of the new rules on the reported Tier 1 leverage ratio would be a decline of approximately 160 basis points. The estimated impact of the Basel III rules will change over time based upon changes in the size and composition of the Company's balance sheet as well as based on the U.S. implementation of the Basel III rules.

The following provides definitions for the Company's regulatory risk-based capital ratios and leverage ratio, all of which are calculated as per standard regulatory guidance:

**Risk-Weighted Assets** Assets are weighted for risk according to a formula used by the Federal Reserve to conform to capital adequacy guidelines. On and off-balance sheet items are weighted for risk, with off-balance sheet items converted to balance sheet equivalents, using risk conversion factors, before being allocated a risk-adjusted weight. The off-balance sheet items comprise a minimal part of the overall calculation. Risk-weighted assets as of June 30, 2011 were \$115.3 billion.

**Tier 1 Risk-Based Capital Ratio** The Tier 1 capital ratio is calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of common shareholders' equity, certain perpetual preferred stock (not applicable to the Company), and noncontrolling interests in consolidated subsidiaries, adjusted for ineligible goodwill and intangible assets, as well as certain other comprehensive income items as follows: net unrealized gains/losses on securities and derivatives, and net unrealized pension and other postretirement benefit losses, all net of tax. Tier 1 capital as of June 30, 2011 was \$14.2 billion. This ratio is commonly used by regulatory agencies to assess a financial institution's

financial strength and is the primary form of capital used to absorb losses beyond current loss accrual estimates.

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**Total Risk-Based Capital Ratio** The total risk-based capital ratio is calculated as the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets. Tier 2 capital is the sum of the allowance for receivable and loan losses (limited to 1.25 percent of risk-weighted assets) and 45 percent of the unrealized gains on equity securities, plus a \$750 million subordinated hybrid security, for which the Company received approval from the Federal Reserve Board for treatment as Tier 2 capital. Tier 2 capital as of June 30, 2011 was \$2.4 billion.

**Tier 1 Leverage Ratio** The Tier 1 leverage ratio is calculated by dividing Tier 1 capital by the Company's average total consolidated assets for the most recent quarter. Average total consolidated assets as of June 30, 2011 were \$140.1 billion.

The following provides definitions for capital ratios widely used in the marketplace, although they may be calculated differently by different companies:

**Tier 1 Common Risk-Based Capital Ratio** The Tier 1 common risk-based capital ratio is calculated as Tier 1 common equity, a non-GAAP measure, divided by risk-weighted assets. Tier 1 common equity is calculated by reference to total shareholders' equity as shown below:

|                                                                                                             | <b>June 30,<br/>2011</b> |
|-------------------------------------------------------------------------------------------------------------|--------------------------|
| (Millions)                                                                                                  |                          |
| Total shareholders' equity                                                                                  | <b>\$ 18,205</b>         |
| Effect of certain items in accumulated other comprehensive income (loss) excluded from Tier 1 common equity | <b>310</b>               |
| Less: Ineligible goodwill and intangible assets                                                             | <b>(4,152)</b>           |
| Less: Ineligible deferred tax assets                                                                        | <b>(213)</b>             |
| Total Tier 1 common equity                                                                                  | <b>\$ 14,150</b>         |

The Company believes the Tier 1 common risk-based capital ratio may be useful because it can be used to assess and compare the quality and composition of the Company's capital with the capital of other financial services companies. Moreover, the proposed international banking capital standards known as Basel III include measures that rely on the Tier 1 common risk-based capital ratio.

**Common Equity and Tangible Common Equity to Risk-Weighted Assets Ratios** Common equity equals the Company's shareholders' equity of \$18.2 billion as of June 30, 2011, and tangible common equity, a non-GAAP measure, equals common equity less goodwill and other intangibles of \$4.4 billion as of June 30, 2011. The Company believes presenting the ratio of tangible common equity to risk-weighted assets is a useful measure of evaluating the strength of the Company's capital position.

The Company seeks to maintain capital levels and ratios in excess of the minimum regulatory requirements; failure to maintain minimum capital levels could affect the Company's status as a financial holding company and cause the respective regulatory agencies to take actions that could limit the Company's business operations.

The Company's primary source of equity capital has been through the generation of net income. Historically, capital generated through net income and other sources, such as the exercise of stock options by employees, has exceeded the growth in its capital requirements. To the extent capital has exceeded business, regulatory and rating agency requirements, the Company has returned excess capital to shareholders through its regular common share dividend and share repurchase program.

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The Company maintains certain flexibility to shift capital across its businesses as appropriate. For example, the Company may infuse additional capital into subsidiaries to maintain capital at targeted levels in consideration of debt ratings and regulatory requirements. These infused amounts can affect the capital profile and liquidity levels for American Express Parent Company (Parent Company).

### ***Share Repurchases and Dividends***

The Company has a share repurchase program to return excess capital to shareholders. These share repurchases reduce shares outstanding and offset, in whole or part, the issuance of new shares as part of employee compensation plans. During the three and six months ended June 30, 2011, the Company returned \$966 million and \$1.2 billion, respectively, in dividends and share repurchases, which represents approximately 61 percent and 40 percent of total capital generated.

During the second quarter of 2011, the Company commenced share repurchase activities and repurchased 15 million common shares at an average price of \$50.14. On January 7, 2011, the Company submitted its Comprehensive Capital Plan (CCP) to the Federal Reserve requesting approval to proceed with additional share repurchases in 2011. The CCP included an analysis of performance and capital availability under certain adverse economic assumptions, as well as a capital distribution plan outlining the Company's plans to return capital to shareholders in 2011 through dividends and share repurchases. On March 18, 2011, the Company was informed that the Federal Reserve had no objections to the Company's 2011 capital distribution plan. The total number of shares repurchased in 2011 will be based on the Company's business plans and financial performance, and will be consistent with its submitted capital distribution plan.

Since the inception of repurchase programs in December 1994, 699 million shares have been acquired under cumulative Board authorizations to repurchase up to 770 million shares. On a cumulative basis, since 1994, the Company has distributed 63 percent of capital generated through share repurchases and dividends.

As discussed above, the objective is to return to shareholders, on average and over time, approximately 50 percent of the capital the Company generates through a combination of dividends and the repurchase of common shares.

### ***Funding Strategy***

The Company's principal funding objective is to maintain broad and well-diversified funding sources to allow it to meet its maturing obligations, cost-effectively finance current and future asset growth in its global businesses as well as to maintain a strong liquidity profile. The diversity of funding sources by type of debt instrument, by maturity and by investor base, among other factors, provides additional insulation from the impact of disruptions in any one type of debt, maturity or investor. The mix of the Company's funding in any period will seek to achieve cost-efficiency consistent with both maintaining diversified sources and achieving its liquidity objectives. The Company's funding strategy and activities are integrated into its asset-liability management activities. The Company has in place a Funding Policy covering American Express Company and all of its subsidiaries.

The Company's proprietary card businesses are the primary asset-generating businesses, with significant assets in both domestic and international cardmember receivable and lending activities. The Company's financing needs are in large part a consequence of its proprietary card-issuing businesses and the maintenance of a liquidity position to support all of its business activities, such as merchant payments. The Company generally pays merchants for card transactions prior to reimbursement by cardmembers and therefore funds the merchant payments during the period cardmember loans and receivables are outstanding. The Company also has additional financing needs associated with general corporate purposes, including acquisition activities.

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The Company seeks to raise funds to meet all of its financing needs, including seasonal and other working capital needs, while also seeking to maintain sufficient cash and readily-marketable securities that are easily convertible to cash, in order to meet the scheduled maturities of all long-term borrowings on a consolidated basis for a 12-month period. Management does not expect to make any major funding or liquidity strategy changes in order to meet Basel III's Liquidity Coverage Ratio (LCR) standard.

During the second quarter of 2011, the Company issued C\$325 million of senior unsecured debt with a maturity of three years and a floating rate of 1-month Canadian Dealer Offered Rate (CDOR) plus 105 basis points, C\$400 million of senior unsecured debt with a maturity of five years and a coupon of 3.6 percent and \$600 million of senior unsecured debt with a maturity of three years and a floating rate of 3-month LIBOR plus 85 basis points. The Company's funding plan for the full year 2011 includes, among other sources, approximately \$3 billion to \$7 billion of unsecured term debt issuance and zero to \$3 billion of secured term debt issuance. The Company's funding plans are subject to various risks and uncertainties, such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by the Company, regulatory changes, ability to securitize and sell receivables, and the performance of receivables previously sold in securitization transactions. Many of these risks and uncertainties are beyond the Company's control.

The Company's equity capital and funding strategies are designed, among other things, to maintain appropriate and stable unsecured debt ratings from the major credit rating agencies, Moody's Investor Services (Moody's), Standard & Poor's (S&P), Fitch Ratings (Fitch) and Dominion Bond Rating Services (DBRS). Such ratings help to support the Company's access to cost-effective unsecured funding as part of its overall financing programs. Ratings for the Company's asset-backed securitization (ABS) activities are evaluated separately.

**Unsecured Debt Ratings**

| <b>Credit Agency</b> | <b>Entity Rated</b>                  | <b>Short-Term Ratings</b> | <b>Long-Term Ratings</b> | <b>Outlook</b>        |
|----------------------|--------------------------------------|---------------------------|--------------------------|-----------------------|
| DBRS                 | All rated entities                   | R-1<br>(middle)           | A<br>(high)              | Stable                |
| Fitch                | All rated entities                   | F1                        | A+                       | Stable                |
| Moody's              | TRS and rated operating subsidiaries | Prime-1                   | A2                       | Stable <sup>(a)</sup> |
| Moody's              | American Express Company             | Prime-2                   | A3                       | Stable <sup>(a)</sup> |
| S&P                  | All rated entities                   | A-2                       | BBB+                     | Stable                |

(a) In May 2011, Moody's revised its ratings outlook for American Express Company, TRS and rated operating subsidiaries from Negative to Stable.

Downgrades in the Company's unsecured debt or asset securitization program's securities ratings could result in higher interest expense on the Company's unsecured debt and asset securitizations, as well as higher fees related to borrowings under its unused lines of credit. In addition to increased funding costs, declines in credit ratings could reduce the Company's borrowing capacity in the unsecured debt and asset securitization capital markets. The Company believes the change in its funding mix, which now includes an increasing proportion of FDIC-insured (as defined below) U.S. retail deposits, should reduce the impact that credit rating downgrades would have on the Company's funding capacity and costs. However, downgrades to certain of the Company's unsecured debt ratings that have occurred over the last several years have not caused a permanent increase in the Company's borrowing costs or a reduction in its borrowing capacity.

**Table of Contents***Deposit Programs*

The Company offers deposits within its American Express Centurion Bank and American Express Bank, FSB subsidiaries (together, the Banks). These funds are currently insured up to \$250,000 per account through the Federal Deposit Insurance Corporation (FDIC). The Company's ability to obtain deposit funding and offer competitive interest rates is dependent on the Banks' capital levels. The Company, through FSB, has a direct deposit-taking program, Personal Savings from American Express, to supplement its distribution of deposit products through third-party distribution channels. This program makes FDIC-insured certificates of deposit (CDs) and high-yield savings account products available directly to consumers.

During the second quarter of 2011, within U.S. retail deposits the Company focused on continuing to grow both the number of accounts and the total balances outstanding on savings accounts and CDs that were sourced directly with consumers through Personal Savings from American Express. The account and balance growth of Personal Savings from American Express financed the maturities of CDs issued through third-party distribution channels.

The Company held the following deposits as of:

|                                         | <b>June<br/>30,<br/>2011</b> | December<br>31,<br>2010 |
|-----------------------------------------|------------------------------|-------------------------|
| <i>(Billions)</i>                       |                              |                         |
| U.S. retail deposits:                   |                              |                         |
| Savings accounts    Direct              | \$ <b>13.0</b>               | \$        7.7           |
| Certificates of deposit: <sup>(a)</sup> |                              |                         |
| Direct                                  | <b>0.9</b>                   | 1.1                     |
| Third party                             | <b>8.6</b>                   | 11.4                    |
| Sweep accounts    Third party           | <b>9.1</b>                   | 8.9                     |
| Other deposits                          | <b>0.7</b>                   | 0.6                     |
| Total customer deposits                 | \$ <b>32.3</b>               | \$        29.7          |

(a) The weighted average remaining maturity and weighted average rate at issuance on the total portfolio of U.S. retail CDs, issued through direct and third-party programs, were 20.0 months and 2.6 percent, respectively.

*Asset Securitization Programs*

The Company periodically securitizes cardmember receivables and loans arising from its card business, as the securitization market provides the Company with cost-effective funding. Securitization of cardmember receivables and loans is accomplished through the transfer of those assets to a trust, which in turn issues certificates or notes (securities) collateralized by the transferred assets to third-party investors. The proceeds from issuance are distributed to the Company, through its wholly owned subsidiaries, as consideration for the transferred assets.

The receivables and loans being securitized are reported as owned assets on the Company's Consolidated Balance Sheets and the related securities issued to third-party investors are reported as long-term debt.

Under the respective terms of the securitization trust agreements, the occurrence of certain triggering events could result in payment of trust expenses, establishment of reserve funds, or in a worst-case scenario, early amortization of investor certificates. During the six months ended June 30, 2011, no triggering events have occurred resulting in funding of reserve accounts or early amortization.

The ability of issuers of asset-backed securities to obtain necessary credit ratings for their issuances has historically been based, in part, on qualification under the FDIC's safe harbor rule for assets transferred in securitizations. In 2009 and 2010, the FDIC issued a series of changes to its safe harbor rule, with its new final rule for its securitization safe harbor, issued in 2010, requiring issuers to comply with a new set of requirements in order to qualify for the safe harbor. Issuances out of the American Express Credit Account Master Trust (the Lending Trust) are grandfathered under the new FDIC final rule. The trust for the Company's cardmember charge receivable securitization (the Charge

Trust) does not satisfy the criteria

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required to be covered by the FDIC's new safe harbor rule, nor did it meet the requirements to be covered by the safe harbor rule existing prior to 2009. It was structured and continues to be structured such that the financial assets transferred to the Charge Trust would not be deemed to be property of the originating banks in the event the FDIC is appointed as a receiver or conservator of the originating banks. The Company has received confirmation from Moody's, S&P and Fitch, which rate issuances from the Charge Trust, that they will continue to rate issuances from such trust in the same manner as they have historically, even though the Charge Trust does not satisfy the requirements to be covered by the FDIC's safe harbor rule. Nevertheless, one or more of the rating agencies may ultimately conclude that in the absence of compliance with the safe harbor rule, the highest rating a Charge Trust security could receive would be based on the originating bank's unsecured debt rating. If one or more rating agencies come to this conclusion, it could adversely impact the Company's capacity and cost of using its Charge Trust as a source of funding for its business.

***Liquidity Management***

The Company's liquidity objective is to maintain access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that the Company can continuously meet expected future financing obligations and business requirements, even in the event it is unable to raise new funds under its regular funding programs. The Company has in place a Liquidity Risk Policy that sets out the Company's approach to managing liquidity risk on an enterprise-wide basis.

The Company incurs and accepts liquidity risk arising in the normal course of offering its products and services. The liquidity risks that the Company is exposed to can arise from a variety of sources, and thus its liquidity management strategy includes a variety of parameters, assessments and guidelines, including but not limited to:

Maintaining a diversified set of funding sources (refer to Funding Strategy section for more details);

Maintaining unencumbered liquid assets and off-balance sheet liquidity sources; and

Projecting cash inflows and outflows from a variety of sources and under a variety of scenarios, including contingent liquidity exposures such as unused cardmember lines of credit and collateral requirements for derivative transactions.

The Company's current liquidity target is to have adequate liquidity in the form of excess cash and readily-marketable securities that are easily convertible into cash to satisfy all maturing long-term funding obligations for a 12-month period. In addition to its cash and readily-marketable securities, the Company maintains a variety of contingent liquidity resources, such as access to secured borrowings through its undrawn amount under the conduit facility and the Federal Reserve discount window as well as committed bank credit facilities.

As of June 30, 2011, the Company's excess cash and readily-marketable securities available to fund long-term maturities were as follows:

|                                                                     |                        |
|---------------------------------------------------------------------|------------------------|
| <i>(Billions)</i>                                                   | Total                  |
| Cash                                                                | \$ 17.8 <sup>(a)</sup> |
| Readily-marketable securities                                       | 2.9 <sup>(b)</sup>     |
| Total Liquidity Portfolio                                           | 20.7                   |
| Less:                                                               |                        |
| Short-term obligations outstanding                                  | 0.7 <sup>(c)</sup>     |
| Cash and readily-marketable securities available to fund maturities | \$ 20.0                |

(a) Includes \$23.1 billion classified as Cash and Cash Equivalents, less \$5.4 billion of operating cash (cash available to fund day-to-day operations). Cash also includes \$206 million classified as Other Assets on the Company's

Consolidated Balance Sheets, which is held against certain forthcoming asset-backed securitization maturities.

- (b) Consists of certain available-for-sale investment securities (U.S. Treasury and agency securities, and government-guaranteed debt) that are considered highly liquid.
- (c) Consists of commercial paper and U.S. retail CDs with original maturities of three and six months.

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The upcoming approximate maturities of the Company's long-term unsecured debt, debt issued in connection with asset-backed securitizations and long-term certificates of deposit are as follows:

| <i>(Billions)</i>  | Debt Maturities   |                                 |                               |         |
|--------------------|-------------------|---------------------------------|-------------------------------|---------|
|                    | Unsecured<br>Debt | Asset-Backed<br>Securitizations | Certificates<br>of<br>Deposit | Total   |
| Quarter Ending:    |                   |                                 |                               |         |
| September 30, 2011 | \$ 0.7            | \$ 0.6                          | \$ 0.7                        | \$ 2.0  |
| December 31, 2011  | 6.9               |                                 | 1.3                           | 8.2     |
| March 31, 2012     | 1.0               | 0.5                             | 1.2                           | 2.7     |
| June 30, 2012      | 1.2               | 2.0                             | 0.8                           | 4.0     |
| Total              | \$ 9.8            | \$ 3.1                          | \$ 4.0                        | \$ 16.9 |

The Company's financing needs for the next 12 months are expected to arise from these debt and deposit maturities as well as changes in business needs, including changes in outstanding cardmember loans and receivables as well as acquisition activities.

The Company considers various factors in determining the amount of liquidity it maintains, such as economic and financial market conditions, seasonality in business operations, growth in its businesses, potential acquisitions or dispositions, the cost and availability of alternative liquidity sources, and regulatory and credit rating agency considerations.

The yield the Company receives on its cash and readily-marketable securities is, generally, less than the interest expense on the sources of funding for these balances. Thus, the Company incurs substantial net interest costs on these amounts.

The level of net interest costs will be dependent on the size of the Company's cash and readily-marketable securities holdings, as well as the difference between its cost of funding these amounts and their investment yields.

#### *Securitized Borrowing Capacity*

The Company maintained a \$3 billion committed, revolving, secured financing facility sponsored by and with liquidity backup provided by a syndicate of banks as of June 30, 2011. The facility is used in the ordinary course of business to fund seasonal working capital needs, as well as further enhance the Company's contingent funding resources.

#### *Federal Reserve Discount Window*

The Banks are insured depository institutions that have the capability of borrowing from the Federal Reserve Bank of San Francisco, subject to the amount of qualifying collateral that they may pledge. The Federal Reserve has indicated that both credit and charge card receivables are a form of qualifying collateral for secured borrowing made through the discount window. Whether specific assets will be considered qualifying collateral for secured borrowings made through the discount window, and the amount that may be borrowed against the collateral, remain in the discretion of the Federal Reserve.

The Company had approximately \$33.8 billion as of June 30, 2011, in U.S. credit card loans and charge card receivables that could be sold over time through its existing securitization trusts, or pledged in return for secured borrowings to provide further liquidity, subject in each case to applicable market conditions and eligibility criteria.

**Table of Contents***Committed Bank Credit Facilities*

The Company maintained committed bank credit facilities as of June 30, 2011, as follows:

| (Billions)               | Parent<br>Company | Credco | Centurion<br>Bank | FSB    | Total <sup>(a)</sup> |
|--------------------------|-------------------|--------|-------------------|--------|----------------------|
| Committed <sup>(b)</sup> | \$ 0.8            | \$ 9.1 | \$ 0.4            | \$ 0.4 | \$ 10.7              |
| Outstanding              | \$                | \$ 4.2 | \$                | \$     | \$ 4.2               |

(a) Does not include the \$3.0 billion Secured Borrowing Capacity described above.

(b) Committed lines were supplied by 32 financial institutions as of June 30, 2011.

The Company's committed facilities expire as follows:

|                     |         |
|---------------------|---------|
| (Billions)          |         |
| 2011 <sup>(a)</sup> | \$ 3.3  |
| 2012                | 7.4     |
| Total               | \$ 10.7 |

(a) These credit facilities were allowed to expire on July 21, 2011.

*Certain Other Off-Balance Sheet Arrangements*

As of June 30, 2011, the Company had approximately \$235 billion of unused credit available to cardmembers as part of established lending product agreements. Total unused credit available to cardmembers does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn. The Company's charge card products have no pre-set limit and, therefore, are not reflected in unused credit available to cardmembers.

**Cash Flows***Cash Flows from Operating Activities*

Cash flows from operating activities primarily include net income adjusted for (i) non-cash items included in net income, including provisions for losses, depreciation and amortization, deferred taxes, and stock-based compensation and (ii) changes in the balances of operating assets and liabilities, which can vary significantly in the normal course of business due to the amount and timing of various payments.

For the six months ended June 30, 2011, net cash provided by operating activities of \$4.4 billion decreased \$0.1 billion compared to \$4.5 billion for the six months ended June 30, 2010 due to lower provisions for losses, decreases in non-cash adjustments for deferred taxes and other, and changes in other assets and other receivables, offset by higher net income in 2011 and changes in accounts payable and other liabilities.

*Cash Flows from Investing Activities*

The Company's investing activities primarily include funding cardmember loans and receivables and the Company's available-for-sale investment portfolio.

For the six months ended June 30, 2011, net cash provided by investing activities of \$5.5 billion was flat compared to the six months ended June 30, 2010 due to lower purchases of investments and fluctuations in restricted cash in 2011, offset by lower maturity and redemption of investments and a net increase in cardmember loans and receivables.

*Cash Flows from Financing Activities*

The Company's financing activities primarily include issuing and repaying debt, taking customer deposits, issuing and repurchasing its common shares, and paying dividends.

For the six months ended June 30, 2011, net cash used in financing activities of \$3.3 billion decreased \$2.5 billion compared to \$5.8 billion for the six months ended June 30, 2010 due to an increase in the issuance of long-term debt, a reduction in principal payments on long-term debt, and an increase in customer deposits, partially offset by cash outflows related to the repurchase of common shares and lower net changes in short-term borrowings as compared to

the same period in 2010.

**Table of Contents*****Certain Legislative, Regulatory and Other Developments***

As a participant in the financial services industry, the Company is subject to a wide array of regulations applicable to its businesses. As a bank holding company and a financial holding company, the Company is subject to the regulations, policies and overall supervision of the Federal Reserve. In addition, the extreme disruptions in the capital markets that commenced in mid-2007 and the resulting instability and failure of numerous financial institutions have led to a number of changes in the financial services industry, including significant additional regulation and the formation of additional regulatory bodies. Although the long-term impact on the Company of much of the recent and pending legislative and regulatory initiatives remains uncertain, the Company expects that compliance requirements and expenditures will continue to rise for financial services firms, including the Company, as the legislation and rules become effective over the course of the next several years.

***The CARD Act***

The Company is subject to the provisions of the legislation known as the CARD Act, which was enacted in May 2009 to fundamentally reform credit card billing practices, pricing and disclosure requirements. This legislation accelerated the effective date and expanded the scope of amendments to the rules regarding Unfair or Deceptive Acts or Practices (UDAP) and the Truth in Lending Act that restrict certain credit and charge card practices and require expanded disclosures to consumers, which were adopted in December 2008 by federal bank regulators in the United States. Together, the legislation and the regulatory amendments include, among other matters, rules relating to the imposition by card issuers of interest rate increases on outstanding balances and the allocation of payments in respect of outstanding balances with different interest rates. Certain other provisions of the CARD Act require penalty fees to be reasonable and proportional in relation to the circumstances for which such fees are levied and require issuers to evaluate past interest rate increases twice per year to determine whether it is appropriate to reduce such increases.

The Company has made changes to its product terms and practices that are designed to mitigate the impact on Company revenue of the changes required by the CARD Act and the regulatory amendments. These changes include instituting product-specific increases in pricing on purchases and cash advances, modifying the criteria pursuant to which the penalty rate of interest is imposed on a cardmember and assessing late fees on certain charge products at an earlier date than previously assessed. Although the Company believes its actions to mitigate the impact of the CARD Act have, to date, been largely effective (as evidenced in part by the net interest yield for its U.S. lending portfolio), the impacts of certain other provisions of the CARD Act are still subject to some uncertainty (such as the requirement to periodically reevaluate annual percentage rate (APR) increases). Accordingly, in the event the actions undertaken by the Company to date to offset the impact of the new legislation and regulations are not ultimately effective, they could have a material adverse effect on the Company's results of operations, including its revenue and net income.

***Dodd-Frank Wall Street Reform and Consumer Protection Act***

In July 2010, President Obama signed into law the Dodd-Frank Reform Act. The Dodd-Frank Reform Act is comprehensive in scope and contains a wide array of provisions intended to govern the practices and oversight of financial institutions and other participants in the financial markets. Among other matters, the law creates a new independent Consumer Financial Protection Bureau (the Bureau), which regulates consumer credit across the U.S. economy. The Bureau has broad rulemaking authority over providers of credit, savings, payment and other consumer financial products and services with respect to certain federal consumer financial laws. Moreover, the Bureau has examination and enforcement authority with respect to certain federal consumer financial laws for some providers of consumer financial products and services, including the Company and its insured depository institution subsidiaries. The Bureau is directed to prohibit unfair, deceptive or abusive practices, and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services.

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Under the Dodd-Frank Reform Act, the Federal Reserve is authorized to regulate interchange fees paid to issuing banks on debit card and certain general-use prepaid card transactions to ensure that they are reasonable and proportional to the cost of processing individual transactions, and to prohibit debit and general-use prepaid payment card networks and issuers from requiring transactions to be processed on a single payment network. The Federal Reserve issued its final rule on June 29, 2011, which provides that the regulations on interchange and routing do not apply to a three-party network like American Express when it acts as both the issuer and the network for its prepaid cards, and is therefore not a payment card network which is subject to the rule. The Dodd-Frank Reform Act also prohibits credit/debit networks from restricting a merchant from offering discounts or incentives to customers in order to encourage them to use a particular form of payment, or from restricting a merchant from setting certain minimum and maximum transaction amounts for credit cards, as long as any such discounts or incentives or any minimum or maximum transaction amounts do not discriminate among issuers or networks and comply with applicable federal or state disclosure requirements.

The Dodd-Frank Reform Act also authorizes the Federal Reserve to establish heightened capital, leverage and liquidity standards, risk management requirements, concentration limits on credit exposures, mandatory resolution plans (so-called living wills) and stress tests for, among others, large bank holding companies, such as the Company, that have greater than \$50 billion in assets. In addition, certain derivative transactions will be required to be centrally cleared, which may create or increase collateral posting requirements for the Company.

Many provisions of the Dodd-Frank Reform Act require the adoption of rules for implementation. In addition, the Dodd-Frank Reform Act mandates multiple studies, which could result in additional legislative or regulatory action. These new rules and studies will be implemented and undertaken over a period of several years. Accordingly, the ultimate consequences of the Dodd-Frank Reform Act and its implementing regulations on the Company's business, results of operations and financial condition are uncertain at this time.

### *Other Legislative and Regulatory Initiatives*

The credit and charge card sector also faces continuing scrutiny in connection with the fees merchants pay to accept cards. Although investigations into the way bankcard network members collectively set the interchange (that is, the fee paid by the bankcard merchant acquirer to the card issuing bank in four party payment networks, like Visa and MasterCard) have largely been a subject of regulators outside the United States, legislation was previously introduced in Congress designed to give merchants antitrust immunity to negotiate interchange collectively with card networks and to regulate certain card network practices. Although, unlike the Visa and MasterCard networks, the American Express network does not collectively set fees, antitrust actions and government regulation relating to merchant pricing could ultimately affect all networks.

In addition to the provisions of the Dodd-Frank Reform Act regarding merchants' ability to offer discounts or incentives to encourage customers' use of a particular form of payment, a number of U.S. states are also considering legislation that would prohibit card networks from imposing similar conditions, restrictions and penalties on merchants.

Also, other countries in which the Company operates have been considering and in some cases adopting similar legislation and rules that would impose changes on certain practices of card issuers and bankcard networks.

Any or all of the above changes to the legal and regulatory environment in which the Company operates could have a material adverse effect on the Company's results of operations.

Refer to Consolidated Capital Resources and Liquidity for a discussion of the series of international capital and liquidity standards published by Basel.

**Table of Contents****Business Segment Results**

Beginning in the first quarter of 2011, the Company changed its segment allocation methodology to better align segment reporting with the Company's previously announced management reorganization, which has been implemented over the last several quarters. The reorganization included the formation of the Enterprise Growth Group, which is reported in the Corporate & Other segment. Starting in the first quarter of 2011, certain business activities such as Loyalty Edge and Global Foreign Exchange Services that were previously managed and reported in the USCS and GCS operating segments, respectively, are now managed by Enterprise Growth and reported in the Corporate & Other segment. The reorganization also included consolidation of certain corporate support functions into the Global Services organization. Greater centralization of activities has led to modifications in the costs being allocated from the Corporate & Other segment to the reported operating segments starting in the first quarter of 2011. Prior period segment results have been revised for these changes.

In addition, beginning in the fourth quarter of 2010, the Company completed its conversion to a new general ledger platform. This conversion enabled the Company to streamline its ledger reporting unit structure, resulting in a reconfiguration of intercompany accounts. These changes have the effect of altering intercompany balances among segments, thus altering reported total segment assets. Total segment assets presented since the first quarter of 2011 reflect the changes described above. This conversion had no impact on segment results, segment capital or return on segment capital metrics.

**U.S. Card Services  
Selected Income Statement Data**

| <i>(Millions)</i>                                                  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|--------------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
|                                                                    | 2011                           | 2010     | 2011                         | 2010     |
| Revenues                                                           |                                |          |                              |          |
| Discount revenue, net card fees and other                          | <b>\$ 2,696</b>                | \$ 2,496 | <b>\$ 5,182</b>              | \$ 4,777 |
| Interest income                                                    | <b>1,263</b>                   | 1,315    | <b>2,557</b>                 | 2,726    |
| Interest expense                                                   | <b>200</b>                     | 204      | <b>403</b>                   | 394      |
| Net interest income                                                | <b>1,063</b>                   | 1,111    | <b>2,154</b>                 | 2,332    |
| Total revenues net of interest expense                             | <b>3,759</b>                   | 3,607    | <b>7,336</b>                 | 7,109    |
| Provisions for losses                                              | <b>228</b>                     | 519      | <b>275</b>                   | 1,206    |
| Total revenues net of interest expense after provisions for losses | <b>3,531</b>                   | 3,088    | <b>7,061</b>                 | 5,903    |
| Expenses                                                           |                                |          |                              |          |
| Marketing, promotion, rewards and cardmember services              | <b>1,689</b>                   | 1,410    | <b>3,407</b>                 | 2,734    |
| Salaries and employee benefits and other operating expenses        | <b>942</b>                     | 857      | <b>1,844</b>                 | 1,695    |
| Total                                                              | <b>2,631</b>                   | 2,267    | <b>5,251</b>                 | 4,429    |
| Pretax segment income                                              | <b>900</b>                     | 821      | <b>1,810</b>                 | 1,474    |
| Income tax provision                                               | <b>235</b>                     | 305      | <b>590</b>                   | 544      |
| Segment income                                                     | <b>\$ 665</b>                  | \$ 516   | <b>\$ 1,220</b>              | \$ 930   |



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**U.S. Card Services**  
**Selected Statistical Information**

|                                                                | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|----------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Billions, except percentages and where indicated)</i>      | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Card billed business                                           | <b>\$ 106.8</b>                | \$ 94.6  | <b>\$ 202.9</b>              | \$ 179.5 |
| Total cards-in-force <i>(millions)</i>                         | <b>40.4</b>                    | 39.6     | <b>40.4</b>                  | 39.6     |
| Basic cards-in-force <i>(millions)</i>                         | <b>30.1</b>                    | 29.5     | <b>30.1</b>                  | 29.5     |
| Average basic cardmember spending <i>(dollars)*</i>            | <b>\$ 3,567</b>                | \$ 3,212 | <b>\$ 6,799</b>              | \$ 6,095 |
| U.S. Consumer Travel:                                          |                                |          |                              |          |
| Travel sales <i>(millions)</i>                                 | <b>\$ 1,000</b>                | \$ 840   | <b>\$ 1,849</b>              | \$ 1,575 |
| Travel commissions and fees/sales                              | <b>8.4%</b>                    | 7.9%     | <b>8.2%</b>                  | 7.8%     |
| Total segment assets                                           | <b>\$ 85.8</b>                 | \$ 80.8  | <b>\$ 85.8</b>               | \$ 80.8  |
| Segment capital <i>(millions)</i>                              | <b>\$ 8,155</b>                | \$ 5,997 | <b>\$ 8,155</b>              | \$ 5,997 |
| Return on average segment capital <sup>(a)</sup>               | <b>34.4%</b>                   | 26.4%    | <b>34.4%</b>                 | 26.4%    |
| Return on average tangible segment capital <sup>(a)</sup>      | <b>36.6%</b>                   | 28.7%    | <b>36.6%</b>                 | 28.7%    |
| Cardmember receivables:                                        |                                |          |                              |          |
| Total receivables                                              | <b>\$ 19.2</b>                 | \$ 17.3  | <b>\$ 19.2</b>               | \$ 17.3  |
| 30 days past due as a % of total                               | <b>1.7%</b>                    | 1.5%     | <b>1.7%</b>                  | 1.5%     |
| Average receivables                                            | <b>\$ 18.4</b>                 | \$ 17.1  | <b>\$ 18.3</b>               | \$ 17.0  |
| Net write-off rate principal only <sup>(b)</sup>               | <b>1.5%</b>                    | 1.6%     | <b>1.6%</b>                  | 1.7%     |
| Net write-off rate principal and fees <sup>(b)</sup>           | <b>1.7%</b>                    | 1.8%     | <b>1.7%</b>                  | 1.9%     |
| Cardmember loans:                                              |                                |          |                              |          |
| Total loans                                                    | <b>\$ 49.9</b>                 | \$ 49.0  | <b>\$ 49.9</b>               | \$ 49.0  |
| 30 days past due loans as a % of total                         | <b>1.5%</b>                    | 2.7%     | <b>1.5%</b>                  | 2.7%     |
| Average loans                                                  | <b>\$ 49.7</b>                 | \$ 49.1  | <b>\$ 49.7</b>               | \$ 49.9  |
| Net write-off rate principal only <sup>(b)</sup>               | <b>3.2%</b>                    | 6.2%     | <b>3.4%</b>                  | 6.7%     |
| Net write-off rate principal, interest and fees <sup>(b)</sup> | <b>3.5%</b>                    | 6.8%     | <b>3.8%</b>                  | 7.4%     |
| Net interest income divided by average loans <sup>(c)(d)</sup> | <b>8.6%</b>                    | 9.1%     | <b>8.7%</b>                  | 9.4%     |
| Net interest yield on cardmember loans <sup>(c)</sup>          | <b>8.7%</b>                    | 9.3%     | <b>8.9%</b>                  | 9.7%     |

\* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income (\$2.5 billion and \$1.5 billion for the twelve months ended June 30, 2011 and 2010, respectively) by (ii) one-year average segment capital (\$7.3 billion and \$5.7 billion for the twelve months ended June 30, 2011 and 2010, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of \$446 million and \$447 million as of June 30, 2011 and 2010, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Refer to Selected Statistical Information , footnote (b) on page 36.

(c) Refer to Selected Statistical Information , footnote (e) on page 37.

(d) Refer to Selected Statistical Information , footnote (f) on page 37.  
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**U.S. Card Services**  
**Selected Statistical Information**  
**(continued)**

**Calculation of Net Interest Yield on Cardmember Loans**

|                                                             | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Millions, except percentages or where indicated)</i>    | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Net interest income                                         | <b>\$ 1,063</b>                | \$ 1,111 | <b>\$ 2,154</b>              | \$ 2,332 |
| Average loans <i>(billions)</i>                             | <b>\$ 49.7</b>                 | \$ 49.1  | <b>\$ 49.7</b>               | \$ 49.9  |
| Adjusted net interest income                                | <b>\$ 1,080</b>                | \$ 1,145 | <b>\$ 2,192</b>              | \$ 2,391 |
| Adjusted average loans <i>(billions)</i>                    | <b>\$ 49.5</b>                 | \$ 49.2  | <b>\$ 49.7</b>               | \$ 49.9  |
| Net interest income divided by average loans <sup>(a)</sup> | <b>8.6%</b>                    | 9.1%     | <b>8.7%</b>                  | 9.4%     |
| Net interest yield on cardmember loans                      | <b>8.7%</b>                    | 9.3%     | <b>8.9%</b>                  | 9.7%     |

(a) Refer to Selected Statistical Information, footnote (f) on page 37.

**Results of Operations for the Three and Six Months Ended June 30, 2011 and June 30, 2010**

U.S. Card Services reported segment income increased \$149 million or 29 percent and \$290 million or 31 percent to \$665 million and \$1.2 billion for the three and six months ended June 30, 2011, respectively, as compared to the same periods a year ago.

Total revenues net of interest expense increased \$152 million or 4 percent and \$227 million or 3 percent to \$3.8 billion and \$7.3 billion for the three and six months ended June 30, 2011, respectively, primarily driven by higher discount revenue, net card fees and other, partially offset by lower net interest income.

Discount revenue, net card fees and other revenues increased \$200 million or 8 percent and \$405 million or 8 percent to \$2.7 billion and \$5.2 billion for the three and six months ended June 30, 2011, respectively, primarily due to higher discount revenue resulting from billed business growth and increases in travel sales, partially offset by lower other commissions and fees due to reduced foreign exchange conversion and delinquency-related fees. Billed business for both the three and six months ended June 30, 2011 increased 13 percent, primarily driven by an 11 percent and 12 percent higher average spending per proprietary basic cards-in-force, as compared to the same periods in the prior year.

Interest income of \$1.3 billion and \$2.6 billion for the three and six months ended June 30, 2011, respectively, decreased \$52 million or 4 percent and \$169 million or 6 percent, respectively, primarily due to a lower yield on cardmember loans.

Interest expense of \$200 million for the three months ended June 30, 2011, decreased \$4 million or 2 percent, primarily reflecting a lower cost of funds, partially offset by an increase in funding requirements due to a higher average charge card receivables balance. Interest expense of \$403 million increased \$9 million or 2 percent for the six months ended June 30, 2011, primarily due to a higher average charge card receivables balance.

Provisions for losses of \$228 million and \$275 million for the three and six months ended June 30, 2011, respectively, decreased \$291 million or 56 percent and \$931 million or 77 percent, respectively, primarily reflecting improved cardmember loan credit trends, partially offset by a higher charge card provision resulting from higher business volumes. The lending net write-off rate decreased to 3.2 percent and 3.4 percent for the three and six months ended June 30, 2011 versus 6.2 percent and 6.7 percent for the same periods in the prior year. The charge card net write-off rate was 1.5 percent and 1.6 percent for the three and six months ended June 30, 2011 versus 1.6 percent and 1.7 percent for the same periods in the prior year.

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Expenses of \$2.6 billion and \$5.3 billion increased \$364 million or 16 percent and \$822 million or 19 percent for the three and six months ended June 30, 2011, respectively, mainly due to increased marketing, promotion, rewards and cardmember services expenses, and, to a lesser extent, higher salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses of \$1.7 billion and \$3.4 billion increased \$279 million or 20 percent and \$673 million or 25 percent for the three and six months ended June 30, 2011, respectively, driven by increased rewards costs, which reflect greater rewards-related spending volumes, higher co-brand expense, and increases in the ultimate redemption rate and weighted average cost per point. These increases in the ultimate redemption rate and weighted average cost per point, both of which impacted the expense related to points earned during the period as well as the Membership Rewards liability for unredeemed points at the beginning of the period, led to a more pronounced increase in rewards costs during this period than in previous periods. In addition, cardmember service costs increased as a result of new benefits offered to cardmembers. These increases were partially offset by lower marketing and promotion costs due to lower product media spending.

Salaries and employee benefits and other operating expenses were \$942 million and \$1.8 billion for the three and six months ended June 30, 2011, respectively, an increase of \$85 million or 10 percent and \$149 million or 9 percent, reflecting investments in various customer service initiatives, a lower benefit in the second quarter of 2011 compared to the second quarter of 2010 related to hedging the Company's fixed-rate debt, as well as an expense for the reduction of amounts previously capitalized related to software developed by third-party vendors.

The effective tax rate was 26 percent and 33 percent for the three and six months ended June 30, 2011, respectively. The effective tax rate for the three and six months ended June 30, 2011 reflects the favorable resolution of certain prior years' tax items. The effective tax rate was 37 percent for both the three and six months ended June 30, 2010.

**International Card Services**  
**Selected Income Statement Data**

| <i>(Millions)</i>                                                  | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |          |
|--------------------------------------------------------------------|--------------------------------|--------|------------------------------|----------|
|                                                                    | 2011                           | 2010   | 2011                         | 2010     |
| Revenues                                                           |                                |        |                              |          |
| Discount revenue, net card fees and other                          | \$ 1,112                       | \$ 864 | \$ 2,101                     | \$ 1,742 |
| Interest income                                                    | 347                            | 342    | 672                          | 705      |
| Interest expense                                                   | 108                            | 99     | 214                          | 205      |
| Net interest income                                                | 239                            | 243    | 458                          | 500      |
| Total revenues net of interest expense                             | 1,351                          | 1,107  | 2,559                        | 2,242    |
| Provisions for losses                                              | 78                             | 90     | 83                           | 248      |
| Total revenues net of interest expense after provisions for losses | 1,273                          | 1,017  | 2,476                        | 1,994    |
| Expenses                                                           |                                |        |                              |          |
| Marketing, promotion, rewards and cardmember services              | 493                            | 376    | 900                          | 726      |
| Salaries and employee benefits and other operating expenses        | 584                            | 450    | 1,140                        | 912      |
| Total                                                              | 1,077                          | 826    | 2,040                        | 1,638    |
| Pretax segment income                                              | 196                            | 191    | 436                          | 356      |
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|                      |               |        |               |        |
|----------------------|---------------|--------|---------------|--------|
| Income tax provision | <b>35</b>     | 36     | <b>86</b>     | 62     |
| Segment income       | <b>\$ 161</b> | \$ 155 | <b>\$ 350</b> | \$ 294 |

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**International Card Services  
Selected Statistical Information**

|                                                                | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|----------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Billions, except percentages and where indicated)</i>      | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Card billed business                                           | <b>\$ 31.5</b>                 | \$ 25.5  | <b>\$ 59.8</b>               | \$ 49.9  |
| Total cards-in-force <i>(millions)</i>                         | <b>15.1</b>                    | 15.0     | <b>15.1</b>                  | 15.0     |
| Basic cards-in-force <i>(millions)</i>                         | <b>10.4</b>                    | 10.4     | <b>10.4</b>                  | 10.4     |
| Average basic cardmember spending <i>(dollars)*</i>            | <b>\$ 3,032</b>                | \$ 2,449 | <b>\$ 5,765</b>              | \$ 4,789 |
| International Consumer Travel:                                 |                                |          |                              |          |
| Travel sales <i>(millions)</i>                                 | <b>\$ 328</b>                  | \$ 262   | <b>\$ 643</b>                | \$ 523   |
| Travel commissions and fees/sales                              | <b>7.6%</b>                    | 8.0%     | <b>7.6%</b>                  | 7.6%     |
| Total segment assets                                           | <b>\$ 28.2</b>                 | \$ 20.6  | <b>\$ 28.2</b>               | \$ 20.6  |
| Segment capital <i>(millions)</i>                              | <b>\$ 3,041</b>                | \$ 2,022 | <b>\$ 3,041</b>              | \$ 2,022 |
| Return on average segment capital <sup>(a)</sup>               | <b>24.1%</b>                   | 22.8%    | <b>24.1%</b>                 | 22.8%    |
| Return on average tangible segment capital <sup>(a)</sup>      | <b>40.1%</b>                   | 30.7%    | <b>40.1%</b>                 | 30.7%    |
| Cardmember receivables:                                        |                                |          |                              |          |
| Total receivables                                              | <b>\$ 6.9</b>                  | \$ 5.6   | <b>\$ 6.9</b>                | \$ 5.6   |
| 90 days past billing as a % of total                           | <b>1.0%</b>                    | 1.0%     | <b>1.0%</b>                  | 1.0%     |
| Net loss ratio (as a % of charge volume) <sup>(b)</sup>        | <b>0.15%</b>                   | 0.15%    | <b>0.15%</b>                 | 0.34%    |
| Cardmember loans:                                              |                                |          |                              |          |
| Total loans                                                    | <b>\$ 8.8</b>                  | \$ 8.3   | <b>\$ 8.8</b>                | \$ 8.3   |
| 30 days past due loans as a % of total                         | <b>2.1%</b>                    | 3.0%     | <b>2.1%</b>                  | 3.0%     |
| Average loans                                                  | <b>\$ 8.8</b>                  | \$ 8.3   | <b>\$ 8.8</b>                | \$ 8.6   |
| Net write-off rate principal only <sup>(c)</sup>               | <b>2.9%</b>                    | 4.9%     | <b>3.1%</b>                  | 5.2%     |
| Net write-off rate principal, interest and fees <sup>(c)</sup> | <b>3.6%</b>                    | 5.8%     | <b>3.7%</b>                  | 6.2%     |
| Net interest income divided by average loans <sup>(d)(e)</sup> | <b>10.9%</b>                   | 11.7%    | <b>10.4%</b>                 | 11.7%    |
| Net interest yield on cardmember loans <sup>(d)</sup>          | <b>10.7%</b>                   | 11.4%    | <b>10.3%</b>                 | 11.5%    |

\* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income (\$593 million and \$495 million for the twelve months ended June 30, 2011 and 2010, respectively) by (ii) one-year average segment capital (\$2.5 billion and \$2.2 billion for the twelve months ended June 30, 2011 and 2010, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of \$987 million and \$561 million as of June 30, 2011 and 2010, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Effective January 1, 2010, the Company revised the time period in which past due cardmember receivables in ICS are written off to when they are 180 days past due or earlier, consistent with applicable bank regulatory guidance and the write-off methodology adopted for USCS in the fourth quarter of 2008. Previously, receivables were written off when they were 360 days past billing or earlier. Therefore, the net write-offs for the first quarter

of 2010 include net write-offs of approximately \$60 million for ICS resulting from this write-off methodology change, which increased the net loss ratio and decreased the 90 days past billing metric for this segment, but did not have a substantial impact on provisions for losses.

(c) Refer to Selected Statistical Information , footnote (b) on page 36.

(d) Refer to Selected Statistical Information , footnote (e) on page 37.

(e) Refer to Selected Statistical Information , footnote (f) on page 37.

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**International Card Services**  
**Calculation of Net Interest Yield on Cardmember Loans**

|                                                             | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|-------------------------------------------------------------|--------------------------------|--------|------------------------------|--------|
|                                                             | 2011                           | 2010   | 2011                         | 2010   |
| <i>(Millions, except percentage and where indicated)</i>    |                                |        |                              |        |
| Net interest income                                         | \$ 239                         | \$ 243 | \$ 458                       | \$ 500 |
| Average loans <i>(billions)</i>                             | \$ 8.8                         | \$ 8.3 | \$ 8.8                       | \$ 8.6 |
| Adjusted net interest income                                | \$ 233                         | \$ 234 | \$ 447                       | \$ 487 |
| Adjusted average loans <i>(billions)</i>                    | \$ 8.7                         | \$ 8.2 | \$ 8.7                       | \$ 8.5 |
| Net interest income divided by average loans <sup>(a)</sup> | 10.9%                          | 11.7%  | 10.4%                        | 11.7%  |
| Net interest yield on cardmember loans                      | 10.7%                          | 11.4%  | 10.3%                        | 11.5%  |

(a) Refer to Selected Statistical Information, footnote (f) on page 37.

**Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010**

International Card Services reported segment income increased \$6 million or 4 percent and \$56 million or 19 percent to \$161 million and \$350 million for the three and six months ended June 30, 2011, respectively, as compared to the same periods a year ago. Both the revenues and expenses were impacted by a weaker dollar compared to the same periods last year.

Total revenues net of interest expense increased \$244 million or 22 percent and \$317 million or 14 percent to \$1.4 billion and \$2.6 billion for the three and six months ended June 30, 2011, respectively, as compared to the same periods a year ago, primarily due to increased discount revenue, net card fees and other.

Discount revenue, net card fees and other revenues increased \$248 million or 29 percent and \$359 million or 21 percent, to \$1.1 billion and \$2.1 billion for the three and six months ended June 30, 2011, respectively, as compared to the same periods in prior year, primarily driven by higher discount revenue due to billed business growth and the inclusion of Loyalty Partner's revenues following the closing of the acquisition in the first quarter of 2011. Billed business for the three and six months ended June 30, 2011 increased 24 percent and 20 percent, respectively, reflecting a 24 percent and 20 percent increase in average spending per proprietary basic cards-in-force, as compared to the same periods in the prior year.

For the three and six months ended June 30, 2011, adjusting for the impacts of foreign currency exchange translation<sup>3</sup>, billed business increased 11 percent and 10 percent, respectively, and average spending per proprietary basic cards-in-force increased 11 percent in both periods. Billed business outside the United States increased 12 percent in Latin America and Canada, 11 percent in Japan, Asia Pacific and Australia, and 10 percent in Europe, the Middle East and Africa for the three months ended June 30, 2011, and 12 percent in Latin America and Canada, 11 percent in Japan, Asia Pacific and Australia, and 9 percent in Europe, the Middle East and Africa for the six months ended June 30, 2011.

Interest income of \$347 million for the three months ended June 30, 2011, increased \$5 million or 1 percent, as compared to the same period a year ago, driven by an increase in average loans outstanding partially offset by a lower yield. Interest income for the six months ended June 30, 2011 decreased \$33 million or 5 percent to \$672 million, as compared to the same period a year ago, primarily due to a lower yield on cardmember loans.

<sup>3</sup> The foreign currency adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the three and six months ended June 30, 2011 apply to the periods against which such results are being compared). The Company believes the presentation of information on a foreign currency adjusted basis is helpful to investors by making it easier to compare the Company's performance in one period to that of another period without the variability caused by fluctuations in currency exchange rates.



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Interest expense of \$108 million and \$214 million for the three and six months ended June 30, 2011, increased \$9 million or 9 percent and \$9 million or 4 percent, respectively, as compared to the same periods a year ago, driven by an increase in funding requirements due to increased average charge card receivables.

Provisions for losses of \$78 million and \$83 million for the three and six months ended June 30, 2011, decreased \$12 million or 13 percent and \$165 million or 67 percent, respectively, primarily reflecting improving cardmember loan credit trends, partially offset by increased reserve requirements due to higher average charge card receivable balances. The charge card net loss ratio (as a percentage of charge volume) was 0.15 percent for both the three and six months ended June 30, 2011 versus 0.15 and 0.34 percent for the same periods in the prior year. The lending net write-off rate was 2.9 percent and 3.1 percent for the three and six months ended June 30, 2011 versus 4.9 percent and 5.2 percent for the same periods in the prior year.

Expenses of \$1.1 billion and \$2.0 billion increased \$251 million or 30 percent and \$402 million or 25 percent for the three and six months ended June 30, 2011, respectively, as compared to the same periods a year ago, due to higher marketing, promotion, rewards and cardmember services costs and increased salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses of \$493 million and \$900 million for the three and six months ended June 30, 2011, increased \$117 million or 31 percent and \$174 million or 24 percent, respectively, as compared to the same periods in the prior year, primarily due to greater volume-related rewards costs and co-brand expenses and the inclusion of Loyalty Partner following the closing of the acquisition in the first quarter of 2011.

Salaries and employee benefits and other operating expenses of \$584 million and \$1.1 billion for the three and six months ended June 30, 2011, increased \$134 million or 30 percent and \$228 million or 25 percent, respectively, as compared to the same periods a year ago, reflecting higher costs related to customer service initiatives, greater technology development expenditures, increased investments in sales force and the inclusion of Loyalty Partner expenses following the closing of the acquisition in the first quarter of 2011.

The effective tax rate was 18 percent and 20 percent for the three and six months ended June 30, 2011 versus 19 percent and 17 percent for the same periods in 2010. The tax rates in each of the periods primarily reflect the impact of recurring tax benefits on varying levels of pretax income. This segment reflects the favorable impact of the consolidated tax benefit related to its ongoing funding activities outside the United States, which is allocated to ICS under the Company's internal tax allocation process.

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**Global Commercial Services  
Selected Income Statement Data**

| <i>(Millions)</i>                                                  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|--------------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
|                                                                    | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Revenues                                                           |                                |          |                              |          |
| Discount revenue, net card fees and other                          | <b>\$ 1,259</b>                | \$ 1,076 | <b>\$ 2,436</b>              | \$ 2,089 |
| Interest income                                                    | <b>2</b>                       | 2        | <b>4</b>                     | 3        |
| Interest expense                                                   | <b>70</b>                      | 55       | <b>128</b>                   | 104      |
| Net interest expense                                               | <b>(68)</b>                    | (53)     | <b>(124)</b>                 | (101)    |
| Total revenues net of interest expense                             | <b>1,191</b>                   | 1,023    | <b>2,312</b>                 | 1,988    |
| Provisions for losses                                              | <b>35</b>                      | 28       | <b>58</b>                    | 106      |
| Total revenues net of interest expense after provisions for losses | <b>1,156</b>                   | 995      | <b>2,254</b>                 | 1,882    |
| Expenses                                                           |                                |          |                              |          |
| Marketing, promotion, rewards and cardmember services              | <b>138</b>                     | 104      | <b>263</b>                   | 218      |
| Salaries and employee benefits and other operating expenses        | <b>753</b>                     | 658      | <b>1,461</b>                 | 1,307    |
| Total                                                              | <b>891</b>                     | 762      | <b>1,724</b>                 | 1,525    |
| Pretax segment income                                              | <b>265</b>                     | 233      | <b>530</b>                   | 357      |
| Income tax provision                                               | <b>88</b>                      | 121      | <b>169</b>                   | 160      |
| Segment income                                                     | <b>\$ 177</b>                  | \$ 112   | <b>\$ 361</b>                | \$ 197   |

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**Global Commercial Services  
Selected Statistical Information**

|                                                           | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-----------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
| <i>(Billions, except percentages and where indicated)</i> | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Card billed business                                      | \$ <b>39.3</b>                 | \$ 32.9  | \$ <b>75.9</b>               | \$ 63.7  |
| Total cards-in-force <i>(millions)</i>                    | <b>7.1</b>                     | 7.0      | <b>7.1</b>                   | 7.0      |
| Basic cards-in-force <i>(millions)</i>                    | <b>7.1</b>                     | 7.0      | <b>7.1</b>                   | 7.0      |
| Average basic cardmember spending <i>(dollars)*</i>       | \$ <b>5,533</b>                | \$ 4,712 | \$ <b>10,710</b>             | \$ 9,110 |
| Global Corporate Travel:                                  |                                |          |                              |          |
| Travel sales                                              | \$ <b>5.3</b>                  | \$ 4.6   | \$ <b>10.2</b>               | \$ 8.7   |
| Travel commissions and fees/sales                         | <b>7.8%</b>                    | 7.6%     | <b>7.6%</b>                  | 7.5%     |
| Total segment assets                                      | \$ <b>20.3</b>                 | \$ 17.4  | \$ <b>20.3</b>               | \$ 17.4  |
| Segment capital <i>(millions)</i>                         | \$ <b>3,794</b>                | \$ 3,509 | \$ <b>3,794</b>              | \$ 3,509 |
| Return on average segment capital <sup>(a)</sup>          | <b>16.9%</b>                   | 10.9%    | <b>16.9%</b>                 | 10.9%    |
| Return on average tangible segment capital <sup>(a)</sup> | <b>35.4%</b>                   | 23.6%    | <b>35.4%</b>                 | 23.6%    |
| Cardmember receivables:                                   |                                |          |                              |          |
| Total receivables                                         | \$ <b>13.8</b>                 | \$ 11.5  | \$ <b>13.8</b>               | \$ 11.5  |
| 90 days past billing as a % of total                      | <b>0.7%</b>                    | 1.0%     | <b>0.7%</b>                  | 1.0%     |
| Net loss ratio (as a % of charge volume) <sup>(b)</sup>   | <b>0.06%</b>                   | 0.06%    | <b>0.06%</b>                 | 0.17%    |

\* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income (\$614 million and \$388 million for the twelve months ended June 30, 2011 and 2010, respectively) by (ii) one-year average segment capital (\$3.6 billion and \$3.6 billion for the twelve months ended June 30, 2011 and 2010, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of \$1.9 billion and \$1.9 billion as of June 30, 2011 and 2010, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Effective January 1, 2010, the Company revised the time period in which past due cardmember receivables in GCS are written off to when they are 180 days past due or earlier, consistent with applicable bank regulatory guidance and the write-off methodology adopted for USCS in the fourth quarter of 2008. Previously, receivables were written off when they were 360 days past billing or earlier. Therefore, the net write-offs for the first quarter of 2010 include net write-offs of approximately \$48 million for GCS resulting from this write-off methodology change, which increased the net loss ratio and decreased the 90 days past billing metric for this segment, but did not have a substantial impact on provisions for losses.

**Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010**

Global Commercial Services reported segment income of \$177 million and \$361 million, an increase of \$65 million or 58 percent and \$164 million or 83 percent for the three and six months ended June 30, 2011, respectively, as compared to the same periods a year ago.

Total revenues net of interest expense increased \$168 million or 16 percent and \$324 million or 16 percent for the three and six months ended June 30, 2011, to \$1.2 billion and \$2.3 billion, respectively, due to increased discount revenue, net card fees and other, partially offset by higher interest expense.

Discount revenue, net card fees and other revenues of \$1.3 billion for the three months ended June 30, 2011, increased \$183 million or 17 percent, primarily due to higher discount revenue resulting from 19 percent billed business growth, partially offset by larger client incentive payments. The 19 percent increase in billed business reflects a 17 percent increase in average spending per proprietary basic cards-in-force. Discount revenue, net card fees and other revenues of \$2.4 billion for the six months ended June 30, 2011, increased \$347 million or 17 percent, primarily due to higher discount revenue resulting from 19 percent billed business growth. The 19 percent increase in billed business reflects an 18 percent increase in average spending per proprietary basic cards-in-force. In addition, travel commissions and fees increased 19 percent in both the three and six month periods on greater travel sales.

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For the three and six months ended June 30, 2011, adjusting for the impacts of foreign currency exchange translation<sup>4</sup>, billed business increased 15 percent and 16 percent, respectively, and average spending per proprietary basic cards-in-force increased 13 percent and 14 percent, respectively. For the three and six months ended June 30, 2011, billed business volume increased 15 percent and 16 percent within the United States, compared to an increase of 14 percent and 15 percent outside the United States, respectively.

Interest expense increased \$15 million or 27 percent and \$24 million or 23 percent to \$70 million and \$128 million for the three and six months ended June 30, 2011, respectively, primarily driven by higher funding requirements due to increased average receivables balances.

Provisions for losses increased \$7 million or 25 percent to \$35 million for the three months ended June 30, 2011, primarily driven by increased average receivables balances. Provisions for losses decreased \$48 million or 45 percent to \$58 million for the six months ended June 30, 2011, primarily driven by higher recoveries and lower write-offs. The charge card net loss ratio (as a percentage of charge volume) was 0.06 percent for both the three and six months ended June 30, 2011 versus 0.06 percent and 0.17 percent for the same periods in the prior year.

Expenses were \$891 million and \$1.7 billion for the three and six months ended June 30, 2011, an increase of \$129 million or 17 percent and \$199 million or 13 percent, respectively, mainly due to increased marketing, promotion, rewards and cardmember services expenses, and salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses increased \$34 million or 33 percent and \$45 million or 21 percent for the three and six months ended June 30, 2011, respectively, primarily reflecting higher volume-related rewards costs and cardmember rewards redemptions.

Salaries and employee benefits and other operating expenses increased \$95 million or 14 percent and \$154 million or 12 percent to \$753 million and \$1.5 billion for the three and six months ended June 30, 2011, respectively, reflecting reengineering costs, increased salary and other employee benefit costs and technology investments.

The effective tax rate was 33 percent and 32 percent for the three and six months ended June 30, 2011, respectively. The effective tax rate was 52 percent and 45 percent for the three and six months ended June 30, 2010, respectively, which includes the impact of a valuation allowance related to deferred tax assets associated with certain of the Company's non-U.S. travel operations.

<sup>4</sup> Refer to footnote 3 on page 60 under ICS results of operations for the three and six months ended June 30, 2011 relating to changes in foreign exchange rates.

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**Global Network & Merchant Services  
Selected Income Statement Data**

| <i>(Millions)</i>                                                  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|--------------------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
|                                                                    | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Revenues                                                           |                                |          |                              |          |
| Discount revenue, net card fees and other                          | <b>\$ 1,183</b>                | \$ 1,004 | <b>\$ 2,271</b>              | \$ 1,938 |
| Interest income                                                    | <b>1</b>                       | 1        | <b>2</b>                     | 2        |
| Interest expense                                                   | <b>(55)</b>                    | (46)     | <b>(103)</b>                 | (93)     |
| Net interest income                                                | <b>56</b>                      | 47       | <b>105</b>                   | 95       |
| Total revenues net of interest expense                             | <b>1,239</b>                   | 1,051    | <b>2,376</b>                 | 2,033    |
| Provisions for losses                                              | <b>13</b>                      | 12       | <b>34</b>                    | 33       |
| Total revenues net of interest expense after provisions for losses | <b>1,226</b>                   | 1,039    | <b>2,342</b>                 | 2,000    |
| Expenses                                                           |                                |          |                              |          |
| Marketing, promotion, rewards and cardmember services              | <b>213</b>                     | 209      | <b>379</b>                   | 375      |
| Salaries and employee benefits and other operating expenses        | <b>526</b>                     | 425      | <b>1,000</b>                 | 827      |
| Total                                                              | <b>739</b>                     | 634      | <b>1,379</b>                 | 1,202    |
| Pretax segment income                                              | <b>487</b>                     | 405      | <b>963</b>                   | 798      |
| Income tax provision                                               | <b>163</b>                     | 144      | <b>326</b>                   | 284      |
| Segment income                                                     | <b>\$ 324</b>                  | \$ 261   | <b>\$ 637</b>                | \$ 514   |

**Global Network & Merchant Services  
Selected Statistical Information**

| <i>(Billions, except percentages and where indicated)</i> | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|-----------------------------------------------------------|--------------------------------|----------|------------------------------|----------|
|                                                           | <b>2011</b>                    | 2010     | <b>2011</b>                  | 2010     |
| Global Card billed business                               | <b>\$ 207.6</b>                | \$ 175.3 | <b>\$ 395.5</b>              | \$ 336.3 |
| Global Network & Merchant Services:                       |                                |          |                              |          |
| Total segment assets                                      | <b>\$ 16.7</b>                 | \$ 11.3  | <b>\$ 16.7</b>               | \$ 11.3  |
| Segment capital <i>(millions)</i>                         | <b>\$ 1,955</b>                | \$ 1,762 | <b>\$ 1,955</b>              | \$ 1,762 |
| Return on average segment capital <sup>(a)</sup>          | <b>61.5%</b>                   | 63.8%    | <b>61.5%</b>                 | 63.8%    |
| Return on average tangible segment capital <sup>(a)</sup> | <b>66.5%</b>                   | 65.3%    | <b>66.5%</b>                 | 65.3%    |
| Global Network Services: <sup>(b)</sup>                   |                                |          |                              |          |
| Card billed business                                      | <b>\$ 29.3</b>                 | \$ 21.6  | <b>\$ 55.3</b>               | \$ 41.7  |
| Total cards-in-force <i>(millions)</i>                    | <b>31.4</b>                    | 27.3     | <b>31.4</b>                  | 27.3     |

- (a) Return on average segment capital is calculated by dividing (i) one-year period segment income (\$1.1 billion and \$963 million for the twelve months ended June 30, 2011 and 2010, respectively) by (ii) one-year average segment capital (\$1.9 billion and \$1.5 billion for the twelve months ended June 30, 2011 and 2010, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of \$140 million and \$36 million as of June 30, 2011 and 2010, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.
- (b) Since the third quarter of 2010, for non-proprietary retail co-brand partners, Global Network Services metrics exclude cardmember accounts which have no out-of-store spend activity during the prior 12-month period.

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**Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010**

Global Network & Merchant Services reported segment income of \$324 million and \$637 million for the three and six months ended June 30, 2011, respectively, a \$63 million or 24 percent and \$123 million or 24 percent increase from the same periods a year ago.

Total revenues net of interest expense increased \$188 million or 18 percent and \$343 million or 17 percent to \$1.2 billion and \$2.4 billion for the three and six months ended June 30, 2011, respectively, compared to the same periods in 2010, primarily due to increased discount revenue, net card fees and other.

Discount revenue, fees and other increased \$179 million or 18 percent and \$333 million or 17 percent to \$1.2 billion and \$2.3 billion for the three and six months ended June 30, 2011, respectively, as compared to the same periods in 2010, reflecting an increase in merchant-related revenues, driven by an 18 percent increase in global card billed business, as well as higher volume driven GNS-related revenues.

Expenses increased \$105 million or 17 percent and \$177 million or 15 percent to \$739 million and \$1.4 billion for the three and six months ended June 30, 2011, respectively, compared to the same periods in 2010, due to higher salaries and employee benefits and other operating expenses.

Salaries and employee benefits and other operating expenses increased \$101 million or 24 percent and \$173 million or 21 percent to \$526 million and \$1.0 billion for the three and six months ended June 30, 2011, respectively, as compared to the same periods in 2010, reflecting increased salary and other employee benefit costs, higher third-party merchant sales-force commissions, higher technology development expenditures and increased legal costs.

The effective tax rate was 34 percent for both the three and six months ended June 30, 2011. The effective tax rate was 36 percent for both the three and six months ended June 30, 2010.

**Corporate & Other**

**Results of Operations for the Three and Six Months Ended June 30, 2011 and 2010**

Corporate & Other had net expense of \$32 million for the three months ended June 30, 2011 compared to net expense of \$27 million for the same period in the prior year. Results for both the three months ended June 30, 2011 and 2010 reflected \$93 million and \$43 million of after-tax income related to the MasterCard and Visa litigation settlements, respectively. After the three months ended June 30, 2011, the Company will no longer receive payments on the Mastercard litigation settlement. Net expense for the three months ended June 30, 2011 reflected costs related to various investments in Enterprise Growth initiatives, higher Global Prepaid income and \$9 million of after-tax expense related to the Company's reengineering activities. Net expense for the three months ended June 30, 2010 reflected \$2 million of after-tax benefit related to revisions of certain estimates impacting reserve balances related to the Company's reengineering efforts.

Corporate & Other had net expense of \$96 million for the six months ended June 30, 2011 compared to net expense of \$33 million for the same period in the prior year. Results for both the six months ended June 30, 2011 and 2010 reflected \$186 million and \$86 million of after-tax income related to the MasterCard and Visa litigation settlements, respectively. Net expense in the six months ended June 30, 2011 reflected costs related to various investments in Enterprise Growth initiatives, higher Global Prepaid income and \$16 million of after-tax expense related to the Company's reengineering activities.

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**OTHER REPORTING MATTERS**

**Glossary of Selected Terminology**

*Adjusted average loans* Represents average cardmember loans excluding the impact of deferred card fees, net of deferred direct acquisition costs of cardmember loans.

*Adjusted net interest income* Represents net interest income allocated to the Company's cardmember loans portfolio excluding the impact of card fees on loans and balance transfer fees attributable to the Company's cardmember loans.

*Asset securitizations* Asset securitization involves the transfer and sale of receivables or loans to a special purpose entity created for the securitization activity, typically a trust. The trust, in turn, issues securities, commonly referred to as asset-backed securities, that are secured by the transferred receivables or loans. The trust uses the proceeds from the sale of such securities to pay the purchase price for the underlying receivables or loans.

*Average discount rate* This calculation is designed to reflect pricing at merchants accepting general purpose American Express cards. It represents the percentage of billed business (both proprietary and Global Network Services) retained by the Company from merchants it acquires, prior to payments to third parties unrelated to merchant acceptance.

*Basic cards-in-force* Proprietary basic consumer cards-in-force includes basic cards issued to the primary account owner and does not include additional supplemental cards issued on that account. Proprietary basic small business and corporate cards-in-force include basic and supplemental cards issued to employee cardmembers. Non-proprietary basic cards-in-force includes cards that are issued and outstanding under network partnership agreements, except for supplemental cards and retail co-brand cardmember accounts which have no out-of-store spend activity during the prior 12-month period.

*Billed business* Includes activities (including cash advances) related to proprietary cards, cards issued under network partnership agreements (non-proprietary billed business), and certain insurance fees charged on proprietary cards. In-store spend activity within retail co-brand portfolios in Global Network Services, from which the Company earns no revenue, is not included in non-proprietary billed business. Card billed business is reflected in the United States or outside the United States based on where the cardmember is domiciled.

*Capital ratios* Represents the minimum standards established by the regulatory agencies as a measure to determine whether the regulated entity has sufficient capital to absorb on and off-balance sheet losses beyond current loss accrual estimates.

*Card acquisition* Primarily represents the issuance of new cards to either new or existing cardmembers through marketing and promotion efforts.

*Cardmember* The individual holder of an issued American Express branded charge or credit card.

*Cardmember loans* Represents the outstanding amount due from cardmembers for charges made on their American Express credit cards, as well as any interest charges and card-related fees. Cardmember loans also include balances with extended payment terms on certain charge card products and are net of unearned revenue.

*Cardmember receivables* Represents the outstanding amount due from cardmembers for charges made on their American Express charge cards as well as any card-related fees.

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*Charge cards* Represents cards that generally carry no pre-set spending limits and are primarily designed as a method of payment and not as a means of financing purchases. Charge cardmembers generally must pay the full amount billed each month. No finance charges are assessed on charge cards. Each charge card transaction is authorized based on its likely economics reflecting a customer's most recent credit information and spend patterns.

*Credit cards* Represents cards that have a range of revolving payment terms, grace periods, and rate and fee structures.

*Discount revenue* Represents revenue earned from fees charged to merchants with whom the Company has entered into a card acceptance agreement for processing cardmember transactions. The discount fee generally is deducted from the Company's payment reimbursing the merchant for cardmember purchases. Such amounts are reduced by contra-revenue such as payments to third-party card issuing partners, cash-back reward costs and corporate incentive payments.

*Interest expense* Interest expense includes interest incurred primarily to fund cardmember loans, charge card product receivables, general corporate purposes, and liquidity needs, and is recognized as incurred. Interest expense is divided principally into three categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, (ii) short-term borrowings, which primarily relates to interest expense on commercial paper, federal funds purchased, bank overdrafts and other short-term borrowings, and (iii) long-term debt, which primarily relates to interest expense on the Company's long-term debt.

*Interest income* Interest income includes (i) interest and fees on loans, (ii) interest and dividends on investment securities and (iii) interest income on deposits with banks and others.

Interest and fees on loans includes interest on loans, which is assessed using the average daily balance method for loans owned. These amounts are recognized based upon the principal amount outstanding in accordance with the terms of the applicable account agreement until the outstanding balance is paid or written-off. Loan fees are deferred and recognized in interest income on a straight-line basis over the 12-month card membership period, net of deferred direct card acquisition costs and a reserve for projected membership cancellation.

Interest and dividends on investment securities primarily relates to the Company's performing fixed-income securities. Interest income is accrued as earned using the effective interest method, which adjusts the yield for security premiums and discounts, fees and other payments, so that the related investment security recognizes a constant rate of return on the outstanding balance throughout its term. These amounts are recognized until these securities are in default or when it is likely that future interest payments will not be made as scheduled.

Interest income on deposits with banks and other is recognized as earned, and primarily relates to the placement of cash in excess of near-term funding requirements in interest-bearing time deposits, overnight sweep accounts, and other interest bearing demand and call accounts.

*Merchant acquisition* Represents the signing of merchants to accept American Express-branded cards.

*Net card fees* Represents the charge card membership fees earned during the period. These fees are recognized as revenue over the covered card membership period (typically one year), net of provision for projected refunds for cancellation of card membership.

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*Net interest yield on cardmember loans* Net interest yield on cardmember loans is computed by dividing adjusted net interest income by adjusted average loans, computed on an annualized basis. The calculation of net interest yield on cardmember loans includes interest that is deemed uncollectible. For all presentations of net interest yield on cardmember loans, reserves and net write-offs related to uncollectible interest are recorded through provisions for losses cardmember loans; therefore, such reserves and net write-offs are not included in the net interest yield calculation.

*Net loss ratio* Represents the ratio of charge card write-offs consisting of principal (resulting from authorized and unauthorized transactions) and fee components, less recoveries, on cardmember receivables expressed as a percentage of gross amounts billed to cardmembers.

*Net write-off rate principal only* Represents the amount of cardmember loans or USCS cardmember receivables written off consisting of principal (resulting from authorized transactions), less recoveries, as a percentage of the average loan balance or USCS average receivables during the period.

*Net write-off rate principal, interest and/or fees* Includes, in the calculation of the net write-off rate, amounts for interest and fees in addition to principal for cardmember loans, and fees in addition to principal for cardmember receivables.

*Return on average equity* Calculated by dividing one-year period net income by one-year average total shareholders equity.

*Return on average segment capital* Calculated by dividing one-year period segment income by one-year average segment capital.

*Return on average tangible segment capital* Computed in the same manner as return on average segment capital except the computation of average tangible segment capital excludes from average segment capital average goodwill and other intangibles.

*Risk-weighted assets* Refer to Capital Strategy section for definition.

*Segment capital* Represents capital allocated to a segment based upon specific business operational needs, risk measures, and regulatory capital requirements.

*Stored value and prepaid products* Includes Travelers Cheques and other prepaid products such as gift cheques and cards as well as reloadable Travelers Cheque cards. These products are sold as safe and convenient alternatives to currency for purchasing goods and services.

*Tier 1 leverage ratio* Refer to Capital Strategy section for definition.

*Tier 1 risk-based capital ratio* Refer to Capital Strategy section for definition.

*Total cards-in-force* Represents the number of cards that are issued and outstanding. Non-proprietary cards-in-force includes all cards that are issued and outstanding under network partnership agreements, except for retail co-brand cardmember accounts which have no out-of-store spend activity during the prior 12-month period.

*Total risk-based capital ratio* Refer to Capital Strategy section for definition.

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*Travel sales* Represents the total dollar amount of travel transaction volume for airline, hotel, car rental, and other travel arrangements made for consumers and corporate clients. The Company earns revenue on these transactions by charging a transaction or management fee.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk is the risk to earnings or value resulting from movements in market prices. The Company's market risk exposure is primarily generated by interest rate risk in its card, insurance and Travelers Cheque businesses, as well as its investment portfolios and foreign exchange risk in its operations outside the United States. As described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 (refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk), the detrimental effect on the Company's pretax earnings of:

a hypothetical 100 basis point increase in interest rates would be approximately \$149 million (\$97 million related to the U.S. dollar);

a hypothetical 10 percent strengthening of the U.S. dollar related to anticipated overseas operating results for the next 12 months would be approximately \$152 million.

These sensitivities are based on the 2010 year-end positions, and assume that all relevant maturities and types of interest rates and foreign exchange rates that affect the Company's results would increase instantaneously and simultaneously and to the same degree. There were no material changes in these market risks since December 31, 2010.

### **ITEM 4. CONTROLS AND PROCEDURES**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Cautionary Note Regarding Forward-looking Statements**

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks and uncertainties. The forward-looking statements, which address the Company's expected business and financial performance, among other matters, contain words such as believe, expect, estimate, anticipate, optimistic, intend, plan, aim, will, may, should, could, would, likely, and similar. The Company cautions not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements, include, but are not limited to, the following:

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changes in global economic and business conditions, including consumer and business spending, the availability and cost of credit, unemployment and political conditions, all of which may significantly affect spending on American Express cards, delinquency rates, loan balances and other aspects of our business and results of operations;

changes in capital and credit market conditions, including sovereign credit worthiness, which may significantly affect the Company's ability to meet its liquidity needs, access to capital and cost of capital, including changes in interest rates; changes in market conditions affecting the valuation of the Company's assets; or any reduction in the Company's credit ratings or those of its subsidiaries, which could materially increase the cost and other terms of the Company's funding, restrict its access to the capital markets or result in contingent payments under contracts;

litigation, such as class actions or proceedings brought by governmental and regulatory agencies (including the lawsuit filed against the Company by the U.S. Department of Justice (DOJ) and certain state attorneys general), that could result in (i) the imposition of behavioral remedies against the Company or the Company voluntarily making certain changes to its business practices, the effects of which in either case could have a material adverse impact on the Company's financial performance; (ii) the imposition of substantial monetary damages in private actions against the Company; and/or (iii) damage to the Company's global reputation and brand;

legal and regulatory developments wherever the Company does business, including legislative and regulatory reforms in the United States, such as the Dodd-Frank Reform Act's stricter regulation of large, interconnected financial institutions, changes in requirements relating to securitization and the establishment of the Bureau of Consumer Financial Protection, which could make fundamental changes to many of the Company's business practices or materially affect its capital requirements, results of operations, or ability to pay dividends or repurchase its stock; actions and potential future actions by the FDIC and credit rating agencies applicable to securitization trusts, which could impact the Company's ABS program; or potential changes in the federal tax system that could substantially alter, among other things, the taxation of the Company's international businesses, the allowance of deductions for significant expenses, or the incidence of consumption taxes on the Company's transactions, products and services;

the Company's net interest yield on U.S. cardmember loans not remaining at historical levels, which will be influenced by, among other things, the effects of the CARD Act (including the regulations requiring the Company to periodically reevaluate APR increases), interest rates, changes in consumer behavior that affect loan balances, such as paydown rates, and the Company's cardmember acquisition strategy, product mix, credit actions, including line size and other adjustments to credit availability, and potential pricing changes;

changes in the substantial and increasing worldwide competition in the payments industry, including competitive pressure that may impact the prices we charge merchants that accept the Company's cards and the success of marketing, promotion or rewards programs;

changes in technology or in the Company's ability to protect its intellectual property (such as copyrights, trademarks, patents and controls on access and distribution), and invest in and compete at the leading edge of technological developments across the Company's businesses, including technology and intellectual property of third parties whom we rely on, all of which could materially affect the Company's results of operations;

data breaches and fraudulent activity, which could damage the Company's brand, increase the Company's costs or have regulatory implications, and changes in regulation affecting privacy and data security under federal, state and foreign law, which could result in higher compliance and technology costs to the Company or the Company's vendors;

changes in the Company's ability to attract or retain qualified personnel in the management and operation of the Company's business, including any changes that may result from increasing regulatory supervision of compensation practices;

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changes in the financial condition and creditworthiness of the Company's business partners, such as bankruptcies, restructurings or consolidations, involving merchants that represent a significant portion of the Company's business, such as the airline industry, or the Company's partners in Global Network Services or financial institutions that we rely on for routine funding and liquidity, which could materially affect the Company's financial condition or results of operations;

uncertainties associated with business acquisitions, including the ability to realize anticipated business retention, growth and cost savings, accurately estimate the value of goodwill and intangibles associated with individual acquisitions, effectively integrate the acquired business into the Company's existing operations or implement or remediate controls, procedures and policies at the acquired company;

changes affecting the success of the Company's reengineering and other cost control initiatives, such as the ability to execute plans during the year with respect to certain of the Company's facilities, which may result in the Company not realizing all or a significant portion of the benefits that we intend;

the actual amount to be spent by the Company on investments in the business, including on marketing, promotion, rewards and cardmember services and certain other operating expenses, which will be based in part on management's assessment of competitive opportunities and the Company's performance and the ability to control and manage operating, infrastructure, advertising, promotion and rewards expenses as business expands or changes, including the changing behavior of cardmembers;

the effectiveness of the Company's risk management policies and procedures, including credit risk relating to consumer debt, liquidity risk in meeting business requirements and operational risk;

the Company's lending write-off rates for the remainder of 2011 and into 2012 not remaining below the average historical levels of the last ten years, which will depend in part on changes in the level of the Company's loan balances, delinquency rates of cardmembers, unemployment rates, the volume of bankruptcies and recoveries of previously written-off loans;

changes affecting the Company's ability to accept or maintain deposits due to market demand or regulatory constraints, such as changes in interest rates and regulatory restrictions on the Company's ability to obtain deposit funding or offer competitive interest rates, which could affect the Company's liquidity position and the Company's ability to fund the Company's business;

factors beyond the Company's control such as fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, terrorism, hackers or fraud, which could affect travel-related spending or disrupt the Company's global network systems and ability to process transactions; and

the Company's funding plan for the full year 2011 being implemented in a manner inconsistent with current expectations, which will depend on various factors such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by the Company, regulatory changes, ability to securitize and sell receivables and the performance of receivables previously sold in securitization transactions.

A further description of these uncertainties and other risks can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Company and its subsidiaries are involved in a number of legal and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of their respective business activities. The Company believes it has meritorious defenses to each of these actions and intends to defend them vigorously. In the course of its business, the Company and its subsidiaries are also subject to governmental examinations, information gathering requests, subpoenas, inquiries and investigations. The Company believes that it is not a party to, nor are any of its properties the subject of, any pending legal, arbitration, regulatory or investigative proceedings that would have a material adverse effect on the Company's consolidated financial condition or liquidity. However, it is possible that the outcome of any such proceeding could have a material impact on results of operations in any particular reporting period as the proceedings are resolved. Certain legal proceedings involving the Company are described below and others, for which there have been no subsequent material developments, are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

For those legal proceedings and governmental examinations referred to in the last sentence of the preceding paragraph for which a loss is reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to \$520 million in excess of the accrued liability (if any) related to those matters. This aggregate range represents management's estimate of possible loss with respect to these matters and is based on currently available information. This estimated range of possible loss does not represent the Company's maximum loss exposure. The legal proceedings and governmental examinations underlying the estimated range will change from time to time and actual results may vary significantly from the current estimate. For additional information, refer to Note 15 to the Consolidated Financial Statements.

**Corporate Matters**

During the last few years as regulatory interest in credit card network pricing to merchants and related issues has increased, the Company has responded to many inquiries from banking and competition authorities throughout the world.

On October 4, 2010, the DOJ, along with Attorneys General from Connecticut, Iowa, Maryland, Michigan, Missouri, Ohio and Texas, filed a complaint in the U.S. District Court for the Eastern District of New York against the Company, MasterCard International Incorporated and Visa, Inc., alleging a violation of Section 1 of the Sherman Antitrust Act. The complaint alleges that the defendants' policies prohibiting merchants from steering a customer to use another network's card, another type of card or another method of payment (anti-steering and non-discrimination rules and contractual provisions) violate the antitrust laws. The complaint alleges that the defendants participate in two distinct markets, a General Purpose Card network services market, and a General Purpose Card network services market for merchants in travel and entertainment (T&E) businesses. The complaint contends that each of the defendants has market power in the alleged two markets. The complaint seeks a judgment permanently enjoining the defendants from enforcing their anti-steering and non-discrimination rules and contractual provisions. The complaint does not seek monetary damages. Concurrent with the filing of the complaint, Visa and MasterCard announced they had reached an agreement settling the allegations in the complaint against them by agreeing to modifications in their rules prohibiting merchants that accept their cards from steering customers to use another network's card, another type of card or another method of payment. In December 2010, the complaint filed by the DOJ and certain state attorneys general was amended to add as plaintiffs the Attorneys General from Arizona, Hawaii, Idaho, Illinois, Montana, Nebraska, New Hampshire, Rhode Island, Tennessee, Utah and Vermont. American Express' response to the amended complaint was filed in early January 2011. The court has entered a scheduling order in the matter with a deadline for completion of discovery by September 2, 2012, and a final pre-trial conference scheduled for

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February 2013. This matter is being coordinated with other cases pending in the Eastern District of New York against American Express relating to the non-discrimination provisions in its merchant agreements, which cases are described below in the section entitled U.S. Card Services and Global Merchant Services Matters.

On February 20, 2009, a putative class action captioned Brozovich v. American Express Co., Kenneth I. Chenault and Daniel T. Henry, was filed in the United States District Court for the Southern District of New York. The lawsuit alleged violations of the federal securities laws in connection with certain alleged misstatements regarding the credit quality of the Company's credit card customers. The purported class covered the period from March 1, 2007 to November 12, 2008. The action sought unspecified damages and costs and fees. The Brozovich action was subsequently voluntarily dismissed. In March 2009, a putative class action, captioned Baydale v. American Express Co., Kenneth I. Chenault and Daniel Henry, which made similar allegations to those made in the Brozovich action, was filed in the United States District Court for the Southern District of New York. In October 2009, the plaintiff in the Baydale action filed an Amended Consolidated Class Action Complaint in the action. The Company filed a motion to dismiss with the court. In July 2010, the court granted the Company's motion to dismiss and dismissed the complaint in its entirety. The plaintiff has appealed the District Court's decision on motion to dismiss to the United States Court of Appeals for the Second Circuit, and briefing on the appeal has been completed, with argument scheduled for August 2011.

The Company is a defendant in a putative class action captioned Kaufman v. American Express Travel Related Services, which was filed on February 14, 2007, and is pending in the United States District Court for the Northern District of Illinois. The allegations in Kaufman relate primarily to monthly service fee charges in respect of the Company's gift card products, with the principal claim being that the Company's gift cards violate consumer protection statutes because consumers allegedly have difficulty spending small residual amounts on the gift cards prior to the imposition of monthly service fees. In January 2009, the Company signed a Memorandum of Understanding to resolve these claims. Since such time, the parties have entered into a settlement agreement that was submitted to the court for preliminary approval. The proposed settlement class consists of all purchasers, recipients and holders of all gift cards issued by American Express from January 1, 2002 through the date of preliminary approval of the Settlement, including without limitation, gift cards sold at physical retail locations, via the internet, or through mall co-branded programs. Under the terms of the proposed settlement, in addition to certain non-monetary relief, the Company would pay \$3 million into a settlement fund. Members of the settlement class would then be entitled to submit claims against the settlement fund to receive refunds of certain gift card fees, and any monies remaining in the settlement fund after payment of all claims would be paid to charity. In addition, the Company would make available to the settlement class for a period of time the opportunity to buy gift cards with no purchase fee. Finally, the Company would be responsible for paying class counsel's reasonable fees and expenses and certain expenses of administering the class settlement. The Company is also a defendant in two other putative class actions making allegations similar to those made in Kaufman: Goodman v. American Express Travel Related Services, pending in the United States District Court for the Eastern District of New York, and Jarratt v. American Express Company, filed in California Superior Court in San Diego and subsequently removed to the United States District Court for the Southern District of California. If the court ultimately approves the proposed settlement in Kaufman, all related gift card claims and actions would also be released. In August 2010, in response to objections by plaintiffs in certain of the other pending cases, the Kaufman court partially granted and partially denied approval of the settlement. The Company had filed a motion for reconsideration of the portion of the court's decision partially denying approval of the settlement, but it has withdrawn that motion. The parties are discussing resolving the issues remaining in order to obtain preliminary approval of the proposed settlement.

**Table of Contents****U.S. Card Services and Global Merchant Services Matters****Merchant Cases**

Since July 2003 the Company has been named in a number of putative class actions in which the plaintiffs allege an unlawful antitrust tying arrangement between certain of the Company's charge cards and credit cards in violation of various state and federal laws. These cases have all been consolidated in the United States District Court for the Southern District of New York under the caption: In re American Express Merchants' Litigation. A case making similar allegations was also filed in the Southern District of New York in July 2004 captioned: The Marcus Corporation v. American Express Company et al. The Marcus case is not consolidated. The plaintiffs in these actions seek injunctive relief and an unspecified amount of damages. In April 2004, the Company filed a motion to dismiss all the actions filed prior to the date of its motion. In March 2006, that motion was granted, with the court finding the claims of the plaintiffs to be subject to individual arbitration. The plaintiffs appealed the District Court's arbitration ruling and in January 2009, the United States Court of Appeals for the Second Circuit reversed the District Court. The Company filed with the United States Supreme Court a petition for a writ of certiorari from the Second Circuit's arbitration ruling. In May 2010, the Supreme Court granted the Company's petition, vacated the judgment of the Second Circuit and remanded the case back to the Second Circuit for further consideration in light of decisions by the Supreme Court relevant to the arbitration issues decided subsequent to the Second Circuit's decision. On March 8, 2011, the Second Circuit again reversed the District Court, and reaffirmed its prior reasoning in doing so notwithstanding the Supreme Court's vacation and remand of the decision. The Company filed a motion with the Second Circuit request that the court stay issuance of the mandate remanding the matter to the District Court pending further review by the Supreme Court. On April 4, 2011, the Second Circuit granted the Company's motion to stay the issuance of the mandate. Subsequently, in light of the United States Supreme Court's decision in the unrelated case of AT&T Mobility v. Concepcion, which decided an issue directly relevant to the Second Circuit's arbitration ruling, the Second Circuit requested that the parties submit briefs addressing the issues raised by the Concepcion decision. The parties submitted their briefs on June 6, 2011, and are awaiting a further ruling from the Second Circuit.

In October 2007, The Marcus Corporation filed a motion seeking certification of a class. In March 2009, the court denied the plaintiffs' motion for class certification, without prejudicing their right to remake such a motion upon resolution of the pending summary judgment motion. In September 2008, American Express moved for summary judgment seeking dismissal of The Marcus Corporation's complaint, and The Marcus Corporation cross-moved for partial summary judgment on the issue of liability. A decision on the summary judgment motions is pending. A case captioned Hayama Inc. v. American Express Company et al., which makes similar allegations as those in the actions described above, was filed and remains in the Superior Court of California, Los Angeles County (filed December 2003). To date the Hayama action has been stayed at the Company's request.

In February 2009, an amended complaint was filed in In re American Express Merchants' Litigation. The amended complaint contains a single count alleging a violation of federal antitrust laws through an alleged unlawful tying of: (a) corporate, small business and/or personal charge card services; and (b) Blue, Costco and standard GNS credit card services. In addition, in February 2009, another complaint making the same allegations as made in the amended complaint filed in In re American Express Merchants' Litigation was also filed in the United States District Court for the Southern District of New York. That case is captioned Greenporter LLC and Bar Hama LLC, on behalf of themselves and all others similarly situated v. American Express Company and American Express Travel Related Services Company, Inc. Proceedings in the Greenporter action and on the amended complaint filed in In re American Express Merchants' Litigation have been held in abeyance pending the disposition of the motions for summary judgment in the Marcus case.

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Since August 2005, the Company has been named in a number of putative class actions alleging that the Company's anti-steering policies and contractual provisions violate United States antitrust laws. Those cases were consolidated in the United States District Court for the Southern District of New York under the caption In re American Express Anti-Steering Rules Antitrust Litigation. The plaintiffs' complaint in that consolidated action seeks injunctive relief and unspecified damages. These plaintiffs agreed that a stay would be imposed with regard to their respective actions pending the appeal of the court's arbitration ruling discussed above. Given the 2009 ruling of the Second Circuit (described above in connection with In re American Express Merchants' Litigation), the stay was lifted, and American Express' response to the complaint was filed in April 2009. The court entered a scheduling order on December 28, 2009. In July 2010 the court entered an order partially staying the case pending the Second Circuit's arbitration ruling (following the 2010 remand by the Supreme Court described above in connection with In re American Express Merchants' Litigation). In June 2010, the attorneys representing the plaintiffs in In re American Express Anti-Steering Rules Antitrust Litigation filed an action making similar allegations captioned National Supermarkets Association v. American Express and American Express Travel Related Services. Upon filing, the plaintiffs designated that case as related to In re American Express Anti-Steering Rules Antitrust Litigation. By agreement of the parties, that case had been partially stayed pending the Second Circuit's arbitration ruling referenced above. After the Second Circuit's ruling, the District Court lifted the partial stay in response to plaintiffs' request. However, in light of the Second Circuit's stay of the issuance of the mandate in the action captioned In re American Express Merchants' Litigation, the Company sought reinstitution of the partial stay, which the District Court granted.

In June 2008, five separate lawsuits were filed against American Express Company in the United States District Court for the Eastern District of New York alleging that the Company's anti-steering provisions in its merchant acceptance agreements with the merchant plaintiffs violate federal antitrust laws. As alleged by the plaintiffs, these provisions prevent merchants from offering consumers incentives to use alternative forms of payments when consumers wish to use an American Express-branded card. The five suits were filed by each of Rite-Aid Corp., CVS Pharmacy Inc., Walgreen Co., Bi-Lo LLC, and H.E. Butt Grocery Company. The plaintiff in each action seeks damages and injunctive relief. American Express filed its answer to these complaints and also filed a motion to dismiss these complaints as time barred. The court denied the Company's motion to dismiss the complaints in March 2010. On October 1, 2010, the parties to these actions agreed to stay all proceedings pending related mediations, and Magistrate Judge Ramon E. Reyes entered an order staying these actions on October 18, 2010. The parties have since notified the court that those mediations have reached impasses. On January 21, 2011, the following parties filed lawsuits making similar allegations that the Company's anti-steering provisions violate antitrust laws: Meijer, Inc., Publix Super Markets, Inc., Raley's Inc., Supervalu, Inc., The Kroger Co., Safeway, Inc., Ahold U.S.A., Inc., Albertson's LLC, Hy-Vee, Inc., and The Great Atlantic & Pacific Tea Company, Inc.

In November 2010, two putative class action complaints making allegations similar to those in In re American Express Anti-Steering Rules Antitrust Litigation were filed in the United States District Court for the Eastern District of New York by Firefly Air Solutions, LLC d/b/a 128 Café and Plymouth Oil Corp. d/b/a Liberty Gas Station. In addition, in December 2010, a putative class action complaint making similar allegations, and seeking certification of a Wisconsin-only class, was filed by Treehouse Inc. d/b/a Treehouse Gift & Home in the United States District Court for the Western District of Wisconsin. In January 2011, a putative class complaint, captioned Il Forno v. American Express Centurion Bank, seeking certification of a California-only class and making allegations similar to those in In re American Express Anti-Steering Rules Antitrust Litigation, was filed in United States District Court for the Central District of California. These matters also had been partially stayed pending the Second Circuit's arbitration decision in action captioned In re American Express Merchants' Litigation. After the partial stay was lifted, plaintiffs filed a Consolidated Class Complaint making similar allegations to the prior class allegations in the various class complaints, but dropping certain merchants as plaintiffs.

On February 7, 2011, in response to a transfer motion filed by the plaintiffs in the Plymouth Oil action discussed above, the United States Judicial Panel on Multi-District Litigation entered an order centralizing

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the following actions discussed above in the Eastern District of New York for coordinated or consolidated pretrial proceedings before the Honorable Nicholas G. Garaufis: (a) the putative class action that had been previously pending in the Southern District of New York captioned In re American Express Anti-Steering Rules Antitrust Litigation; (b) the putative class actions already pending in the Eastern District of New York filed by Firefly Air Solutions, LLC and by Plymouth Oil Corp.; and (c) the individual merchant suits already pending in the Eastern District of New York. On February 15, 2011, the United States Judicial Panel on Multi-District Litigation issued a conditional transfer order centralizing the related putative class actions pending in the Central District of California and Western District of Wisconsin before Judge Garaufis in the Eastern District of New York, and those actions have been centralized before Judge Garaufis for all pre-trial purposes.

**Other Cases**

In September 2010, a putative class action, captioned Meeks v. American Express Centurion Bank, was filed in Fulton County Superior Court, Georgia. In October 2010, the Company removed the matter to federal court. The complaint alleges that plaintiff opened an account in 2005 with an interest rate of prime plus an additional marginal rate of 2.99 percent. Plaintiff contends that he was promised that the marginal rate would remain fixed. Plaintiff alleges that beginning in December 2008 the marginal rate began to increase. Plaintiff asserts claims for breach of contract, covenant of good faith and fair dealing, unconscionability, unjust enrichment and duress. Plaintiff seeks to certify a nationwide class of all American Express Cardmembers who received unilateral interest rate increases despite their accounts being in good standing. Plaintiff filed a motion seeking to remand the case from federal court back to state court, and that motion has been denied. Subsequently, the Company moved to compel individual arbitration in the case, while Plaintiff has sought discovery on the arbitration issue. The parties are briefing the issue of whether the discovery sought by Plaintiff should be granted prior to the court issuing a decision on the Company's motion to compel individual arbitration.

In September 2001, Hoffman, et al. v. American Express Travel Related Services Company, et al. was filed in the Superior Court of the State of California, Alameda County. Plaintiffs in that case claim that American Express erroneously charged Cardmember accounts in connection with its airflight insurance programs because in certain circumstances customers must request refunds, as disclosed in materials for the voluntary program. In January 2006, the court certified a class of American Express charge Cardmembers asserting claims for breach of contract and conversion under New York law, with a subclass of California residents asserting violations of California Business & Professions Code §§ 17200 and 17500, and a subclass of New York residents asserting violation of New York General Business Law § 349. American Express sought to compel arbitration of the claims of all non-California residents. The motion to compel arbitration was denied by the trial court, which decision was affirmed by the California Court of Appeal in July 2007. The case went to trial in November 2008 and January to February 2009. American Express was granted judgment on all counts. The plaintiffs have appealed the Court of Appeal's decision; American Express has filed a protective notice of appeal to preserve certain legal issues, and briefing has begun on plaintiff's appeal.

In addition, a case making the same factual allegations (purportedly on behalf of a different class of Cardmembers) as those in the Hoffman case is pending in the United States District Court for the Eastern District of New York, entitled Law Enforcement Systems v. American Express et al. That case was stayed pending the trial in the Hoffman action. After judgment was rendered for American Express in Hoffman, the plaintiff in Law Enforcement Systems asked the court to lift the stay and to allow plaintiff to obtain certain Cardmember information. The court denied the request. The Company has moved to dismiss the complaint in light of the decision in Hoffman and the failure to substitute an appropriate plaintiff in the case. Further, on October 30, 2008, a putative class action on behalf of American Express credit Cardmembers making the same allegations as those raised in the Hoffman and Law Enforcement Systems cases was filed in the United States District Court for the Southern District of Florida, captioned Kass v. American Express Card Services, Inc., American Express Company and American Express Travel Related

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Services. On March 11, 2009, the Kass Court entered an order granting the joint motion of the parties to stay the case, and the court also administratively closed the case.

In July 2004, a purported class action captioned Ross, et al. v. American Express Company, American Express Travel Related Services and American Express Centurion Bank was filed in the United States District Court for the Southern District of New York. The complaint alleges that American Express conspired with Visa, MasterCard and Diners Club in the setting of foreign currency conversion rates and in the inclusion of arbitration clauses in certain of their cardmember agreements. The suit seeks injunctive relief and unspecified damages. The class is defined as all Visa, MasterCard and Diners Club general-purpose cardholders who used cards issued by any of the MDL Defendant Banks. American Express cardholders are not part of the class. In September 2005, the District Court denied the Company's motion to dismiss the action and preliminarily certified an injunction class of Visa and MasterCard cardholders to determine the validity of Visa's and MasterCard's cardmember arbitration clauses. American Express filed a motion for reconsideration with the District Court, which motion was denied in September 2006. The Company filed an appeal from the District Court's order denying its motion to compel arbitration. In October 2008, the United States Court of Appeals for the Second Circuit denied the Company's appeal and remanded the case to the District Court for further proceedings. In January 2010, the court (1) certified a damage class of all Visa, MasterCard and Diners Club general purpose cardholders who used cards issued by any of the alleged co-conspiring banks during the period July 22, 2000 to November 8, 2006, who were assessed a foreign exchange transaction fee or surcharge and who have submitted valid claims in In re Currency Conversion Antitrust Litigation, and (2) denied American Express motion to amend its answer to add the affirmative defense of release. In June 2010, the Company filed a motion for summary judgment with the Court, which sought dismissal of plaintiff's complaint, and on March 29, 2011, the court denied that motion. The court has set a trial date in the case of May 7, 2012.

In October 2009, a putative class action, captioned Lopez, et al. v. American Express Bank, FSB and American Express Centurion Bank, was filed in the United States District Court for the Central District of California. The complaint seeks to certify a nationwide class of American Express Cardmembers whose interest rates were changed from fixed to variable in or around August 2009 or otherwise increased. American Express filed a motion to compel arbitration, and plaintiffs amended their complaint to limit the class to California residents only. The Company filed a revised motion to compel arbitration and a motion to dismiss the amended complaint. Both motions were denied by the court. Subsequently, in response to a request by the Company, the court stayed the action pending the outcome of a case captioned AT&T Mobility v. Concepcion, which was subsequently decided by the United States Supreme Court in a manner that supports the Company's position that its motion to compel arbitration should have been granted. In June 2006, a putative class action captioned Homa v. American Express Company et al. was filed in the United States District Court for the District of New Jersey. The case alleges, generally, misleading and fraudulent advertising of the tiered up to 5 percent cash rebates with the Blue Cash card. The complaint initially sought certification of a nationwide class consisting of all persons who applied for and received an American Express Blue Cash card during the period from September 30, 2003 to the present and who did not get the rebate or rebates provided for in the offer. On December 1, 2006, however, plaintiff filed a First Amended Complaint dropping the nationwide class claims and asserting claims only on behalf of New Jersey residents who while so residing in New Jersey, applied for and received an American Express Blue Cash card during the period from September 30, 2003 to the present. The plaintiff seeks unspecified damages and other unspecified relief that the District Court deems appropriate. In May 2007, the District Court granted the Company's motion to compel individual arbitration and dismissed the complaint. Plaintiff appealed that decision to the United States Court of Appeals for the Third Circuit, and in February 2009, the Third Circuit reversed the decision and remanded the case back to the District Court for further proceedings. In October 2009, a putative class action captioned Pagsolingan v. American Express Company, et al. was filed in the United States District Court for the Northern District of California. That case made allegations that were largely similar to those made in Homa, except that Pagsolingan

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alleged multiple theories of liability and sought to certify a nationwide class of [a]ll persons who applied for and received an American Express Blue Cash card during the period from September 30, 2003 to the present and who did not get the rebate or rebates provided for in the offer. In May 2010, plaintiffs voluntarily dismissed the Pagsolingan case in its entirety. Subsequently, in response to a request by the Company, the District Court stayed the Homa action pending the outcome of the case AT&T Mobility v. Concepcion, which was subsequently decided by the United States Supreme Court in a manner that supports the Company's position that its motion to compel arbitration should have been granted. The Company has renewed its motion to compel individual arbitration, and that motion is being briefed by the parties.

**International Matters**

In April 2011, in a matter captioned 9085-4886 Quebec Inc. and Peter Bakopanos v. Amex Bank of Canada and Amex Canada Inc., a motion was filed in the Quebec Superior Court seeking to authorize the bringing of a class action lawsuit alleging that the Company's anti-steering rules violate Canadian competition law. The plaintiffs seek unspecified damages and the elimination of the anti-steering rules.

**ITEM 1A. RISK FACTORS**

For a discussion of the Company's risk factors, see Part I, Item 1A. Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2010. There are no material changes from the risk factors set forth in such Annual Report on Form 10-K. However, the risks and uncertainties that the Company faces are not limited to those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial may also adversely affect the Company's business and the trading price of its securities.

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The table below sets forth the information with respect to purchases of the Company's common stock made by or on behalf of the Company during the three months ended June 30, 2011.

|                          | Total<br>Number<br>of Shares<br>Purchased | Average<br>Price<br>Paid Per<br>Share | Total Number<br>of Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans<br>or Programs(c) | Maximum<br>Number<br>of Shares that<br>May Yet Be<br>Purchased<br>Under<br>the Plans or<br>Programs |
|--------------------------|-------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| April 1-30, 2011         |                                           |                                       |                                                                                                       |                                                                                                     |
| Repurchase program(a)    | 1,350,000                                 | \$ 48.56                              | 1,350,000                                                                                             | 84,503,140                                                                                          |
| Employee transactions(b) | 879                                       | \$ 50.17                              | N/A                                                                                                   | N/A                                                                                                 |
| May 1-31, 2011           |                                           |                                       |                                                                                                       |                                                                                                     |
| Repurchase program(a)    | 13,370,381                                | \$ 50.30                              | 13,370,381                                                                                            | 71,132,759                                                                                          |
| Employee transactions(b) | 14,668                                    | \$ 48.90                              | N/A                                                                                                   | N/A                                                                                                 |
| June 1-30, 2011          |                                           |                                       |                                                                                                       |                                                                                                     |
| Repurchase program(a)    | 238,000                                   | \$ 49.92                              | 238,000                                                                                               | 70,894,759                                                                                          |
| Employee transactions(b) | 3,391                                     | \$ 50.28                              | N/A                                                                                                   | N/A                                                                                                 |
| Total                    |                                           |                                       |                                                                                                       |                                                                                                     |
| Repurchase program(a)    | 14,958,381                                | \$ 50.14                              | 14,958,381                                                                                            |                                                                                                     |
| Employee transactions(b) | 18,938                                    | \$ 49.21                              | N/A                                                                                                   |                                                                                                     |

- (a) As of June 30, 2011, there were approximately 71 million shares of common stock remaining under Board authorization. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Since September 1994, the Company has acquired 699 million shares of common stock under various Board authorizations to repurchase up to an aggregate of 770 million shares, including purchases made under agreements with third parties.
- (b) Includes: (i) shares delivered by or deducted from holders of employee stock options who exercised options (granted under the Company's incentive compensation plans) in satisfaction of the exercise price and/or tax withholding obligation of such holders and (ii) restricted shares withheld (under the terms of grants under the Company's incentive compensation plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. The Company's incentive compensation plans provide that the value of the shares delivered or attested to, or withheld, be based on the price of the Company's common stock on the date the relevant transaction occurs.
- (c) Share purchases under publicly announced programs are made pursuant to open market purchases or privately negotiated transactions (including with employee benefit plans) as market conditions warrant and at prices the

Company deems appropriate.

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**ITEM 6. EXHIBITS**

The list of exhibits required to be filed as exhibits to this report are listed on page E-1 hereof, under **Exhibit Index** , which is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN EXPRESS COMPANY  
(Registrant)

Date: August 3, 2011

By /s/ Daniel T. Henry  
Daniel T. Henry  
Executive Vice President and  
Chief Financial Officer

Date: August 3, 2011

By /s/ David L. Cornish  
David L. Cornish  
Senior Vice President and  
Acting Corporate Comptroller  
(Principal Accounting Officer)

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EXHIBIT INDEX

The following exhibits are filed as part of this Quarterly Report:

| Exhibit | Description                                                                                                                                                                                                                                                                                                                                               |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1    | Extension of Consulting Services Agreement, dated August 1, 2011, to Consulting Services Agreement, effective July 19, 2010, by and between American Express Company and Theodore J. Leonsis (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended June 30, 2010). |
| 12      | Computation in Support of Ratio of Earnings to Fixed Charges.                                                                                                                                                                                                                                                                                             |
| 31.1    | Certification of Kenneth I. Chenault pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.                                                                                                                                                                                                                        |
| 31.2    | Certification of Daniel T. Henry pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.                                                                                                                                                                                                                            |
| 32.1    | Certification of Kenneth I. Chenault pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                            |
| 32.2    | Certification of Daniel T. Henry pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                                                                                                                                                |
| 101.INS | XBRL Instance Document*                                                                                                                                                                                                                                                                                                                                   |
| 101.SCH | XBRL Taxonomy Extension Schema Document*                                                                                                                                                                                                                                                                                                                  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document*                                                                                                                                                                                                                                                                                                    |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document*                                                                                                                                                                                                                                                                                                          |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document*                                                                                                                                                                                                                                                                                                   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document*                                                                                                                                                                                                                                                                                                     |

\* These interactive data files are furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.