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

þ **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

o **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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Yes o No þ

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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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Three Months Ended June 30 *(Millions, except per share amounts)*	**2011**	2010
Revenues		
Non-interest revenues		
Discount revenue	**$ 4,278**	$ 3,680
Net card fees	**545**	520
Travel commissions and fees	**523**	434
Other commissions and fees	**584**	497
Other	**537**	486
Total non-interest revenues	**6,467**	5,617
Interest income		
Interest and fees on loans	**1,611**	1,657
Interest and dividends on investment securities	**99**	125
Deposits with banks and other	**18**	16
Total interest income	**1,728**	1,798
Interest expense		
Deposits	**131**	137
Short-term borrowings	**1**	1
Long-term debt and other	**445**	472
Total interest expense	**577**	610
Net interest income	**1,151**	1,188
Total revenues net of interest expense	**7,618**	6,805
Provisions for losses		
Charge card	**161**	96
Cardmember loans	**176**	540
Other	**20**	16
Total provisions for losses	**357**	652
Total revenues net of interest expense after provisions for losses	**7,261**	6,153
Expenses		
Marketing, promotion, rewards and cardmember services	**2,581**	2,143
Salaries and employee benefits	**1,595**	1,315
Professional services	**745**	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
Earnings per Common Share Basic (Note 13):		
Income from continuing operations attributable to common shareholders [(a)]	**1.08**	0.84
Income from discontinued operations	**0.03**	
Net income attributable to common shareholders [(a)]	**$ 1.11**	$ 0.84
Earnings per Common Share Diluted (Note 13):		
Income from continuing operations attributable to common shareholders [(a)]	**1.07**	0.84
Income from discontinued operations	**0.03**	
Net income attributable to common shareholders [(a)]	**$ 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 *(Millions, except per share amounts)*	**2011**	2010
Revenues		
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
Expenses		
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	**10,698**	8,923
Pretax income from continuing operations	**3,497**	2,847
Income tax provision	**1,025**	945
Income from continuing operations	**2,472**	1,902
Income from discontinued operations, net of tax	**36**	
Net income	**$ 2,508**	$ 1,902
Earnings per Common Share Basic (Note 13):		
Income from continuing operations attributable to common shareholders[a]	**$ 2.05**	$ 1.58
Income from discontinued operations	**0.03**	
Net income attributable to common shareholders[a]	**$ 2.08**	$ 1.58
Earnings per Common Share Diluted (Note 13):		
Income from continuing operations attributable to common shareholders[a]	**$ 2.04**	$ 1.57
Income from discontinued operations	**0.03**	
Net income attributable to common shareholders[a]	**$ 2.07**	$ 1.57
Average common shares outstanding for earnings per common share:		
Basic	**1,190**	1,188
Diluted	**1,197**	1,194
Cash dividends declared per common share	**$ 0.36**	$ 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)

(Millions, except per share data)		**June 30, 2011**		December 31, 2010
Assets				
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
Total		**23,082**		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, $3,759)		**12,274**		15,368
Total assets	**$**	**147,796**	$	146,689
Liabilities and Shareholders Equity				
Liabilities				
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
Total liabilities		**129,591**		130,459
Contingencies (Note 15)				
Shareholders Equity				
		238		238

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

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six Months Ended June 30 *(Millions)*	**2011**	2010
Cash Flows from Operating Activities		
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
Cash Flows from Investing Activities		
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
Cash Flows from Financing Activities		
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

Cash and cash equivalents at beginning of period	**16,356**	16,599
Cash and cash equivalents at end of period	**$ 23,082**	$ 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.

AMERICAN EXPRESS COMPANY
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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:

(Millions)	Loyalty Partner (a)	Accertify	Revolution Money
Goodwill	$ 559	$ 131	$ 184
Definite-lived intangible assets	283	15	119
All other assets	188	11	7
Total assets	1,030	157	310
Total liabilities (including NCI)	414	6	5
Net assets acquired	$ 616	$ 151	$ 305
Reportable operating segment	ICS	GNMS	Corporate & 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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AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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:

	2011			2010		
(Millions)	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:						
Investment securities:[a]						
Equity securities	**$ 484**	**$ 484**	**$**	$ 475	$ 475	$
Debt securities and other	**8,945**		**8,945**	13,535		13,535
Derivatives[b]	**1,071**		**1,071**	1,089		1,089
Total assets	**$ 10,500**	**$ 484**	**$ 10,016**	$ 15,099	$ 475	$ 14,624
Liabilities:						
Derivatives[b]	**$ 204**	**$**	**$ 204**	$ 419	$	$ 419
Total liabilities	**$ 204**	**$**	**$ 204**	$ 419	$	$ 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.

AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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:

	2011		2010	
(Billions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Assets for which carrying values equal or approximate fair value	**$ 68**	**$ 68** (a)	$ 61	$ 61 (b)
Loans, net	**$ 57**	**$ 57** (a)	$ 58	$ 58 (b)
Financial Liabilities:				
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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AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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.

AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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:

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

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

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

International Card Services[a]	**(b)**	**(b)**	**(b)**	**71**	**6,872**
Global Commercial Services[a]	**(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[a]	(b)	(b)	(b)	64	6,673
Global Commercial Services[a]	(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 Net Write-Off Rate Principal Only [(a)]	**2011** Net Write-Off Rate Principal, Interest, & Fees [(a)]	**2011** 30 Days Past Due as a % of Total	2010 Net Write-Off Rate Principal Only [(a)]	2010 Net Write-Off Rate Principal, Interest, & Fees [(a)]	2010 30 Days Past Due as a % of Total
U.S. Card Services Cardmember Loans	**3.4%**	**3.8%**	**1.5%**	6.7%	7.4%	2.7%
International Card Services Cardmember Loans	**3.1%**	**3.7%**	**2.1%**	5.2%	6.2%	3.0%
U.S. Card Services Cardmember Receivables	**1.6%**	**1.7%**	**1.7%**	1.7%	1.9%	1.5%

	2011 Net Loss Ratio as a % of Charge Volume	**2011** 90 Days Past Billing as a % of Receivables	2010 Net Loss Ratio as a % of Charge Volume [(b)]	2010 90 Days Past Billing as a % of Receivables
International Card Services Cardmember Receivables	**0.15%**	**1.0%**	0.34%	1.0%
Global Commercial Services Cardmember 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:

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

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

(Millions)	Interest [(a)]	Loans [(b)]	as a TDR [(c)]	Receivables	Balance [(d)]	for TDRs [(e)]
2010						
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 [(f)]	$ 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 June 30, 2011		Six Months Ended June 30, 2011	
(Millions)	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance
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 [(a)]	**$ 25**	**$ 1,738**	**$ 52**	**$ 1,834**

	Three Months Ended June 30, 2010		Six Months Ended June 30, 2010	
(Millions)	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance
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 [(a)]	$ 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:

(Millions)	**2011**	2010
Balance, January 1	**$ 386**	$ 546
Additions:		
Cardmember receivables provisions[(a)]	**279**	239
Cardmember receivables provisions other[(b)]	**80**	84
Total provision	**359**	323
Deductions:		
Cardmember receivables net write-offs[(c)]	**(260)**	(365)
Cardmember receivables other[(d)]	**(70)**	(64)
Balance, June 30	**$ 415**	$ 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:

(Millions)	**2011**	2010
Cardmember receivables evaluated separately for impairment[(a)]	**$ 138**	$ 114
Reserves on cardmember receivables evaluated separately for impairment[(a)]	**$ 83**	$ 63
Cardmember receivables evaluated collectively for impairment	**$ 40,005**	$ 37,152
Reserves on cardmember receivables evaluated collectively for impairment	**$ 332**	$ 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:

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

(Millions)	**2011**	2010
Cardmember loans evaluated separately for impairment[(a)]	**$ 907**	$ 1,087
Reserves on cardmember loans evaluated separately for impairment[(a)]	**$ 219**	$ 279
Cardmember loans evaluated collectively for impairment[(b)]	**$ 57,842**	$ 59,763
Reserves on cardmember loans evaluated collectively for impairment[(b)]	**$ 2,341**	$ 3,367

(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:

	2011				2010			
(Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair 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[(a)]	**1,011**	**15**		**1,026**	1,431	15	(1)	1,445
Mortgage-backed securities[(b)]	**277**	**9**	**(1)**	**285**	272	6	(2)	276
Equity securities[(c)]	**98**	**386**		**484**	98	377		475
Foreign government bonds and obligations	**111**	**6**		**117**	95	4		99
Other[(d)]	**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:

	2011				2010			
	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
(Millions) Description of Securities	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized 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:

	Less than 12 months			12 months or more			Total		
(Millions) Ratio of Fair Value to Amortized Cost	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
2011:									
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)**
2010:									
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:

(Millions)	Cost	Estimated 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:

(Millions)	**2011**	2010
U.S.:		
Interest-bearing	**$ 31,580**	$ 29,053
Non-interest-bearing	**4**	17
Non-U.S.:		
Interest-bearing	**682**	640
Non-interest-bearing	**25**	17
Total customer deposits	**$ 32,291**	$ 29,727

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

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

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

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

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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:

(Millions)	**2011**	2010
U.S.	**$ 606**	$ 689
Non-U.S.	**349**	291