

AMERICAN EXPRESS CO
Form 10-Q
April 29, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended March 31, 2013

or

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

For the Transition Period from _____ to _____

Commission file number 1-7657

AMERICAN EXPRESS COMPANY

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

13-4922250
(I.R.S. Employer Identification No.)

World Financial Center, 200 Vesey Street, New York, NY
(Address of principal executive offices)

10285
(Zip Code)

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

None

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

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

Yes No

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

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for such shorter period that the registrant was required to submit and post such files).

Yes X No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Yes No X

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

Class
Common Shares (par value \$.20 per share)

Outstanding at April 18, 2013
1,098,638,618 shares

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****AMERICAN EXPRESS COMPANY****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

Three Months Ended March 31 (<i>Millions, except per share amounts</i>)	2013	2012
Revenues		
Non-interest revenues		
Discount revenue	\$ 4,438	\$ 4,257
Net card fees	653	610
Travel commissions and fees	437	451
Other commissions and fees	573	583
Other	537	553
Total non-interest revenues	6,638	6,454
Interest income		
Interest on loans	1,683	1,611
Interest and dividends on investment securities	53	66
Deposits with banks and other	26	30
Total interest income	1,762	1,707
Interest expense		
Deposits	114	129
Long-term debt and other	405	445
Total interest expense	519	574
Net interest income	1,243	1,133
Total revenues net of interest expense	7,881	7,587
Provisions for losses		
Charge card	195	178
Cardmember loans	275	212
Other	27	22
Total provisions for losses	497	412
Total revenues net of interest expense after provisions for losses	7,384	7,175
Expenses		
Marketing, promotion, rewards and cardmember services	2,330	2,292
Salaries and employee benefits	1,615	1,635

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Other, net	1,530	1,475
Total expenses	5,475	5,402
Pretax income	1,909	1,773
Income tax provision	629	517
Net income	\$ 1,280	\$ 1,256
Earnings per Common Share (Note 12):^(a)		
Basic	\$ 1.15	\$ 1.07
Diluted	\$ 1.15	\$ 1.07
Average common shares outstanding for earnings per common share:		
Basic	1,099	1,160
Diluted	1,106	1,166
Cash dividends declared per common share	\$ 0.20	\$ 0.20

(a) Represents net income less earnings allocated to participating share awards of \$11 million and \$14 million for the three months ended March 31, 2013 and 2012, respectively.

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

Three Months Ended March 31 (<i>Millions</i>)	2013	2012
Net income	\$ 1,280	\$ 1,256
Other comprehensive (loss) income:		
Net unrealized securities (losses) gains, net of tax of: 2013, \$(18); 2012, \$13	(35)	20
Net unrealized derivatives gains, net of tax of: 2013, \$; 2012, \$		1
Foreign currency translation adjustments, net of tax of: 2013, \$(11); 2012, \$(122)	(45)	72
Net unrealized pension and other postretirement benefit gains, net of tax of: 2013, \$21; 2012, \$2	27	6
Other comprehensive (loss) income	(53)	99
Comprehensive income	\$ 1,227	\$ 1,355

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(Millions, except per share data)</i>	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Cash and due from banks	\$ 3,433	\$ 2,020
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2013, \$118; 2012, \$58)	24,294	19,892
Short-term investment securities	237	338
Total cash and cash equivalents	27,964	22,250
Accounts receivable		
Cardmember receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2013, \$6,950; 2012, \$8,012), less reserves: 2013, \$410; 2012, \$428	42,961	42,338
Other receivables, less reserves: 2013, \$86; 2012, \$86	3,143	3,576
Loans		
Cardmember loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2013, \$30,063; 2012, \$32,731), less reserves: 2013, \$1,367; 2012, \$1,471	60,919	63,758
Other loans, less reserves: 2013, \$18; 2012, \$20	541	551
Investment securities		
Premises and equipment, less accumulated depreciation and amortization: 2013, \$5,649; 2012, \$5,429	3,713	3,635
Other assets (includes restricted cash of consolidated variable interest entities: 2013, \$1,103; 2012, \$76)	11,821	11,418
Total assets	\$ 156,855	\$ 153,140
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits	\$ 41,301	\$ 39,803
Travelers Cheques and other prepaid products	4,232	4,601
Accounts payable	14,230	10,006
Short-term borrowings	3,359	3,314
Long-term debt (includes debt issued by consolidated variable interest entities: 2013, \$16,833; 2012, \$19,277)	56,366	58,973
Other liabilities	18,077	17,557
Total liabilities	137,565	134,254
Contingencies (Note 14)		
Shareholders' Equity		
Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 1,098 million shares as of March 31, 2013 and 1,105 million shares as of December 31, 2012	220	221
Additional paid-in capital	12,220	12,067
Retained earnings	7,830	7,525
Accumulated other comprehensive income (loss)		

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Net unrealized securities gains, net of tax of: 2013, \$157; 2012, \$175	280	315
Foreign currency translation adjustments, net of tax of: 2013, \$(622); 2012, \$(611)	(799)	(754)
Net unrealized pension and other postretirement benefit losses, net of tax of: 2013, \$(212); 2012, \$(233)	(461)	(488)
Total accumulated other comprehensive loss	(980)	(927)
Total shareholders' equity	19,290	18,886
Total liabilities and shareholders' equity	\$ 156,855	\$ 153,140

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Three Months Ended March 31 (<i>Millions</i>)	2013	2012
Cash Flows from Operating Activities		
Net income	\$ 1,280	\$ 1,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for losses	497	412
Depreciation and amortization	245	254
Deferred taxes and other	2	48
Stock-based compensation	96	92
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Other receivables	486	807
Other assets	330	473
Accounts payable and other liabilities	4,946	502
Travelers Cheques and other prepaid products	(335)	(412)
Net cash provided by operating activities	7,547	3,432
Cash Flows from Investing Activities		
Sale of investments	80	177
Maturity and redemption of investments	187	449
Purchase of investments	(472)	(58)
Net decrease in cardmember loans/receivables	1,510	1,724
Purchase of premises and equipment, net of sales: 2013, \$4; 2012, \$1	(204)	(266)
Acquisitions/dispositions, net of cash acquired/sold	(11)	(2)
Net increase in restricted cash	(1,058)	(76)
Net cash provided by investing activities	32	1,948
Cash Flows from Financing Activities		
Net increase in customer deposits	1,141	267
Net increase (decrease) in short-term borrowings	166	(540)
Issuance of long-term debt	598	1,609
Principal payments on long-term debt	(3,001)	(4,501)
Issuance of American Express common shares	275	231
Repurchase of American Express common shares	(787)	(171)
Dividends paid	(222)	(211)
Net cash used in financing activities	(1,830)	(3,316)
Effect of exchange rate changes on cash	(35)	125
Net increase in cash and cash equivalents	5,714	2,189
Cash and cash equivalents at beginning of period	22,250	24,893
Cash and cash equivalents at end of period	\$ 27,964	\$ 27,082

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 services 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 also focuses 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 Company's Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Form 10-K).

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

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expense, and the disclosures of contingent assets and liabilities. These accounting estimates reflect the best judgment of management, but actual results could differ.

Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

Recently Adopted Accounting Guidance

Effective January 1, 2013, the Company adopted Accounting Standards Update (ASU) No. 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This guidance requires an entity to present information about significant items reclassified out of Accumulated Other Comprehensive Income (AOCI) by component and for items reclassified out of AOCI and into net income, an entity must disclose the effect of such items on the affected net income line item. The Company presents this information as a separate disclosure in the notes to the financial statements. Refer to Note 10 for further discussion.

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(Unaudited)

2. Fair Values

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

GAAP provides 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 that the entity can access.

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; and
- 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). The Company did not measure any financial instruments presented on the Consolidated Balance Sheets at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended March 31, 2013 or during the year ended December 31, 2012, although the disclosed fair value of certain assets that are not carried at fair value, as presented later in this Note, are classified within Level 3.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company elects to disclose the fair value measurement at the beginning of the reporting period during which the transfer occurred.

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 March 31, 2013 and December 31, 2012:

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(Millions)	2013			2012		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:						
Investment securities: ^(a)						
Equity securities	\$ 251	\$ 251	\$	\$ 296	\$ 296	\$
Debt securities and other	5,542	337	5,205	5,318	338	4,980
Derivatives ^(a)	958		958	942		942
Total assets	\$ 6,751	\$ 588	\$ 6,163	\$ 6,556	\$ 634	\$ 5,922
Liabilities:						
Derivatives ^(a)	\$ 230	\$	\$ 230	\$ 329	\$	\$ 329
Total liabilities	\$ 230	\$	\$ 230	\$ 329	\$	\$ 329

(a) Refer to Note 5 for the fair values of investment securities and to Note 8 for the fair values of derivative assets and liabilities, both on a further disaggregated basis.

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(Unaudited)

Valuation Techniques Used in the Fair Value Measurement of Financial Assets and Financial Liabilities Carried at 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:

Investment Securities

When available, quoted prices of identical investment securities 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 of identical investment securities in active markets 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 or recent trades of similar securities. Such investment securities are classified within Level 2 of the fair value hierarchy. 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 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 for reasonableness by comparing the prices from the respective pricing services to valuations obtained from different pricing sources as well as comparing prices to the sale prices received from sold securities at least quarterly. In instances where price discrepancies are identified between different pricing sources, the Company evaluates such discrepancies to ensure that the prices used for its valuation represent the fair value of the underlying investment securities. Refer to Note 5 for additional fair value information.

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Derivative Financial Instruments

The fair value of the Company's derivative financial instruments is estimated by a third-party valuation service that uses proprietary pricing models or by internal pricing models, where the 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 as described below. The Company reaffirms its understanding of the valuation techniques used by the third-party valuation service at least annually. The Company's derivative instruments are classified within Level 2 of the fair value hierarchy.

The fair value of the Company's interest rate swaps is determined based on a discounted cash flow method using the following significant inputs: the contractual terms of the swap such as the notional amount, fixed coupon rate, floating coupon rate (based on interbank rates consistent with the frequency and currency of the interest cash flows) and tenor, as well as discount rates consistent with the underlying economic factors of the currency in which the cash flows are denominated.

The fair value of the Company's total return contract, which serves as a hedge against the Hong Kong dollar (HKD) change in fair value associated with the Company's investment in the Industrial and Commercial Bank of China (ICBC), is determined based on a discounted cash flow method using the following significant inputs as of the valuation date: number of shares of the Company's underlying ICBC investment, the quoted market price of the shares in HKD and the monthly settlement terms of the contract inclusive of price and tenor.

The fair value of foreign exchange forward contracts is determined based on a discounted cash flow method using the following significant inputs: the contractual terms of the forward contracts such as the notional amount, maturity dates and contract rate, as well as relevant foreign currency forward curves, and discount rates consistent with the underlying economic factors of the currency in which the cash flows are denominated.

Credit valuation adjustments are necessary when the market parameters, such as a benchmark curve, used to value derivatives are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 8 for additional fair value information.

Table of Contents**AMERICAN EXPRESS COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****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 required to be carried at fair value on a recurring basis, as of March 31, 2013 and December 31, 2012:

2013 (Billions)	Carrying Value	Corresponding Fair Value Amount			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents	\$ 28	\$ 28	\$ 26	\$ 2 ^(a)	\$
Other financial assets ^(b)	\$ 48	\$ 48	\$	\$ 48	\$
Financial assets carried at other than fair value					
Loans, net	\$ 61	\$ 62 ^(c)	\$	\$	\$ 62
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	\$ 62	\$ 62	\$	\$ 62	\$
Financial liabilities carried at other than fair value					
Certificates of deposit ^(d)	\$ 9	\$ 9	\$	\$ 9	\$
Long-term debt	\$ 56	\$ 59 ^(c)	\$	\$ 59	\$

2012 (Billions)	Carrying Value	Corresponding Fair Value Amount			
		Total	Level 1	Level 2	Level 3
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents	\$ 22	\$ 22	\$ 21	\$ 1 ^(a)	\$
Other financial assets ^(b)	\$ 47	\$ 47	\$	\$ 47	\$
Financial assets carried at other than fair value					
Loans, net	\$ 64	\$ 65 ^(c)	\$	\$	\$ 65
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	\$ 55	\$ 55	\$	\$ 55	\$
Financial liabilities carried at other than fair value					
Certificates of deposit ^(d)	\$ 10	\$ 10	\$	\$ 10	\$
Long-term debt	\$ 59	\$ 62 ^(c)	\$	\$ 62	\$

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- (a) Reflects time deposits.
- (b) Includes accounts receivables (including fair values of cardmember receivables of \$6.9 billion and \$8.0 billion held by consolidated variable interest entities (VIEs) as of March 31, 2013 and December 31, 2012, respectively), restricted cash and other miscellaneous assets.
- (c) Includes fair values of loans of \$29.8 billion and \$32.4 billion, and long-term debt of \$17.4 billion and \$19.5 billion, held by consolidated VIEs as of March 31, 2013 and December 31, 2012, respectively.
- (d) Presented as a component of customer deposits on the Consolidated Balance Sheets.

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The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of March 31, 2013 and December 31, 2012, 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.

Valuation Techniques Used in the Fair Value Measurement of Financial Assets and Financial Liabilities Carried at Other Than Fair Value

For the financial assets and liabilities that are not required to be carried 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:

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, have no defined maturity or have a market-based interest rate.

Financial Assets Carried at Other Than Fair Value

Loans

Loans are recorded at historical cost, less reserves, on the Consolidated Balance Sheets. In estimating the fair value for the Company's loans the Company uses a discounted cash flow model. Due to the lack of a comparable whole loan sales market for similar credit card receivables and a lack of observable pricing inputs thereof, the Company uses various inputs derived from an equivalent securitization market to estimate fair value. Such inputs include projected income (inclusive of future interest payments and late fee revenue), estimated pay-down rates, discount rates and relevant credit costs.

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 and other prepaid products outstanding, accounts payable, short-term borrowings and certain other liabilities for which the carrying values approximate fair value because they are short term in duration, have no defined maturity or have a market-based interest rate.

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 future cash flows and the discount rate that reflects the Company's current rates for similar types of CDs within similar markets.

Long-term Debt

Long-term debt is recorded at historical issuance cost on the Consolidated Balance Sheets adjusted for the impact of fair value hedge accounting on certain fixed-rate notes and current translation rates for foreign-denominated debt. The fair value of the Company's long-term debt is measured using quoted offer prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates currently observed in publicly traded debt markets for debt of similar

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terms and credit risk. For long-term debt, where there are no rates currently observable in publicly traded debt markets of similar terms and comparable credit risk, the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Company uses market interest rates and adjusts those rates for necessary risks, including its own credit risk. In determining an appropriate spread to reflect its credit standing, the Company considers credit default swap spreads, bond yields of other long-term debt offered by the Company, and interest rates currently offered to the Company for similar debt instruments of comparable maturities.

Nonrecurring Fair Value Measurements

The Company did not have any material assets that were measured at fair value for impairment on a nonrecurring basis during the three months ended March 31, 2013 or during the year ended December 31, 2012.

3. Accounts Receivable and Loans

As described below, the Company's charge and lending payment card products result in the generation of cardmember receivables and cardmember loans, respectively.

Cardmember and Other Receivables

Cardmember receivables, representing amounts due from charge card 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. Additionally, global spend limits are established to limit the maximum exposure for the Company.

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 4), and include principal and any related accrued fees.

Accounts receivable as of March 31, 2013 and December 31, 2012 consisted of:

<i>(Millions)</i>	2013	2012
U.S. Card Services ^(a)	\$ 20,369	\$ 21,124
International Card Services	7,115	7,778
Global Commercial Services ^(b)	15,704	13,671
Global Network & Merchant Services ^(c)	183	193
Cardmember receivables^(d)	43,371	42,766
Less: Reserve for losses	410	428
Cardmember receivables, net	\$ 42,961	\$ 42,338
Other receivables, net ^(e)	\$ 3,143	\$ 3,576

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- (a) Includes \$6.5 billion and \$7.5 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of March 31, 2013 and December 31, 2012, respectively.
- (b) Includes \$449 million and \$476 million of gross cardmember receivables available to settle obligations of a consolidated VIE as of March 31, 2013 and December 31, 2012, respectively. Also includes \$896 million and \$913 million due from airlines, of which Delta Air Lines (Delta) comprises \$645 million and \$676 million as of March 31, 2013 and December 31, 2012, respectively.
- (c) Includes receivables primarily related to the Company's International Currency Card portfolios.
- (d) Includes approximately \$13.6 billion and \$13.7 billion of cardmember receivables outside the United States as of March 31, 2013 and December 31, 2012, respectively.
- (e) Other receivables primarily represent amounts related to (i) purchased joint venture receivables, (ii) certain merchants for billed discount revenue, (iii) the Company's travel customers and suppliers, and (iv) other receivables due to the Company in the ordinary course of business. Other receivables are presented net of reserves for losses of \$86 million as of both March 31, 2013 and December 31, 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Cardmember and Other Loans

Cardmember loans, representing amounts due from lending card 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 with the Company. 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 revised 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 based on pre-established amounts. The amounts that cardmembers choose to revolve are subject to finance charges.

Cardmember loans are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 4), and include principal, accrued interest and fees receivable. The Company's policy generally is to cease accruing interest on a cardmember loan at the time the account is written off, and establish reserves for interest that the Company believes will not be collected.

Loans as of March 31, 2013 and December 31, 2012 consisted of:

<i>(Millions)</i>	2013	2012
U.S. Card Services ^(a)	\$ 53,606	\$ 55,953
International Card Services	8,631	9,236
Global Commercial Services	49	40
Cardmember loans	62,286	65,229
Less: Reserve for losses	1,367	1,471
Cardmember loans, net	\$ 60,919	\$ 63,758
Other loans, net ^(b)	\$ 541	\$ 551

(a) Includes approximately \$30.1 billion and \$32.7 billion of gross cardmember loans available to settle obligations of a consolidated VIE as of March 31, 2013 and December 31, 2012, respectively.

(b) Other loans primarily represent loans to merchants and a store card loan portfolio whose billed business is not processed on the Company's network. Other loans are presented net of reserves for losses of \$18 million and \$20 million as of March 31, 2013 and December 31, 2012, respectively.

Table of Contents**AMERICAN EXPRESS COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****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 March 31, 2013 and December 31, 2012:

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
2013 (Millions)					
Cardmember Loans:					
U.S. Card Services	\$ 52,947	\$ 182	\$ 143	\$ 334	\$ 53,606
International Card Services	8,487	50	32	62	8,631
Cardmember Receivables:					
U.S. Card Services	\$ 19,992	\$ 107	\$ 83	\$ 187	\$ 20,369
International Card Services ^(a)	(b)	(b)	(b)	80	7,115
Global Commercial Services ^(a)	(b)	(b)	(b)	111	15,704

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
2012 (Millions)					
Cardmember Loans:					
U.S. Card Services	\$ 55,281	\$ 200	\$ 147	\$ 325	\$ 55,953
International Card Services	9,099	47	30	60	9,236
Cardmember Receivables:					
U.S. Card Services	\$ 20,748	\$ 116	\$ 76	\$ 184	\$ 21,124
International Card Services ^(a)	(b)	(b)	(b)	74	7,778
Global Commercial Services ^(a)	(b)	(b)	(b)	112	13,671

(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) Data for periods prior to 90 days past billing are not available due to financial reporting system constraints. Therefore, it has not been relied upon 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 Cardmember Loans and Receivables

The following tables present the key credit quality indicators as of or for the three months ended March 31:

	2013			2012		
	Net Write-Off Rate		30 Days Past Due as a % of Total	Net Write-Off Rate		30 Days Past Due as a % of Total
	Principal Only ^(a)	Principal, Interest, & Fees ^(a)		Principal Only ^(a)	Principal, Interest, & Fees ^(a)	
Cardmember Loans:						
U.S. Card Services	2.0%	2.2%	1.2%	2.3%	2.6%	1.3%
International Card Services	1.8%	2.3%	1.7%	2.1%	2.7%	1.8%
Cardmember Receivables:						
U.S. Card Services	2.0%	2.2%	1.9%	2.3%	2.5%	1.9%

	2013		2012	
	Net Loss Ratio as a % of Charge Volume	90 Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90 Days Past Billing as a % of Receivables
Cardmember Receivables:				
International Card Services	0.18%	1.1%	0.15%	1.0%
Global Commercial Services	0.08%	0.7%	0.08%	0.6%

(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.

Refer to Note 4 for additional indicators, including external environmental qualitative factors, management considers in its monthly evaluation process for reserves for losses.

Impaired Cardmember Loans and Receivables

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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 Company 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 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 the Company's TDR disclosures), (ii) reducing the outstanding balance (in the event of a settlement), (iii) suspending delinquency fees until the cardmember exits the modification program and (iv) placing the cardmember on a fixed payment plan not to exceed 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 modification program. In accordance with the modification agreement with the cardmember, loans revert back to the original contractual terms (including the contractual interest rate) when the cardmember exits the modification program, either (i) when all payments have been made in accordance with the modification agreement or (ii) the cardmember defaults out

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of the modification program. In either case, the Company establishes a reserve for cardmember interest charges considered to be uncollectible.

The performance of a loan or a receivable modified as a TDR is closely monitored to understand its impact on the Company's reserve for losses. Though the ultimate success of 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 interest rate. All changes in the impairment measurement, including the component due to the passage of time, are included in the provision for losses in the Consolidated Statements of Income.

The following table provides additional information with respect to the Company's impaired cardmember loans and receivables, which are not significant for ICS and GCS, as of March 31, 2013 and December 31, 2012:

	Loans over 90 Days Past Due & Accruing Interest ^(a)	Non- Accrual Loans ^(b)	Loans & Receivables Modified as a TDR ^(c)	Total Impaired Loans & Receivables	Unpaid Principal Balance ^(d)	Allowance for TDRs ^(e)
2013 (Millions)						
Cardmember Loans:						
U.S. Card Services	\$ 84	\$ 428	\$ 573	\$ 1,085	\$ 1,032	\$ 143
International Card Services	62	4	5	71	70	1
Cardmember Receivables:						
U.S. Card Services			113	113	106	88
Total	\$ 146	\$ 432	\$ 691	\$ 1,269	\$ 1,208	\$ 232

	Loans over 90 Days Past Due & Accruing Interest ^(a)	Non- Accrual Loans ^(b)	Loans & Receivables Modified as a TDR ^(c)	Total Impaired Loans & Receivables	Unpaid Principal Balance ^(d)	Allowance for TDRs ^(e)
2012 (Millions)						
Cardmember Loans:						
U.S. Card Services	\$ 73	\$ 426	\$ 627	\$ 1,126	\$ 1,073	\$ 152
International Card Services	59	5	6	70	69	1
Cardmember Receivables:						
U.S. Card Services			117	117	111	91

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Total	\$	132	\$	431	\$	750	\$	1,313	\$	1,253	\$	244
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- (a) The Company's policy is generally to accrue interest through the date of write-off (at 180 days past due). The Company establishes reserves for interest that the Company believes will not be collected. Excludes loans modified as a TDR.
- (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 generally 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. Excludes loans modified as a TDR.
- (c) Total loans and receivables modified as a TDR includes \$294 million and \$320 million that are non-accrual and \$5 million and \$6 million that are past due 90 days and still accruing interest as of March 31, 2013 and December 31, 2012, respectively.
- (d) Unpaid principal balance consists of cardmember charges billed and excludes other amounts charged directly by the Company such as interest and fees.
- (e) Represents the reserve for losses for TDRs, which are evaluated individually for impairment. The Company records a reserve for losses for all impaired loans. Refer to Cardmember Loans Evaluated Individually and Collectively for Impairment in Note 4 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.

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The following table provides information with respect to the Company's interest income recognized and average balances of impaired cardmember loans and receivables, which are not significant for ICS and GCS, during the three months ended March 31:

<i>(Millions)</i>	2013		2012	
	Interest Income Recognized	Average Balance	Interest Income Recognized	Average Balance
Cardmember Loans:				
U.S. Card Services	\$ 15	\$ 1,105	\$ 16	\$ 1,307
International Card Services	4	70	4	80
Cardmember Receivables:				
U.S. Card Services		115		160
Total	\$ 19	\$ 1,290	\$ 20	\$ 1,547

Cardmember Loans and Receivables Modified as TDRs

The following table provides additional information with respect to the cardmember loans and receivables modified as TDRs, which are not significant for ICS, during the three months ended March 31:

<i>(Accounts in thousands, Dollars in millions)</i>	2013			2012		
	Number of Accounts	Aggregated Pre- Modification Outstanding Balances ^(a)	Aggregated Post- Modification Outstanding Balances ^(a)	Number of Accounts	Aggregated Pre- Modification Outstanding Balances ^(a)	Aggregated Post- Modification Outstanding Balances ^(a)
Troubled Debt Restructurings:						
U.S. Card Services Cardmember Loans	23	\$ 172	\$ 170	32	\$ 229	\$ 223
U.S. Card Services Cardmember Receivables	8	104	102	11	128	125
Total ^(b)	31	\$ 276	\$ 272	43	\$ 357	\$ 348

(a) Includes principal and accrued interest.

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

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 successfully exiting the modification program.

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 both the three months ended March 31, 2013 and 2012, the average interest rate reduction was 13 percentage points. None of these interest rate reductions had a significant impact on interest on loans in the Consolidated Statements of Income. The Company does not offer interest rate reduction programs for U.S. Card Services (USCS) cardmember receivables as these receivables are non-interest bearing.

Outstanding Balance Reduction: The table above presents the financial effects to 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.

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Payment Term Extension: For the three months ended March 31, 2013 and 2012, the average payment term extension was approximately 12 months and 15 months, respectively, for USCS cardmember receivables. For USCS cardmember loans, there have been no payment term extensions.

The following table provides information for the three months ended March 31, 2013 and 2012, with respect to the cardmember loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification. A cardmember will default from a modification program after one and up to three consecutive missed payments, depending on the terms of the modification program. The defaulted ICS cardmember loan modifications were not significant.

		2013		2012	
				Aggregated	
				Outstanding	
				Balances	
<i>(Accounts in thousands,</i>					
<i>Dollars in millions)</i>					
		Number of	Aggregated	Number of	Outstanding
		Accounts	Balances	Accounts	Balances
			Upon Default ^(a)		Upon Default ^(a)
Troubled Debt Restructurings That Subsequently Defaulted:					
U.S. Card Services	Cardmember Loans	5	\$ 48	9	\$ 63
U.S. Card Services	Cardmember Receivables	1	12	1	12
Total		6	\$ 60	10	\$ 75

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

4. Reserves for Losses

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

Reserves for losses are primarily based upon statistical models that analyze portfolio performance and reflect management's judgment regarding the quantitative components of the reserve adequacy. The models take into account several factors, including loss migration rates and average losses and recoveries over an appropriate historical period. Management considers whether to adjust the models for specific qualitative 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 vintage, industry or geographic regions. In addition, management may increase or decrease the reserves for losses on cardmember loans for other external environmental qualitative factors, including various indicators related to employment, spend, sentiment, housing and credit, as well as the legal and regulatory environment. Generally, due to the short-term nature of cardmember receivables, the impact of additional external qualitative factors on the probable losses inherent within the cardmember receivables portfolio is not significant.

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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 considers amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days past due. Cardmember loans and receivables in bankruptcy or owed by deceased individuals are generally written off upon notification and recoveries are recognized as they are collected.

Table of Contents**AMERICAN EXPRESS COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Changes in Cardmember Receivables Reserve for Losses**

The following table presents changes in the cardmember receivables reserve for losses for the three months ended March 31:

<i>(Millions)</i>	2013	2012
Balance, January 1	\$ 428	\$ 438
Additions:		
Provisions ^(a)	154	149
Other ^(b)	41	29
Total provision	195	178
Deductions:		
Net write-offs ^(c)	(178)	(182)
Other ^(d)	(35)	(10)
Balance, March 31	\$ 410	\$ 424

(a) Provisions for principal (resulting from authorized transactions) and fee reserve components.

(b) Provisions for unauthorized transactions.

(c) Consists of principal (resulting from authorized transactions) and fee components, less recoveries of \$99 million and \$93 million for the three months ended March 31, 2013 and 2012, respectively.

(d) Includes net write-offs resulting from unauthorized transactions of \$(40) million and \$(33) million for the three months ended March 31, 2013 and 2012, respectively; foreign currency translation adjustments of \$(2) million and \$3 million for the three months ended March 31, 2013 and 2012, respectively; reclassified cardmember bankruptcy reserves of \$18 million for the three months ended March 31, 2012 only (cardmember bankruptcy reserves were classified as other liabilities in periods prior to March 31, 2012); and other items of \$7 million and \$2 million for the three months ended March 31, 2013 and 2012, respectively.

Cardmember Receivables Evaluated Individually and Collectively for Impairment

The following table presents cardmember receivables evaluated individually and collectively for impairment and related reserves as of March 31, 2013 and December 31, 2012:

<i>(Millions)</i>		2013		2012
Cardmember receivables evaluated individually for impairment ^(a)	\$	113	\$	117
Related reserves ^(a)	\$	88	\$	91
Cardmember receivables evaluated collectively for impairment	\$	43,258	\$	42,649
Related reserves	\$	322	\$	337

(a) Represents receivables modified in a TDR and related reserves. Refer to the Impaired Cardmember Loans and Receivables discussion in Note 3 for further information.

Table of Contents**AMERICAN EXPRESS COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Changes in Cardmember Loans Reserve for Losses**

The following table presents changes in the cardmember loans reserve for losses for the three months ended March 31:

<i>(Millions)</i>	2013	2012
Balance, January 1	\$ 1,471	\$ 1,874
Additions:		
Provisions ^(a)	243	185
Other ^(b)	32	27
Total provision	275	212
Deductions:		
Net write-offs		
Principal ^(c)	(304)	(349)
Interest and fees ^(c)	(38)	(44)
Other ^(d)	(37)	(13)
Balance, March 31	\$ 1,367	\$ 1,680

(a) Provisions for principal (resulting from authorized transactions), interest and fee reserves components.

(b) Provisions for unauthorized transactions.

(c) Consists of principal write-offs (resulting from authorized transactions), less recoveries of \$114 million and \$133 million for the three months ended March 31, 2013 and 2012, respectively. Recoveries of interest and fees were de minimis.

(d) Includes net write-offs resulting from unauthorized transactions of \$(32) million and \$(28) million for the three months ended March 31, 2013 and 2012, respectively; foreign currency translation adjustments of \$(1) million and \$10 million for the three months ended March 31, 2013 and 2012, respectively; reclassified cardmember bankruptcy reserves of \$4 million for the three months ended March 31, 2012 only (cardmember bankruptcy reserves were classified as other liabilities in periods prior to March 31, 2012); and other items of \$(4) million and \$1 million for the three months ended March 31, 2013 and 2012, respectively.

Cardmember Loans Evaluated Individually and Collectively for Impairment

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The following table presents cardmember loans evaluated individually and collectively for impairment and related reserves as of March 31, 2013 and December 31, 2012:

<i>(Millions)</i>	2013	2012
Cardmember loans evaluated individually for impairment ^(a)	\$ 578	\$ 633
Related reserves ^(a)	\$ 144	\$ 153
Cardmember loans evaluated collectively for impairment ^(b)	\$ 61,708	\$ 64,596
Related reserves ^(b)	\$ 1,223	\$ 1,318

(a) Represents loans modified in a TDR and related reserves. Refer to the Impaired Cardmember Loans and Receivables discussion in Note 3 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 quantitative results of analytical models that are specific to individual pools of loans and reserves for external environmental qualitative factors that apply to loans in geographic markets that are collectively evaluated for impairment and are not specific to any individual pool of loans.

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Investment securities include debt and equity securities 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 AOCI, net of income taxes. 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 2 for a description of the Company's methodology for determining the fair value of investment securities.

The following is a summary of investment securities as of March 31, 2013 and December 31, 2012:

Description of Securities (<i>Millions</i>)	2013				2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State and municipal obligations	\$ 4,467	\$ 190	\$ (5)	\$ 4,652	\$ 4,280	\$ 199	\$ (5)	\$ 4,474
U.S. Government agency obligations	3			3	3			3
U.S. Government treasury obligations	330	7		337	330	8		338
Corporate debt securities	39	5		44	73	6		79
Mortgage-backed securities ^(a)	190	12		202	210	14		224
Equity securities ^(b)	55	196		251	64	232		296
Foreign government bonds and obligations	242	11		253	134	15		149
Other ^(c)	51			51	51			51
Total	\$ 5,377	\$ 421	\$ (5)	\$ 5,793	\$ 5,145	\$ 474	\$ (5)	\$ 5,614

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

(b) Primarily represents the Company's investment in ICBC.

(c) Other comprises investments in various mutual funds.

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 March 31, 2013 and December 31, 2012:

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Description of Securities (Millions)	2013				2012			
	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
	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	\$ 93	\$ (2)	\$ 75	\$ (3)	\$ 100	\$ (1)	\$ 73	\$ (4)
Total	\$ 93	\$ (2)	\$ 75	\$ (3)	\$ 100	\$ (1)	\$ 73	\$ (4)

The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost as of March 31, 2013 and December 31, 2012:

Ratio of Fair Value to Amortized Cost (Dollars in millions)	Less than 12 months			12 months or more			Total		
	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
2013:									
90% 100%	22	\$ 93	\$ (2)	4	\$ 75	\$ (3)	26	\$ 168	\$ (5)
Total as of March 31, 2013	22	\$ 93	\$ (2)	4	\$ 75	\$ (3)	26	\$ 168	\$ (5)
2012:									
90% 100%	46	\$ 100	\$ (1)	4	\$ 73	\$ (4)	50	\$ 173	\$ (5)
Total as of December 31, 2012	46	\$ 100	\$ (1)	4	\$ 73	\$ (4)	50	\$ 173	\$ (5)

The gross unrealized losses are attributed to overall wider credit spreads for state and municipal securities, wider credit spreads for specific issuers, adverse 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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Overall, for the investment securities in gross unrealized loss positions identified above, (i) the Company does not intend to sell the investment securities, (ii) 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 (iii) 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 impairment during the three months ended March 31, 2013 or the year ended December 31, 2012.

Supplemental Information

Gross realized gains on the sales of investment securities, included in other non-interest revenues, were \$36 million and \$24 million, for the three months ended March 31, 2013 and 2012, respectively. There were no gross realized losses for the three months ended March 31, 2013 and 2012.

Contractual maturities of investment securities, excluding equity securities and other securities, as of March 31, 2013 were as follows:

<i>(Millions)</i>	Cost	Estimated Fair Value
Due within 1 year	\$ 478	\$ 479
Due after 1 year but within 5 years	509	519
Due after 5 years but within 10 years	175	188
Due after 10 years	4,109	4,305
Total	\$ 5,271	\$ 5,491

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.

6. Asset Securitizations**Charge Trusts 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 American Express Issuance Trust (the Charge Trust), and the American Express Issuance Trust II (the Charge Trust II) (collectively referred to as the Charge Trusts). Cardmember loans are transferred to the American Express Credit Account Master Trust (the Lending Trust). The Charge Trusts 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 Trusts 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, excluding its consolidated subsidiaries, owns approximately \$0.8 billion of subordinated securities issued by the Lending Trust as of March 31, 2013. 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 Trusts 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 Trusts makes it the party most closely related to the Charge Trusts. Based on these considerations, TRS is the primary beneficiary of both the Charge Trusts and the Lending Trust.

The debt securities issued by the Charge Trusts and the Lending Trust are non-recourse to the Company. Securitized cardmember receivables and loans held by the Charge Trusts 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 \$1 million and \$3 million of restricted cash held by the Charge Trusts as of March 31, 2013 and December 31, 2012, respectively, and approximately \$1.1 billion and \$73 million of restricted cash held by the Lending Trust as of March 31, 2013 and December 31, 2012, 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 Trusts and Lending Trust Triggering Events

Under the respective terms of the Charge Trusts and the Lending Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each trust could result in payment of trust expenses, establishment of reserve funds, or in a worst-case scenario, early amortization of investor certificates. During the three months ended March 31, 2013 and the year ended December 31, 2012, no such triggering events occurred.

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As of March 31, 2013 and December 31, 2012, customer deposits were categorized as interest-bearing or non-interest-bearing, as follows:

<i>(Millions)</i>	2013	2012
U.S.:		
Interest-bearing	\$ 40,786	\$ 39,649
Non-interest-bearing (includes \$155 million of cardmember credit balances) ^(a)	174	10
Non-U.S.:		
Interest-bearing	126	135
Non-interest-bearing (includes \$206 million of cardmember credit balances) ^(a)	215	9
Total customer deposits	\$ 41,301	\$ 39,803

(a) Beginning the first quarter 2013, the Company reclassified prospectively Cardmember credit balances from Cardmember loans, Cardmember receivables and Other liabilities to Customer deposits.

Customer deposits by deposit type, as of March 31, 2013 and December 31, 2012 were as follows:

<i>(Millions)</i>	2013	2012
U.S. retail deposits:		
Savings accounts Direct	\$ 21,150	\$ 18,713
Certificates of deposit:		
Direct	722	725
Third-party	8,280	8,851
Sweep accounts Third-party	10,634	11,360
Other retail deposits:		
Non-U.S. deposits and U.S. non-interest bearing	154	154
Cardmember credit balances U.S. and non-U.S.	361	
Total customer deposits	\$ 41,301	\$ 39,803

The scheduled maturities of certificates of deposit as of March 31, 2013 were as follows:

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<i>(Millions)</i>		U.S.		Non-U.S.		Total
2013	\$	4,128	\$	1	\$	4,129
2014		2,637		1		2,638
2015		727				727
2016		902				902
2017		382				382
After 5 years		226				226
Total	\$	9,002	\$	2	\$	9,004

As of March 31, 2013 and December 31, 2012, certificates of deposit in denominations of \$100,000 or more were as follows:

<i>(Millions)</i>		2013		2012
U.S.	\$	476	\$	475
Non-U.S.		1		1
Total	\$	477	\$	476

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8. Derivatives and Hedging Activities

The Company uses derivative financial instruments (derivatives) to manage exposures to various market risks. Derivatives derive their value from an underlying variable or multiple variables, including interest rate, foreign exchange, and equity index or price. 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.

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 and the associated funding of such operations.

The Company centrally monitors market risks using market risk limits and escalation triggers as defined in its Asset/Liability Management Policy.

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 economically 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 entities 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 forwards and cross-currency swap contracts, which can help mitigate 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 in local currency. 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 in local currency, and in return the Company pays to the TRC counterparty an amount equivalent to any increase in the fair value of its investment in local currency, along with all dividends paid by ICBC, as well as ongoing hedge costs. The TRC matures on August 1, 2014.

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 by the Company and rated as investment grade. Counterparty risk exposures are centrally monitored by the Company. Additionally, in order to mitigate the bilateral

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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. A significant portion of the Company's derivative assets and liabilities as of March 31, 2013 and December 31, 2012 is subject to such master netting agreements with its derivative counterparties. In addition, the Company has no derivative amounts subject to enforceable master netting arrangements that are not offset on the Company's Consolidated Balance Sheets. To further mitigate bilateral counterparty credit risk, the Company exercises 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 posts 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. Based on the assessment of credit risk of the Company's derivative counterparties as of March 31, 2013 and December 31, 2012, the Company does not have derivative positions that warrant credit valuation adjustments.

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 2 for a description of the Company's methodology for determining the fair value of derivatives.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of March 31, 2013 and December 31, 2012:

<i>(Millions)</i>	Other Assets Fair Value		Other Liabilities Fair Value	
	2013	2012	2013	2012
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	\$ 718	\$ 824	\$	\$
Total return contract				
Fair value hedge	4			19
Foreign exchange contracts				
Net investment hedges	81	43	153	150
Total derivatives designated as hedging instruments	\$ 803	\$ 867	\$ 153	\$ 169
Derivatives not designated as hedging instruments:				
Interest rate contracts	\$	\$	\$	\$
Foreign exchange contracts, including certain embedded derivatives ^(a)	155	75	76	158
Equity-linked embedded derivative ^(b)			1	2
Total derivatives not designated as hedging instruments	155	75	77	160

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Total derivatives, gross	\$	958	\$	942	\$	230	\$	329
Cash collateral netting ^(c)		(524)		(326)				(21)
Derivative asset and derivative liability netting ^(d)		(31)		(23)		(31)		(23)
Total derivatives, net ^(e)	\$	403	\$	593	\$	199	\$	285

(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) Represents the offsetting of derivative instruments and the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) executed with the same counterparty under an enforceable master netting arrangement. Additionally, the Company received noncash collateral in the form of security interest in U.S. Treasury securities with a fair value of nil and \$335 million as of March 31, 2013 and December 31, 2012, respectively, none of which was sold or repledged. Such noncash collateral effectively further reduces the Company's risk exposure to \$403 million and \$258 million as of March 31, 2013 and December 31, 2012, respectively, but does not reduce the net exposure on the Company's Consolidated Balance Sheets.

(d) Represents the amount of netting of derivative assets and derivative liabilities executed with the same counterparty under an enforceable master netting arrangement.

(e) The Company has no individually significant derivative counterparties and therefore, no significant risk exposure to any single derivative counterparty. The total net derivative assets and derivative liabilities are presented within other assets and other liabilities on the Company's Consolidated Balance Sheets.

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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 terms similar to that of the item being hedged. 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 economically convert certain fixed-rate long-term debt obligations to floating-rate obligations at the time of issuance. As of both March 31, 2013 and December 31, 2012, the Company hedged \$18.4 billion of its fixed-rate debt to floating-rate debt using interest rate swaps.

To the extent the fair value hedge is effective, the gain or loss on the hedging instrument offsets the loss or gain on the hedged item attributable to the hedged risk. Any difference between the changes in the fair value of the derivative and the hedged item is referred to as hedge ineffectiveness and is reflected in earnings as a component of other expenses. Hedge ineffectiveness may be caused by differences between the debt's interest coupon and the benchmark rate, 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, as well as between the overnight indexed swap (OIS) and 1-month LIBOR, as 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 resulting from changes in interest rates. The existing basis adjustment of the hedged asset or liability is amortized or accreted as an adjustment to yield over the remaining life of that asset or liability.

Total Return Contract

The Company hedges its exposure to changes in the fair value of its equity investment in ICBC in local currency. The Company uses a TRC to transfer this exposure to its derivative counterparty. As of March 31, 2013 and December 31, 2012, the fair value of the equity investment in ICBC was \$250 million (357.1 million shares) and \$295 million (415.9 million shares), respectively. 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 expenses in the Consolidated Statements of Income.

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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 March 31:

(Millions)	Derivative contract	Gains (losses) recognized in income						Net hedge
		Income Statement		Income Statement		ineffectiveness		
		Line Item	Amount	Line Item	Amount	2013	2012	
relationship								
Interest rate contracts	Other, net expenses	\$ (104)	\$ (83)	Other, net expenses	\$ 110	\$ 69	\$ 6	\$ (14)
Total return contract	Other non-interest revenues	4	(32)	Other non-interest revenues	(4)	32		

The Company also recognized a net reduction in interest expense on long-term debt of \$112 million and \$122 million for the three months ended March 31, 2013 and 2012, respectively, primarily related to the net settlements (interest accruals) on the Company's interest rate derivatives designated as fair value hedges.

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 economically convert floating-rate debt obligations to fixed-rate obligations for the duration of the instrument. As of March 31, 2013 and December 31, 2012, the Company did not hedge any of its floating-rate debt using interest rate swaps.

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 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 does not expect to reclassify any amount 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

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investments in non-U.S. subsidiaries. The effective portion of the gain or (loss) on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment was \$23 million and \$(250) million for the three months ended March 31, 2013 and 2012, respectively. Any ineffective portion of the gain or (loss) on net investment hedges is recognized in other expenses during the period of change. No ineffectiveness or other amounts were reclassified from AOCI into income for the three months ended March 31, 2013 or 2012.

Table of Contents**AMERICAN EXPRESS COMPANY****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****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 containing payments that may be linked to a market rate or price, primarily foreign currency rates. The payment components of these agreements may meet the definition of an embedded derivative, in which case 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 holds an investment security containing an embedded equity-linked derivative.

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

The following table summarizes the impact on pretax earnings of derivatives not designated as hedges, as reported on the Consolidated Statements of Income for the three months ended March 31:

Description (<i>Millions</i>)	Income Statement Line Item	Pretax gains (losses)	
		2013	2012
Interest rate contracts	Other, net expenses	\$	\$ (1)
Foreign exchange contracts ^(a)	Other non-interest revenues	1	
	Other, net expenses	170	(102)
Equity-linked contract	Other non-interest revenues	1	1
Total		\$ 172	\$ (102)

(a) Foreign exchange contracts include embedded foreign currency derivatives. Gains (losses) on these embedded derivatives are included in other expenses.

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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 potential undiscounted future payments as shown 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 a loss is probable and the amount can be reasonably estimated.

The following table provides information related to such guarantees as of March 31, 2013 and December 31, 2012:

Type of Guarantee	Maximum potential undiscounted future payments ^(a) (Billions)		Related liability ^(b) (Millions)	
	2013	2012	2013	2012
Card and travel operations ^(c)	\$ 42	\$ 44	\$ 91	\$ 93
Other ^(d)	1	1	92	93
Total	\$ 43	\$ 45	\$ 183	\$ 186

(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 undiscounted future payments.

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

(c) Includes Return Protection, Account Protection and Merchant Protection.

(d) Primarily includes guarantees related to the Company's business dispositions and real estate.

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10. Changes In Accumulated Other Comprehensive (Loss) Income

AOCI is a balance sheet item in the Shareholders' Equity section of the Company's Consolidated Balance Sheets. It is comprised of items that have not been recognized in earnings but may be recognized in earnings in the future when certain events occur. Changes in each component of AOCI for the three months ended March 31 were as follows:

2013 (Millions), net of tax	Net Unrealized Gains (Losses) on Investment Securities	Net Unrealized Gains (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Unrealized Pension and Other Postretirement Benefit Losses	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2012	\$ 315	\$	\$ (754)	\$ (488)	\$ (927)
Net unrealized gains (losses)	(12)				(12)
Reclassification for realized (gains) losses into earnings	(23)				(23)
Net translation of investments in foreign operations			11		11
Net losses related to hedges of investment in foreign operations			(56)		(56)
Pension and other postretirement benefit losses				27	27
Net change in accumulated other comprehensive (loss) income	(35)		(45)	27	(53)
Balances as of March 31, 2013	\$ 280	\$	\$ (799)	\$ (461)	\$ (980)

2012 (Millions), net of tax	Net Unrealized Gains (Losses) on Investment Securities	Net Unrealized Gains (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Unrealized Pension and Other Postretirement Benefit Losses	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2011	\$ 288	\$ (1)	\$ (682)	\$ (481)	\$ (876)
Net unrealized gains (losses)	34				34
Reclassification for realized (gains) losses into earnings	(14)	1			(13)
Net translation of investments in foreign operations			322		322
Net losses related to hedges of investment in foreign operations			(250)		(250)

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Pension and other postretirement benefit losses				6	6
Net change in accumulated other comprehensive (loss) income	20	1	72	6	99
Balances as of March 31, 2012	\$ 308	\$	(610) \$	(475) \$	(777)

The following table presents the effects of reclassifications out of AOCI and into the Consolidated Statement of Income for the three months ended March 31, 2013:

Description (<i>Millions</i>)	Income Statement Line Item	Amount
Net gain in AOCI reclassifications for previously unrealized net gains on investment securities	Other non-interest revenues	\$ (36)
Related income tax expense	Income tax provision	13
Total		\$ (23)