AMERICAN EXPRESS CO
Form 10-Q
November 02, 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 September 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 October 31, 2011
Common Shares (par value $.20 per share)	1,161,482,367 shares

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Three Months Ended September 30 *(Millions, except per share amounts)*	**2011**	2010
Revenues		
Non-interest revenues		
Discount revenue	**$ 4,218**	$ 3,761
Net card fees	**556**	527
Travel commissions and fees	**480**	483
Other commissions and fees	**604**	515
Other	**534**	503
Total non-interest revenues	**6,392**	5,789
Interest income		
Interest and fees on loans	**1,653**	1,675
Interest and dividends on investment securities	**68**	103
Deposits with banks and other	**33**	16
Total interest income	**1,754**	1,794
Interest expense		
Deposits	**127**	141
Short-term borrowings	**5**	
Long-term debt and other	**443**	469
Total interest expense	**575**	610
Net interest income	**1,179**	1,184
Total revenues net of interest expense	**7,571**	6,973
Provisions for losses		
Charge card	**174**	89
Cardmember loans	**48**	262
Other	**27**	22
Total provisions for losses	**249**	373
Total revenues net of interest expense after provisions for losses	**7,322**	6,600
Expenses		
Marketing, promotion, rewards and cardmember services	**2,511**	2,275
Salaries and employee benefits	**1,598**	1,354
Professional services	**690**	701
Other, net	**812**	630

Total	**5,611**	4,960
Pretax income	**1,711**	1,640
Income tax provision	**476**	547
Net income	**$ 1,235**	$ 1,093
Earnings per Common Share (Note 13):[(a)]		
Basic	**$ 1.04**	$ 0.91
Diluted	**$ 1.03**	$ 0.90
Average common shares outstanding for earnings per common share:		
Basic	**1,175**	1,193
Diluted	**1,181**	1,199
Cash dividends declared per common share	**$ 0.18**	$ 0.18

(a) Represents net income less earnings allocated to participating share awards and other items of $15 million and $13 million for the three months ended September 30, 2011 and 2010, respectively.

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Nine Months Ended September 30 *(Millions, except per share amounts)*	**2011**	2010
Revenues		
Non-interest revenues		
Discount revenue	**$ 12,398**	$ 10,863
Net card fees	**1,638**	1,568
Travel commissions and fees	**1,457**	1,302
Other commissions and fees	**1,717**	1,512
Other	**1,546**	1,414
Total non-interest revenues	**18,756**	16,659
Interest income		
Interest and fees on loans	**4,883**	5,107
Interest and dividends on investment securities	**255**	345
Deposits with banks and other	**71**	45
Total interest income	**5,209**	5,497
Interest expense		
Deposits	**395**	406
Short-term borrowings	**6**	2
Long-term debt and other	**1,344**	1,410
Total interest expense	**1,745**	1,818
Net interest income	**3,464**	3,679
Total revenues net of interest expense	**22,220**	20,338
Provisions for losses		
Charge card	**533**	412
Cardmember loans	**104**	1,490
Other	**66**	66
Total provisions for losses	**703**	1,968
Total revenues net of interest expense after provisions for losses	**21,517**	18,370
Expenses		
Marketing, promotion, rewards and cardmember services	**7,542**	6,405
Salaries and employee benefits	**4,715**	3,996
Professional services	**2,098**	1,898
Other, net	**1,954**	1,584
Total	**16,309**	13,883

	2011	2010
Pretax income from continuing operations	**5,208**	4,487
Income tax provision	**1,501**	1,492
Income from continuing operations	**3,707**	2,995
Income from discontinued operations, net of tax	**36**	
Net income	**$ 3,743**	$ 2,995
Earnings per Common Share Basic (Note 13):		
Income from continuing operations attributable to common shareholders[(a)]	**$ 3.09**	$ 2.49
Income from discontinued operations	**0.03**	
Net income attributable to common shareholders[(a)]	**$ 3.12**	$ 2.49
Earnings per Common Share Diluted (Note 13):		
Income from continuing operations attributable to common shareholders[(a)]	**$ 3.08**	$ 2.47
Income from discontinued operations	**0.03**	
Net income attributable to common shareholders[(a)]	**$ 3.11**	$ 2.47
Average common shares outstanding for earnings per common share:		
Basic	**1,184**	1,189
Diluted	**1,191**	1,195
Cash dividends declared per common share	**$ 0.54**	$ 0.54

(a) Represents income from continuing operations or net income, as applicable, less earnings allocated to participating share awards and other items of $44 million and $38 million for the nine months ended September 30, 2011 and 2010, respectively.

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Millions, except per share data)		**September 30, 2011**		December 31, 2010
Assets				
Cash and cash equivalents				
Cash and cash due from banks	**$**	**1,942**	$	2,145
Interest-bearing deposits in other banks (including securities purchased under resale agreements: 2011, $433; 2010, $372)		**22,608**		13,557
Short-term investment securities		**395**		654
Total		**24,945**		16,356
Accounts receivable				
Cardmember receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2011, $7,115; 2010, $8,192), less reserves: 2011, $388; 2010, $386		**39,371**		36,880
Other receivables, less reserves: 2011, $111; 2010, $175		**3,517**		3,554
Loans				
Cardmember loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2011, $31,574; 2010, $34,726), less reserves: 2011, $2,139; 2010, $3,646		**56,068**		57,204
Other loans, less reserves: 2011, $17; 2010, $24		**359**		412
Investment securities		**9,269**		14,010
Premises and equipment at cost, less accumulated depreciation: 2011, $4,747; 2010, $4,483		**3,187**		2,905
Other assets (includes restricted cash of consolidated variable interest entities: 2011, $123; 2010, $3,759)		**11,977**		15,368
Total assets	**$**	**148,693**	$	146,689
Liabilities and Shareholders Equity				
Liabilities				
Customer deposits	**$**	**33,142**	$	29,727
Travelers Cheques outstanding		**5,055**		5,618
Accounts payable		**10,585**		9,691
Short-term borrowings		**3,649**		3,414
Long-term debt (includes debt issued by consolidated variable interest entities: 2011, $17,513; 2010, $23,341)		**61,767**		66,416
Other liabilities		**16,395**		15,593
Total liabilities		**130,593**		130,459
Contingencies (Note 15)				
Shareholders Equity				
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 1,169 million shares as of September 30, 2011 and 1,197 million		**233**		238

shares as of December 31, 2010				
Additional paid-in capital		**12,150**		11,937
Retained earnings		**6,520**		4,972
Accumulated other comprehensive (loss) income				
Net unrealized securities gains, net of tax: 2011, $156; 2010, $(19)		**262**		57
Net unrealized derivatives losses, net of tax: 2011, $; 2010, $4		**(1)**		(7)
Foreign currency translation adjustments, net of tax: 2011, $459; 2010, $405		**(619)**		(503)
Net unrealized pension and other postretirement benefit losses, net of tax: 2011, $214; 2010, $226		**(445)**		(464)
Total accumulated other comprehensive loss		**(803)**		(917)
Total shareholders equity		**18,100**		16,230
Total liabilities and shareholders equity	**$**	**148,693**	$	146,689

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Nine Months Ended September 30 *(Millions)*	**2011**	2010
Cash Flows from Operating Activities		
Net income	**$ 3,743**	$ 2,995
Income from discontinued operations, net of tax	**(36)**	
Income from continuing operations	**3,707**	2,995
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Provisions for losses	**703**	1,968
Depreciation and amortization	**733**	689
Deferred taxes and other	**1,045**	735
Stock-based compensation	**227**	185
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Other receivables	**46**	(232)
Other assets	**(234)**	(424)
Accounts payable and other liabilities	**1,346**	1,843
Travelers Cheques outstanding	**(585)**	(532)
Net cash provided by operating activities	**6,988**	7,227
Cash Flows from Investing Activities		
Sale of investments	**944**	1,759
Maturity and redemption of investments	**4,714**	8,998
Purchase of investments	**(904)**	(7,054)
Net (increase) decrease in cardmember loans/receivables	**(1,971)**	66
Purchase of premises and equipment, net of sales: 2011, $6; 2010, $6	**(885)**	(586)
Acquisitions/Dispositions, net of cash acquired	**(610)**	(254)
Net decrease in restricted cash	**3,658**	2,369
Net cash provided by investing activities	**4,946**	5,298
Cash Flows from Financing Activities		
Net increase in customer deposits	**3,455**	2,055
Net increase (decrease) in short-term borrowings	**124**	(274)
Issuance of long-term debt	**9,311**	3,423
Principal payments on long-term debt	**(14,113)**	(12,814)
Issuance of American Express common shares	**507**	375
Repurchase of American Express common shares	**(1,950)**	
Dividends paid	**(646)**	(650)
Net cash used in financing activities	**(3,312)**	(7,885)
Effect of exchange rate changes on cash	**(33)**	102

Net increase in cash and cash equivalents	**8,589**	4,742
Cash and cash equivalents at beginning of period	**16,356**	16,599
Cash and cash equivalents at end of period	**$ 24,945**	$ 21,341

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 Company (the Company) 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 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 a three-year period beginning at the end of 2013 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
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(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 nine months ended September 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	$ 538	$ 131	$ 184
Definite-lived intangible assets	295	15	119
All other assets	206	11	7
Total assets	1,039	157	310
Total liabilities (including NCI)	423	6	5
Net assets acquired	$ 616	$ 151	$ 305
Reportable operating segment	ICS	GNMS	Corporate & Other

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

From time to time the Company may make smaller acquisitions that are not included in the table above.

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 September 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	**$ 313**	**$ 313**	**$**	$ 475	$ 475	$
Debt securities and other	**8,956**		**8,956**	13,535		13,535
Derivatives[b]	**1,790**		**1,790**	1,089		1,089
Total assets	**$ 11,059**	**$ 313**	**$ 10,746**	$ 15,099	$ 475	$ 14,624
Liabilities:						
Derivatives[b]	**$ 221**	**$**	**$ 221**	$ 419	$	$ 419
Total liabilities	**$ 221**	**$**	**$ 221**	$ 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, as well as the netting of both (i) cash collateral received or posted under credit support agreements and (ii) derivative assets and derivative liabilities under master netting agreements. 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 nine months ended September 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 either by third-party valuation services that use 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, which is adjusted by agreements to exchange collateral and/or net derivative assets and derivative liabilities, as applicable. 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 September 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	**$ 56**	**$ 57** (a)	$ 58	$ 58 (b)
Financial Liabilities:				
Liabilities for which carrying values equal or approximate fair value	**$ 47**	**$ 47**	$ 43	$ 43
Certificates of deposit	**$ 10**	**$ 11**	$ 13	$ 13
Long-term debt	**$ 62**	**$ 64** (a)	$ 66	$ 69 (b)

(a) Includes fair values of cardmember receivables and loans of $7.1 billion and $30.9 billion, respectively, available to settle obligations of consolidated variable interest entities (VIEs) and long-term debt of $17.8 billion issued by consolidated VIEs as of September 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 September 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.

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.

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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 September 30, 2011 and December 31, 2010 were as follows:

(Millions)	**2011**	2010
U.S. Card Services[(a)]	**$ 18,957**	$ 19,155
International Card Services	**6,746**	6,673
Global Commercial Services[(b)]	**13,866**	11,259
Global Network & Merchant Services[(c)]	**190**	179
Cardmember receivables, gross[(d)]	**39,759**	37,266
Less: Cardmember receivables reserve for losses	**388**	386
Cardmember receivables, net	**$ 39,371**	$ 36,880
Other receivables, net[(e)]	**$ 3,517**	$ 3,554

(a) Includes $6.6 billion and $7.7 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of September 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 September 30, 2011 and December 31, 2010.

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

(d) Includes approximately $12.6 billion and $11.7 billion of cardmember receivables outside the United States as of September 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 September 30, 2011 and December 31, 2010 consisted of:

(Millions)	**2011**	2010
U.S. Card Services[(a)]	**$ 49,886**	$ 51,565
International Card Services	**8,293**	9,255
Global Commercial Services	**28**	30
Cardmember loans, gross[(b)]	**58,207**	60,850
Less: Cardmember loans reserve for losses	**2,139**	3,646
Cardmember loans, net	**$ 56,068**	$ 57,204
Other loans, net[(c)]	**$ 359**	$ 412

(a) Includes approximately $31.6 billion and $34.7 billion of gross cardmember loans available to settle obligations of a consolidated VIE as of September 30, 2011 and December 31, 2010, respectively.

(b) Cardmember loan balance includes unamortized net card fees of $138 million and $134 million as of September 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 September 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	**$ 49,146**	**$ 230**	**$ 161**	**$ 349**	**$49,886**
International Card Services	**8,134**	**51**	**35**	**73**	**8,293**
Cardmember Receivables:					
U.S. Card Services	**$18,575**	**$ 147**	**$ 75**	**$ 160**	**$18,957**
International Card Services[(a)]	**(b)**	**(b)**	**(b)**	**63**	**6,746**
Global Commercial Services[(a)]	**(b)**	**(b)**	**(b)**	**98**	**13,866**

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 nine months ended September 30:

	2011			2010		
	Net Write-Off Rate			Net Write-Off Rate		
	Principal Only (a)	Principal, Interest, & Fees (a)	30 Days Past Due as a % of Total	Principal Only (a)	Principal, Interest, & Fees (a)	30 Days Past Due as a % of Total
U.S. Card Services Cardmember Loans	**3.2%**	**3.5%**	**1.5%**	6.2%	6.8%	2.5%
International Card Services Cardmember Loans	**2.9%**	**3.5%**	**1.9%**	4.9%	5.8%	2.8%
U.S. Card Services Cardmember Receivables	**1.7%**	**1.8%**	**2.0%**	1.7%	1.8%	1.7%

	2011		2010	
	Net Loss Ratio as a % of Charge Volume	90 Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume(b)	90 Days Past Billing as a % of Receivables
International Card Services Cardmember Receivables	**0.15%**	**0.9%**	0.27%	1.0%
Global Commercial Services Cardmember Receivables	**0.06%**	**0.7%**	0.13%	0.8%

(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 as troubled debt restructurings (TDRs).

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 to the loans and receivables may include (i) reducing the interest rate (as low as zero percent, in which case the loan is characterized as non-accrual in our TDR disclosures), (ii) reducing the outstanding balance (in the event of a settlement), (iii) suspending delinquency fees until the cardmember exits the TDR program, and (iv) placing the cardmember on a fixed payment plan not exceeding 60 months. Upon entering the modification program, the cardmember s ability to make future purchases is either cancelled, or in certain

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cases suspended until the cardmember successfully exits the TDR program. 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 is not made in accordance with the modification agreement 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 the programs improve the cumulative loss performance of such loans and receivables. Reserves for cardmember loans and receivables modified as TDRs are determined by the difference between the cash flows expected to be received from the cardmember, taking into consideration the probability of subsequent defaults, 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 September 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)(d)	Total Impaired Loans & Receivables	Unpaid Principal Balance (e)	Allowance for TDRs (f)
2011						
U.S. Card Services Cardmember Loans	**$ 65**	**$ 420**	**$ 869**	**$ 1,354**	**$ 1,303**	**$ 199**
International Card Services Cardmember Loans	**71**	**6**	**9**	**86**	**84**	**4**
U.S. Card Services Cardmember Receivables			**159**	**159**	**158**	**94**
Total (g)	**$ 136**	**$ 426**	**$ 1,037**	**$ 1,599**	**$ 1,545**	**$ 297**

Loans over 90 Days Past Due	Non-	Loans & Receivables	Total Impaired	Unpaid

(Millions)	& Accruing Interest (a)	Accrual Loans (b)	Modified as a TDR (c)	Loans & Receivables	Principal Balance (e)	Allowance for TDRs (f)
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 (g)	$ 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 $517 million and $655 million that are non-accrual and $5 million and $7 million that are past due 90 days and still accruing interest as of September 30, 2011 and December 31, 2010, respectively. These amounts are excluded from the previous two columns.

(d) The Company reassessed all cardmember loans and receivables modifications that occurred on or after January 1, 2011, to determine whether any such modifications met the definition of a TDR under new GAAP effective July 1, 2011. As a result, beginning the third quarter of 2011 the Company now includes its short-term settlement programs in TDRs. The Company s settlement programs have terms of three months or less and are contingent upon the cardmember fulfilling the program s payment terms, which if satisfied results in the write-off of the cardmember s remaining outstanding balance. The cardmember loans and receivables modified through these settlement programs continue to be evaluated individually for impairment when measuring reserves for losses. As of September 30, 2011, the outstanding balance of cardmember loans and receivables modified through settlement programs was $5.8 million and the associated reserves for losses was $3.7 million.

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(e) Unpaid principal balance consists of cardmember charges billed and excludes other amounts charged directly by the Company such as interest and fees.

(f) 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.

(g) These disclosures are not significant for cardmember receivables in ICS and GCS.

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 September 30, 2011		Nine Months Ended September 30, 2011	
(Millions)	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance
U.S. Card Services Cardmember Loans	**$ 16**	**$ 1,390**	**$ 51**	**$ 1,541**
International Card Services Cardmember Loans	**5**	**92**	**22**	**102**
U.S. Card Services Cardmember Receivables		**149**		**138**
Total [(a)]	**$ 21**	**$ 1,631**	**$ 73**	**$ 1,781**

	Three Months Ended September 30, 2010		Nine Months Ended September 30, 2010	
(Millions)	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance
U.S. Card Services Cardmember Loans	$ 23	$ 2,090	$ 78	$ 2,370
International Card Services Cardmember Loans	7	134	32	149
U.S. Card Services Cardmember Receivables		109		109
Total [(a)]	$ 30	$ 2,333	$ 110	$ 2,628

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

Cardmember Loans and Receivables Modified as TDRs

The following table provides additional information with respect to the cardmember loans and receivables modified as TDRs during the following periods:

(Accounts in thousands, Dollars in millions)		Three Months Ended September 30, 2011 Number of Accounts	Aggregated Pre-Modification Outstanding Balances (a)(b)	Aggregated Post-Modification Outstanding Balances (a)(b)	Nine Months Ended September 30, 2011 Number of Accounts	Aggregated Pre-Modification Outstanding Balances (a)(b)	Aggregated Post-Modification Outstanding Balances (a)(b)
Troubled Debt Restructurings:							
U.S. Card Services	Cardmember Loans	**35**	**$ 269**	**$ 259**	**116**	**$ 875**	**$ 839**
U.S. Card Services	Cardmember Receivables	**14**	**108**	**105**	**36**	**292**	**281**
Total (c)		**49**	**$ 377**	**$ 364**	**152**	**$ 1,167**	**$ 1,120**

(a) The outstanding balance includes principal and accrued interest.

(b) The difference between the pre- and post-modification outstanding balances is solely attributable to amounts charged off for cardmember loans and receivables being resolved through the Company s short-term settlement programs.

(c) These disclosures are not significant for cardmember loans modifications in ICS.

As described previously, the Company s cardmember loans and receivables modification programs may include (i) reducing the interest rate, (ii) reducing the outstanding balance, (iii) suspending delinquency fees and (iv) placing the cardmember on a fixed payment plan not exceeding 60 months. Upon entering the modification program, the cardmember s ability to make future purchases is either cancelled, or in certain cases suspended until the cardmember successfully exits the TDR program.

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The Company has evaluated the primary financial effects of the impact of the changes to an account upon modification as follows:

Interest Rate Reduction: For the three and nine months ended September 30, 2011, the average interest rate reduction was 12% for USCS cardmember loans, resulting in an estimated reduction in interest income of approximately $2 million and $17 million, respectively. The Company does not offer interest rate reduction programs for USCS cardmember receivables as these receivables are non-interest bearing.

Outstanding Balance Reduction: The table above presents the financial effects on the Company as a result of reducing the outstanding balance for Short-Term Settlement Programs. The difference between the pre- and post-modification outstanding balances represents the amount that either has been written-off or will be written-off upon successful completion of the settlement program.

Payment Term Extension: For both the three and nine months ended September 30, 2011, the average payment term extension was approximately 15 months for USCS cardmember receivables. For USCS cardmember loans, there have been no extension of payment terms.

The following table provides information with respect to the cardmember loans and receivables modified as TDRs on which there was a default within 12 months of modification during the periods presented. A cardmember will default from a modification program after between one and up to three consecutive missed payments, depending on the terms of the modification program.

		Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
(Accounts in thousands, Dollars in millions)		Number of Accounts	Aggregated Outstanding Balances Upon Default (a)	Number of Accounts	Aggregated Outstanding Balances Upon Default (a)
Troubled Debt Restructurings That Subsequently Defaulted:					
U.S. Card Services	Cardmember Loans	**9**	**$ 65**	**36**	**$ 271**
U.S. Card Services	Cardmember Receivables	**1**	**7**	**5**	**32**
Total [b]		**10**	**$ 72**	**41**	**$ 303**

(a) The outstanding balance includes principal and accrued interest.

(b) During the periods presented, the ICS cardmember loan modifications on which there was a default from the modification program within 12 months of modification were not significant.

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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.

Changes in Cardmember Receivables Reserve for Losses

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

(Millions)	**2011**	2010
Balance, January 1	**$ 386**	$ 546
Additions:		
Cardmember receivables provisions[(a)]	**404**	292
Cardmember receivables provisions other[(b)]	**129**	120
Total provision	**533**	412
Deductions:		
Cardmember receivables net write-offs[(c)]	**(406)**	(481)
Cardmember receivables other[(d)]	**(125)**	(113)
Balance, September 30	**$ 388**	$ 364

(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 $255 million and $275 million for the nine months ended September 30, 2011 and 2010, respectively.

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

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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 September 30, 2011 and December 31, 2010:

(Millions)	**2011**	2010
Cardmember receivables evaluated separately for impairment[(a)]	**$ 159**	$ 114
Reserves on cardmember receivables evaluated separately for impairment[(a)]	**$ 94**	$ 63
Cardmember receivables evaluated collectively for impairment	**$ 39,600**	$ 37,152
Reserves on cardmember receivables evaluated collectively for impairment	**$ 294**	$ 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.

Changes in Cardmember Loans Reserve for Losses

The following table presents changes in the cardmember loans reserve for losses for the nine months ended September 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)]	**23**	1,429
Cardmember loans provisions other[(c)]	**81**	61
Total provision	**104**	1,490
Deductions:		
Cardmember loans net write-offs principal[(d)]	**(1,375)**	(2,630)
Cardmember loans net write-offs interest and fees[(d)]	**(159)**	(287)
Cardmember loans other[(e)]	**(77)**	(54)
Balance, September 30	**$ 2,139**	$ 4,318

(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 nine months ended September 30, 2011 and 2010 include recoveries of $444 million and $422 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.

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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 September 30, 2011 and December 31, 2010:

(Millions)	**2011**	2010
Cardmember loans evaluated separately for impairment[a]	**$ 878**	$ 1,087
Reserves on cardmember loans evaluated separately for impairment[a]	**$ 203**	$ 279
Cardmember loans evaluated collectively for impairment[b]	**$ 57,329**	$ 59,763
Reserves on cardmember loans evaluated collectively for impairment[b]	**$ 1,936**	$ 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.

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 September 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	**$ 5,205**	**$ 82**	**$ (102)**	**$ 5,185**	$ 6,140	$ 24	$ (367)	$ 5,797
U.S. Government agency obligations	**352**	**3**		**355**	3,402	12	(1)	3,413
U.S. Government treasury obligations	**1,932**	**11**		**1,943**	2,450	6		2,456
Corporate debt securities[a]	**1,006**	**11**	**(3)**	**1,014**	1,431	15	(1)	1,445
Mortgage-backed securities[b]	**272**	**16**		**288**	272	6	(2)	276
Equity securities[c]	**98**	**215**		**313**	98	377		475

Foreign government bonds and obligations	**107**	**6**		**113**	95	4		99
Other[(d)]	**57**	**1**		**58**	49			49
Total	**$ 9,029**	**$ 345**	**$ (105)**	**$ 9,269**	$ 13,937	$ 444	$ (371)	$ 14,010

(a) The September 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 the Industrial and Commercial Bank of China (ICBC). Effective August 1, 2011, the Company has hedged its exposure to changes in fair value on its investment in ICBC, and as a result from August 1, 2011, unrealized gains (losses) are recorded in other revenues in the Consolidated Statement of Income. Refer to Note 9 for further information.

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

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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.

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 September 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	
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	**$ 370**	**$ (10)**	**$ 1,112**	**$ (92)**	$ 2,535	$ (156)	$ 1,076	$ (211)
U.S. Government agency obligations					299	(1)		
Corporate debt securities	**95**	**(2)**	**2**	**(1)**			3	(1)
Mortgage-backed securities					71	(2)		
Total	**$ 465**	**$ (12)**	**$ 1,114**	**$ (93)**	$ 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 September 30, 2011 and December 31, 2010:

(Dollars in millions)	Less than 12 months			12 months or more			Total		
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

		Fair Value			Fair Value			Fair Value	
2011:									
90% 100%	**79**	**$ 430**	**$ (8)**	**105**	**$ 812**	**$ (39)**	**184**	**$ 1,242**	**$ (47)**
Less than 90%	**2**	**35**	**(4)**	**32**	**302**	**(54)**	**34**	**337**	**(58)**
Total as of September 30, 2011	**81**	**$ 465**	**$ (12)**	**137**	**$ 1,114**	**$ (93)**	**218**	**$ 1,579**	**$ (105)**
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.

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

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

(Millions)	Cost	Estimated Fair Value
Due within 1 year	**$ 2,641**	**$ 2,649**
Due after 1 year but within 5 years	**728**	**741**
Due after 5 years but within 10 years	**242**	**253**
Due after 10 years	**5,263**	**5,255**
Total	**$ 8,874**	**$ 8,898**

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.

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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 September 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.

There was approximately $10 million and $9 million of restricted cash held by the Charge Trust as of September 30, 2011 and December 31, 2010, respectively, and approximately $113 million and $3.7 billion of restricted cash held by the Lending Trust as of September 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 nine months ended September 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 September 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	**$ 32,510**	$ 29,053
Non-interest-bearing	**4**	17
Non-U.S.:		
Interest-bearing	**621**	640
Non-interest-bearing	**7**	17
Total customer deposits	**$ 33,142**	$ 29,727

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

(Millions)	**2011**	2010
U.S. retail deposits:		
Savings accounts Direct	**$ 13,186**	$ 7,725
Certificates of deposit		
Direct	**901**	1,052
Third party	**9,179**	11,411
Sweep accounts Third party	**9,244**	8,865
Other deposits	**632**	674
Total customer deposits	**$ 33,142**	$ 29,727

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

(Millions)	U.S.	Non-U.S.	Total
2011	**$ 1,376**	**$ 309**	**$ 1,685**
2012	**3,232**	**90**	**3,322**
2013	**3,227**	**1**	**3,228**
2014	**1,665**		**1,665**
2015	**121**		**121**
After 5 years	**459**		**459**
Total	**$ 10,080**	**$ 400**	**$ 10,480**

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

(Millions)	**2011**	2010
U.S.	**$ 583**	$ 689
Non-U.S.	**316**	291
Total	**$ 899**	$ 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.

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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.

In addition to the exposures identified above, effective August 1, 2011, the Company entered into a total return contract (TRC) to hedge its exposure to changes in the fair value of its equity investment in ICBC. Under the terms of the TRC, the Company receives from the TRC counterparty an amount equivalent to any reduction in the fair value of its investment in ICBC, and in return the Company pays to the TRC counterparty an amount equivalent to any increase in the fair value of its investment, along with all dividends paid by ICBC, as well as on-going hedge costs.

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, 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 ERMC 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 instances entered into master netting agreements with its derivative counterparties, which provide a right of offset for certain exposures between the parties. To further mitigate bilateral counterparty credit risk, during the third quarter of 2011 the Company exercised its rights under executed credit support agreements with certain of its derivative counterparties. These agreements require that, in the event the fair value change in the net derivatives position between the two parties exceeds certain dollar thresholds, the party in the net liability position post collateral to its counterparty.

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 September 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.

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

	Other Assets Fair Value		Other Liabilities Fair Value	
(Millions)	**2011**	2010	**2011**	2010
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	**$ 1,075**	$ 909	**$ 2**	$ 38
Cash flow hedges		2	**1**	13
Total return contract				
Fair value hedge	**110**			
Foreign exchange contracts				
Net investment hedges	**468**	66	**23**	272
Total derivatives designated as hedging instruments	**$ 1,653**	$ 977	**$ 26**	$ 323
Derivatives not designated as hedging instruments:				
Interest rate contracts	**$ 1**	$ 3	**$ 3**	$ 3
Foreign exchange contracts, including certain embedded derivatives[(a)]	**136**	109	**189**	91
Equity-linked embedded derivative[(b)]			**3**	2
Total derivatives not designated as hedging instruments	**137**	112	**195**	96
Total derivatives, gross	**$ 1,790**	$ 1,089	**$ 221**	$ 419
Cash collateral netting[(c)]	**(713)**			
Derivative asset and derivative liability netting[(c)]	**(13)**	(18)	**(13)**	(18)
Total derivatives, net	**$ 1,064**	$ 1,071	**$ 208**	$ 401

(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) As permitted under GAAP, balances represent the netting of cash collateral received and posted under credit support agreements, and the netting of derivative assets and derivative liabilities under master netting agreements.

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.

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.

Interest Rate Contracts

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 September 30, 2011 and December 31, 2010, the Company hedged $17.9 billion and $15.9 billion, respectively, of its fixed-rate debt to floating-rate debt using interest rate swaps.

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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.

Total Return Contract

The Company is exposed to changes in the fair value of its equity investment in ICBC due to changes in the price of the underlying shares. The Company uses a TRC to transfer this exposure to its derivative counterparty. Effective August 1, 2011, the Company hedged the full amount of its investment in ICBC of approximately 638.1 million shares. As of December 31, 2010, the Company s investment in ICBC was not in a designated hedging relationship. To the extent the hedge is effective, the gain or loss on the TRC offsets the loss or gain on the investment in ICBC. Any difference between the changes in the fair value of the derivative and the hedged item results in hedge ineffectiveness and is recognized in other, net expenses in the Consolidated Statements of Income.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company s hedges of its fixed-rate long-term debt and its investment in ICBC:

For the Three Months Ended September 30:

(Millions)	Gains (losses) recognized in income							
	Derivative contract			Hedged item			Net hedge	
		Amount			Amount		ineffectiveness[a]	
Derivative relationship	Location	**2011**	2010	Location	**2011**	2010	**2011**	2010
Interest rate contracts	Other, net expenses	**$ 219**	$ 189	Other, net expenses	**$ (191)**	$ (195)	**$ 28**	$ (6)
Total return contract	Other revenues	**166**		Other revenues	**(178)**		**(12)**	

For the Nine Months Ended September 30:

(Millions)	Gains (losses) recognized in income							
	Derivative contract			Hedged item			Net hedge	
		Amount			Amount		ineffectiveness[a]	
Derivative relationship	Location	**2011**	2010	Location	**2011**	2010	**2011**	2010
Interest rate contracts	Other, net	**$ 202**	$ 602	Other, net	**$ (189)**	$ (562)	**$ 13**	$ 40

	expenses		expenses		
Total return contract	Other revenues	**166**	Other revenues	**(178)**	**(12)**

(a) Net hedge ineffectiveness on the TRC is reclassified from other revenues to other, net expenses.

The Company also recognized a net reduction in interest expense on long-term debt and other of $127 million and $129 million for the three months ended September 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 nine months ended September 30, 2011 and 2010, the impact on interest expense was a net reduction in interest expense on long-term debt and other of $377 million and $391 million, respectively.

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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 September 30, 2011 and December 31, 2010, the Company hedged $298 million and $1.3 billion of its floating-rate debt using interest rate swaps, respectively.

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 $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.

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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 September 30:

(Millions)	Gains (losses) recognized in income					
		Amount reclassified from AOCI into income			Net hedge ineffectiveness	
	Location	**2011**	2010	Location	**2011**	2010
Cash flow hedges:[a]						
Interest rate contracts	Interest expense	**$**	$ (8)	Other, net expenses	**$**	$
Net investment hedges:						
Foreign exchange contracts	Other, net expenses	**$**	$	Other, net expenses	**$**	$

For the Nine Months Ended September 30:

(Millions)	Gains (losses) recognized in income					
		Amount reclassified from AOCI into income			Net hedge ineffectiveness	
	Location	**2011**	2010	Location	**2011**	2010
Cash flow hedges:[a]						
Interest rate contracts	Interest expense	**$ (13)**	$ (29)	Other, net expenses	**$**	$
Net investment hedges:						
Foreign exchange contracts	Other, net expenses	**$**	$	Other, net expenses	**$ (3)**	$

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

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.

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

	Gains (losses) recognized in income		
		Amount	
For the Three Months Ended September 30: *(Millions)*	Location	**2011**	2010
Interest rate contracts	Other, net expenses	**$**	$ 3
Foreign exchange contracts[(a)]	Interest and dividends on investment securities	**2**	1
	Interest expense on short-term borrowings		2
	Interest expense on long-term debt and other	**33**	24
	Other, net expenses	**(48)**	101
Equity-linked contract	Other non-interest revenues	**(1)**	1
Total		**$ (14)**	$ 132

	Gains (losses) recognized in income		
		Amount	
For the Nine Months Ended September 30: *(Millions)*	Location	**2011**	2010
Interest rate contracts	Other, net expenses	**$ 2**	$ (11)
Foreign exchange contracts[(a)]		**7**	2

	Interest and dividends on investment securities		
	Interest expense on short-term borrowings	**3**	6
	Interest expense on long-term debt and other	**94**	66
	Other, net expenses	**(97)**	49
Equity-linked contract	Other non-interest revenues	**(1)**	
Total		**$ 8**	$ 112

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

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.

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

	Maximum amount of undiscounted future payments[a] *(Billions)*		Amount of related liability[b] *(Millions)*	
Type of Guarantee	**2011**	2010	**2011**	2010
Card and travel operations[c]	**$ 51**	$ 67	**$ 97**	$ 114
Other[d]	**1**	1	**99**	99
Total	**$ 52**	$ 68	**$ 196**	$ 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) Primarily 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	**2011**	2010	**2011**	2010
Net income	**$ 1,235**	$ 1,093	**$ 3,743**	$ 2,995
Other comprehensive income gains (losses):				
Net unrealized securities gains	**113**	104	**205**	113
Net unrealized derivative (losses) gains	**(1)**	4	**6**	16
Foreign currency translation adjustments	**(178)**	307	**(116)**	242
Net unrealized pension and other postretirement benefit gains	**14**	4	**19**	39

Total	**$ 1,183**	$ 1,512	**$ 3,857**	$ 3,405

AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 $851 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 $851 million of unrecognized tax benefits, approximately $606 million relates to amounts recorded to equity that, if recognized, would not impact the effective tax rate. With respect to the remaining $245 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 Ended September 30, 2011	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Effective tax rate[(a)(b)]	**28**%	**29**%	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 nine months ended September 30, 2011 includes a $77 million tax benefit related to a distribution of foreign subsidiary earnings with associated foreign tax credits. The income tax provision from continuing operations for the nine months ended September 30, 2011 also includes the impact of a $102 million tax benefit related to the favorable resolution of certain prior years tax items.

Discontinued operations for the nine months ended September 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.

AMERICAN EXPRESS COMPANY
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13. Earnings Per Common Share (EPS)

The computations of basic and diluted EPS were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions, except per share amounts)	**2011**	2010	**2011**	2010
Numerator:				
Basic and diluted:				
Income from continuing operations	**$ 1,235**	$ 1,093	**$ 3,707**	$ 2,995
Earnings allocated to participating share awards and other items[a]	**(15)**	(13)	**(44)**	(38)
Income from discontinued operations, net of tax			**36**	
Net income attributable to common shareholders	**$ 1,220**	$ 1,080	**$ 3,699**	$ 2,957
Denominator:				
Basic: Weighted-average common stock	**1,175**	1,193	**1,184**	1,189
Add: Weighted-average stock options [b]	**6**	6	**7**	6
Diluted	**1,181**	1,199	**1,191**	1,195
Basic EPS:				
Income from continuing operations attributable to common shareholders	**$ 1.04**	$ 0.91	**$ 3.09**	$ 2.49
Income from discontinued operations			**0.03**	
Net income attributable to common shareholders	**$ 1.04**	$ 0.91	**$ 3.12**	$ 2.49
Diluted EPS:				
Income from continuing operations attributable to common shareholders	**$ 1.03**	$ 0.90	**$ 3.08**	$ 2.47
Income from discontinued operations			**0.03**	
Net income attributable to common shareholders	**$ 1.03**	$ 0.90	**$ 3.11**	$ 2.47

(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 both the three and nine months ended September 30, 2011, the dilutive effect of unexercised stock options excludes 19 million options. For the three and nine months ended September 30, 2010, the dilutive effect of unexercised stock options excludes 36 million and 37 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.

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AMERICAN EXPRESS COMPANY
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14. Details of Certain Consolidated Statements of Income Lines

The following is a detail of other commissions and fees:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	**2011**	2010	**2011**	2010
Foreign currency conversion revenue	**$ 225**	$ 221	**$ 651**	$ 614
Delinquency fees	**155**	151	**439**	463
Service fees	**89**	85	**266**	247
Other	**135**	58	**361**	188
Total other commissions and fees	**$ 604**	$ 515	**$ 1,717**	$ 1,512

The following is a detail of other revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	**2011**	2010	**2011**	2010
Global Network Services partner revenues	**$ 157**	$ 145	**$ 459**	$ 391
Gain (Loss) on investment securities				(5)
Other	**377**	358	**1,087**	1,028
Total other revenues	**$ 534**	$ 503	**$ 1,546**	$ 1,414

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	**2011**	2010	**2011**	2010
Marketing and promotion	**$ 757**	$ 871	**$ 2,261**	$ 2,314
Cardmember rewards	**1,565**	1,263	**4,755**	3,666
Cardmember services	**189**	141	**526**	425
Total marketing, promotion, rewards and cardmember services	**$ 2,511**	$ 2,275	**$ 7,542**	$ 6,405

The following is a detail of other, net expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	

(Millions)	**2011**	2010	**2011**	2010
Occupancy and equipment	**$ 433**	$ 371	**$ 1,218**	$ 1,134
Communications	**93**	92	**280**	284
Other non-income taxes	**53**	77	**164**	172
MasterCard and Visa settlements, net of legal fees	**(68)**	(213)	**(494)**	(639)
Other	**301**	303	**786**	633
Total other, net expense	**$ 812**	$ 630	**$ 1,954**	$ 1,584

AMERICAN EXPRESS COMPANY
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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 September 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 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 examinations 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 $470 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.

AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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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AMERICAN EXPRESS COMPANY
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The following table presents certain operating segment information:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions)	**2011**	2010	**2011**	2010
Non-interest revenues:				
USCS	**$ 2,710**	$ 2,501	**$ 7,892**	$ 7,278
ICS	**1,132**	926	**3,233**	2,668
GCS	**1,195**	1,128	**3,631**	3,217
GNMS	**1,188**	1,048	**3,459**	2,986
Corporate & Other, including adjustments and eliminations[(a)]	**167**	186	**541**	510
Total	**$ 6,392**	$ 5,789	**$ 18,756**	$ 16,659
Interest income:				
USCS	**$ 1,329**	$ 1,334	**$ 3,886**	$ 4,060
ICS	**323**	342	**995**	1,047
GCS	**3**	2	**7**	5
GNMS	**2**	1	**4**	3
Corporate & Other, including adjustments and eliminations[(a)]	**97**	115	**317**	382
Total	**$ 1,754**	$ 1,794	**$ 5,209**	$ 5,497
Interest expense:				
USCS	**$ 201**	$ 210	**$ 604**	$ 604
ICS	**108**	105	**322**	310
GCS	**68**	58	**196**	162
GNMS	**(60)**	(51)	**(163)**	(144)
Corporate & Other, including adjustments and eliminations[(a)]	**258**	288	**786**	886
Total	**$ 575**	$ 610	**$ 1,745**	$ 1,818
Total revenues, net of interest expense:				
USCS	**$ 3,838**	$ 3,625	**$ 11,174**	$ 10,734
ICS	**1,347**	1,163	**3,906**	3,405
GCS	**1,130**	1,072	**3,442**	3,060
GNMS	**1,250**	1,100	**3,626**	3,133
Corporate & Other, including adjustments and eliminations[(a)]	**6**	13	**72**	6

Total	**$ 7,571**	$ 6,973	**$ 22,220**	$ 20,338
Income (loss) from continuing operations:				
USCS	**$ 733**	$ 595	**$ 1,953**	$ 1,525
ICS	**221**	144	**571**	438
GCS	**197**	150	**558**	347
GNMS	**332**	252	**969**	766
Corporate & Other, including adjustments and eliminations[a]	**(248)**	(48)	**(344)**	(81)
Total	**$ 1,235**	$ 1,093	**$ 3,707**	$ 2,995

[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 dividends or through repurchases 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.

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Current Business Environment/Outlook

The Company s results for the third 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, despite a challenging economic environment and when being compared to relatively strong prior year performance.

While the positive impacts of strong billings growth and modestly higher cardmember 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 s improving credit trends mentioned above contributed to a reduction in loan write-offs and in loss reserve levels over the course of the third quarter of 2011 when compared to 2010. Reserve coverage ratios remain at appropriate levels after taking into consideration a reduction of approximately $450 million in loss reserve levels during the quarter. Going forward, the Company expects benefits to its results from reserve releases to diminish.

Net interest yield declined compared to the third 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, net interest 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 environment remains uncertain. The uncertain environment includes questions about the creditworthiness of sovereign issuers within Europe and the strength of the European banking system. Sovereign defaults or the continued concerns about European fiscal policy and unity could lead to disruptions in capital markets and 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 and year-to-date 2011 volume and credit performance. In light of these factors, the Company is continuing to implement its plan to slow the year-over-year growth of its operating expenses as it exits this year and enters 2012.

Reengineering Initiatives

The Company expects to record additional restructuring charges in 2011 and 2012 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 these additional charges is approximately $50 million to $60 million pretax (approximately $32 million to $38 million after-tax). During the first and second quarters of 2011, respectively, the Company recorded $11 million ($7 million after-tax) and $4 million ($2 million after-tax) of such expected additional charges. In the third quarter of 2011, the Company did not record additional charges and has lowered its estimated range of charges from a range of $60 million to $80 million to a range of $50 million to $60 million to reflect the fact that more employees than expected have chosen to relocate to other company locations.

Substantially all of the reengineering activities described above are expected to be completed by the end of the second quarter of 2012.

In the third quarter of 2011, the Company recorded $39 million ($28 million after-tax) of net additional severance related reengineering costs.

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 a three-year period beginning at the end of 2013 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 September 30,		Nine Months Ended September 30,	
(Billions, except percentages and where indicated)	**2011**	2010	**2011**	2010
Card billed business:				
United States	**$ 136.4**	$ 120.5	**$ 397.3**	$ 348.2
Outside the United States	**71.3**	58.8	**205.9**	167.4
Total	**$ 207.7**	$ 179.3	**$ 603.2**	$ 515.6
Total cards-in-force: *(millions)*				
United States	**50.2**	48.1	**50.2**	48.1
Outside the United States	**45.6**	40.9	**45.6**	40.9
Total	**95.8**	89.0	**95.8**	89.0
Basic cards-in-force: *(millions)*[a]				
United States	**38.9**	37.2	**38.9**	37.2
Outside the United States	**36.4**	32.6	**36.4**	32.6
Total	**75.3**	69.8	**75.3**	69.8