UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from ____ to ____

Commission file number 1-7657

AMERICAN EXPRESS COMPANY

(Exact name of registrant as specified in its charter)

New York	**13-4922250**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Vesey Street, New York, New York	**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.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares (par value $0.20 per share)	AXP	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files).

Yes ☑ **No** ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ **No** ☑

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

Class	Outstanding at July 17, 2020
Common Shares (par value $0.20 per share)	805,161,121 Shares

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Throughout this report the terms "American Express," "we," "our" or "us," refer to American Express Company and its subsidiaries on a consolidated basis, unless stated or the context implies otherwise. The use of the term "partner" or "partnering" in this report does not mean or imply a formal legal partnership, and is not meant in any way to alter the terms of American Express' relationship with any third parties. Refer to the "MD&A— Glossary of Selected Terminology" for the definitions of other key terms used in this report.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

Business Introduction

We are a globally integrated payments company that provides our customers with access to products, insights and experiences that enrich lives and build business success. Our principal products and services are credit and charge card products, along with travel and lifestyle related services, offered to consumers and businesses around the world. Our range of products and services includes:

- Credit card, charge card and other payment and financing products
- Merchant acquisition and processing, servicing and settlement, and point-of-sale marketing and information products and services for merchants
- Network services
- Other fee services, including fraud prevention services and the design and operation of customer loyalty programs
- Expense management products and services
- Travel and lifestyle services

Our 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 mobile and online applications, affiliate marketing, customer referral programs, third-party vendors and business partners, direct mail, telephone, in-house sales teams, and direct response advertising. Business travel-related services are offered through our non-consolidated joint venture, American Express Global Business Travel (the GBT JV).

We compete in the global payments industry with card networks, issuers and acquirers, paper-based transactions (e.g., cash and checks), bank transfer models (e.g., wire transfers and Automated Clearing House (ACH)), as well as evolving and growing alternative payment and financing providers. As the payments industry continues to evolve, we face increasing competition from non-traditional players that leverage new technologies, business models and customer relationships to create payment or financing solutions.

The following types of revenue are generated from our various products and services:

- Discount revenue, our largest revenue source, primarily represents the amount we earn on transactions occurring at merchants that have entered into a card acceptance agreement with us, or a Global Network Services (GNS) partner or other third-party merchant acquirer, for facilitating transactions between the merchants and Card Members;
- Interest on loans, principally represents interest income earned on outstanding balances;
- Net card fees, represent revenue earned from annual card membership fees, which vary based on the type of card and the number of cards for each account;
- Other fees and commissions, primarily represent Card Member delinquency fees, foreign currency conversion fees charged to Card Members, loyalty coalition-related fees, service fees earned from merchants, travel commissions and fees, and Membership Rewards program fees; and
- Other revenue, primarily represents revenues arising from contracts with partners of our GNS business (including commissions and signing fees less issuer rate payments), cross-border Card Member spending, ancillary merchant-related fees, earnings from equity method investments (including the GBT JV), insurance premiums earned from Card Members, and prepaid card and Travelers Cheque-related revenue.

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 "Cautionary Note Regarding Forward-Looking Statements" section. We prepare our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (GAAP). However, certain information included within this Form 10-Q constitutes non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies.

Bank Holding Company

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

Business Environment

Businesses and economies around the globe continued to see significant adverse impacts during the second quarter due to the COVID-19 pandemic and the resulting containment measures implemented by local and national authorities. During the quarter, while the impact of COVID-19 peaked and subsequently declined in some jurisdictions, leading to phased re-openings, other areas have seen continuing or renewed containment measures.

Throughout the quarter, our colleague base has continued to successfully operate in a remote working environment. We have worked to ensure our colleagues feel secure in their jobs and have the flexibility and resources they need to stay safe and healthy. More recently, we have shifted our focus to planning for the safe return of our colleagues to our offices. This return will take place slowly, in phases, and we are implementing comprehensive safety protocols for when our buildings open. To support our customers and merchants, we continued to offer financial and other assistance, adding product benefits to reflect today's environment, and continuing to provide the high level of customer service they expect and rely on. During the quarter we participated in the U.S. Paycheck Protection Program, designed to provide small businesses with support to cover payroll and certain other expenses. We also continued to work with our strategic partners on initiatives to support our communities. In June 2020, we launched our global Shop Small campaign, which includes a commitment of over $200 million to help support our small merchants as they begin to re-open. In addition, we remain committed to strengthening inclusion and diversity within our company, while also increasing our support to Black-owned businesses and the Black community. We have pledged $10 million over the next four years to fund grants and training for U.S. Black-owned small businesses to assist in their recovery and address the challenges they face due to racial and social inequalities.

Reflective of the broader economy and spending trends in our customer segments, our billed business for the quarter was down 34 percent versus the prior year. Billed business in the month of April was down 40 percent year-over-year, followed by sequential improvement through May and June, with declines of 36 percent and 26 percent, respectively. Non-T&E spend was down 19 percent year-over-year in April, improving to a 5 percent decline year-over-year in June. In contrast, T&E spend saw much larger declines, down 95 percent year-over-year in April, improving to a 77 percent year-over-year decline in June. U.S. billed business declined 32 percent for the quarter versus the prior year, compared with a 38 percent decline in billed business outside the United States, where T&E volumes make up a higher proportion of spend. Our proprietary consumer and commercial billed business declined by 35 percent and 36 percent year-over-year, respectively. The decline in commercial billed business was driven by continued year-over-year decreases in T&E spend by our large corporate customers, which continued throughout the quarter, with less pronounced billed business declines from small and medium sized corporate customers, where T&E makes up a lower proportion of spend. Consumer billed business was also impacted by declines in T&E, and offline non-T&E spend, which was slightly offset by increased online and card-not-present spend at non-T&E merchants. To the extent we continue to see significant year-over-year declines in billed business, our future results will be materially impacted.

Revenues net of interest expense decreased 29 percent year-over-year, with sequential moderate improvement from April to June, consistent with the trend in billings. Discount revenue, our largest revenue line, decreased 39 percent, which was a larger contraction than the decline in billed business for the quarter, reflecting a decrease in the average discount rate. The average discount rate for the quarter declined by 14 basis points over the prior year, due to a shift in spend mix to non-T&E categories. If the spend mix stays at the current level or if the spend mix to non-T&E categories increases further, we would expect to see continued discount rate erosion in the third quarter. We continued to see COVID-19 related declines in Other fees and commissions and Other revenues, primarily due to declines in travel-related revenues. Card fee revenues had strong year-over-year growth, as such revenues are slower to react to economic shifts since they are recognized over a twelve-month period and we did not see an increase in Card Member attrition compared to the prior year; however, we also saw a modest sequential deceleration in growth rate from the first quarter, as the pace of new account acquisitions slowed. Net interest income declined by 9 percent year-over-year, primarily driven by lower average loans, partially offset by a higher net yield.

As a result of the spend-centric nature of our business model, Card Member loans and receivables declined 16 percent and 36 percent year-over-year, respectively, due to lower billed business volumes. Provisions for credit losses increased, primarily driven by higher reserve builds reflecting the continued deterioration of the global macroeconomic outlook, including unemployment and Gross Domestic Product (GDP), and a shift in the mix of loans and receivables, partially offset by a decline in the outstanding balance of loans and receivables.

During the first quarter, we created a Customer Pandemic Relief (CPR) program to provide short-term support for customers impacted by COVID-19. Enrollments in the CPR program peaked in April with $8.5 billion of loans and receivables included in the program. As of June 30, 2020, only $0.7 billion of balances remained in the program as the majority of the enrolled customers have become current as we wind down the program. We also enhanced our longer-term financial relief programs during the quarter. The balance in such longer-term programs had grown to approximately $2.6 billion of loans and receivables as of June 30, 2020. See Note 2 to the “Consolidated Financial Statements” for further information on troubled debt restructurings. In addition, as of June 30, 2020, we had $1.9 billion of delinquent loans and receivables, which included those balances in the CPR and other financial relief programs that were delinquent. The balance of delinquent loans and receivables remained relatively constant throughout the quarter.

Card Member rewards and services, and business development expenses, are generally correlated to billings or are variable based on usage and were impacted this quarter by the decline in billing volumes and lower usage of travel-related benefits due to ongoing impacts of COVID-19 and the resulting containment measures. We expect the trend for these expenses to continue to be correlated to billings and usage. In addition, we continued to focus on controlling operating expenses and reducing spend on proactive marketing for new acquisitions, while continuing to invest in new initiatives that enhance and provide relevant product benefits for our Card Members.

During the second quarter, we substantially enhanced our liquidity levels, and we further strengthened our capital position with capital ratios that are well above our targets and regulatory requirements. These robust capital and liquidity levels provide us with significant flexibility to maintain the strength of our balance sheet through this uncertain period. We also intend to maintain our quarterly dividend for the third quarter in line with prior quarters, subject to approval by the Board of Directors.

Looking ahead, there remains great uncertainty on how the COVID-19 pandemic will progress or what its continued impact will be on the global economy. We will continue to focus on what we can control – backing our customers, colleagues and communities, and maintaining a tight rein on expenses, while pursuing opportunities to invest in initiatives that can enable our long-term growth.

See “Certain Legislative, Regulatory and Other Developments” and "Risk Factors" for information on additional impacts of COVID-19 and related containment efforts as well as other matters that could have a material adverse effect on our results of operations and financial condition.

CRITICAL ACCOUNTING ESTIMATES

Please see the "Critical Accounting Estimates" section of our Annual Report on Form 10-K for the year ended December 31, 2019 for a full description of all of our critical accounting estimates. The critical accounting estimate related to Reserves for Card Member Credit Losses presented below has been updated to reflect the adoption of the Current Expected Credit Loss (CECL) methodology.

Reserves for Card Member Credit Losses

Reserves for Card Member credit losses represent our best estimate of the expected credit losses in our outstanding portfolio of Card Member loans and receivables as of the balance sheet date. The CECL methodology, which became effective January 1, 2020, requires us to estimate lifetime expected credit losses by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period (R&S Period) beyond the balance sheet date.

In estimating expected credit losses, we use a combination of statistically-based models that include a significant amount of judgment, primarily related to the determination of the appropriate R&S Period, the methodology to incorporate current and future economic conditions, and the determination of the probability of and exposure at default, all of which are ultimately used in measuring the quantitative components of our reserves. We use these models and assumptions, combined with historical loss experience, to calculate the reserve rates that are applied to the outstanding loan or receivable balances to produce our reserves for expected credit losses. Beyond the R&S Period, we estimate expected credit losses using our historical loss rates. We also consider whether to adjust the quantitative reserves for certain external and internal qualitative factors, which consequentially may increase or decrease the reserves for credit losses on Card Member loans and receivables.

The R&S Period, which is approximately 3 years, represents the maximum time-period beyond the balance sheet date over which we can reasonably estimate credit losses, using all available portfolio information, current economic conditions and forecasts of future economic conditions. We obtain our forecasts of future economic conditions from an independent third party, and in determining the relevant R&S Period for Card Member loans and receivables, we also consider information arising from other internal processes, as well as our own past loss experience. Card Member loan products do not have a contractual term and balances can revolve if minimum required payments are made, causing some balances to remain outstanding beyond the R&S Period. Card Member receivable products are contractually required to be paid in full; therefore, we have assumed the balances will be either paid or written-off within the R&S Period.

Within the R&S Period, our models use past loss experience and current and future economic conditions to estimate the probability of default, exposure at default and expected recoveries to estimate net losses at default. A significant area of judgment relates to how we apply future Card Member payments to the reporting period balances when determining the exposure at default. The nature of revolving loan products inherently includes a relationship between future payments and spend behavior, which creates complexity in the application of how future payments are either partially or entirely attributable to the existing balance at the end of the reporting period. Using historical customer behavior and other factors, we have assumed that future payments are first allocated to interest and fees associated with the reporting period balance and future spend. We then allocate a portion of the payment to the estimated higher minimum payment amount due because of any future spend. Any remaining portion of the future payment would then be allocated to the remaining balance.

As noted above, CECL requires that the R&S Period include an assumption about current and future economic conditions. We incorporate multiple economic scenarios (e.g., baseline, better and worse) obtained from an independent third party. The expected credit losses calculated from each economic scenario are weighted to reflect uncertainty around the baseline economic scenario. We determine the weighting of each scenario based on our detailed review of the externally sourced information and comparing other economic information we use throughout other processes.

Macroeconomic Sensitivity

Reserves for credit losses are sensitive to various inputs and assumptions, which may differ by portfolio. Macroeconomic forecasts are critical inputs into our models and inherently contain multiple variables, of which the U.S. unemployment rate and U.S. GDP growth rate are the most significant to our estimated expected credit losses. At both March 31 and June 30, 2020, our weighted economic scenarios, obtained from an independent third party, assumed the U.S. unemployment rate and contraction in U.S. GDP would peak during the second quarter of 2020. The following table reflects the macroeconomic forecasts for those key variables utilized for the computation of Reserves for credit losses as of June 30 and March 31, 2020:

	As of June 30, 2020	As of March 31, 2020
U.S. Unemployment Rate		
Second quarter of 2020 (Peak)	15% - 17%	9% - 13%
Fourth quarter of 2020	9% - 11%	7% - 9%
U.S. GDP Growth (Contraction) [(a)]		
Second quarter of 2020 (Peak)	(33%) - (36%)	(18%) - (25%)
Fourth quarter of 2020	0.6% - (4%)	2% - (6%)

(a) Real GDP quarter over quarter percentage change seasonally adjusted to annualized rates.

The combination of the material movements in these variables contributed to a build to our Reserves for credit losses of $1.1 billion which was partially offset by other factors, primarily a decrease in the outstanding balance of loans and receivables. These macroeconomic forecasts, under different conditions or using different assumptions or estimates, could result in significantly different changes in reserves for credit losses. It is difficult to estimate how potential changes in specific factors might affect the overall reserves for credit losses and current results may not reflect the potential future impact of macroeconomic forecast changes.

Refer to the "Business Environment" and Table 3 in MD&A and Note 1 and Note 3 to the "Consolidated Financial Statements" for a further description of the impact of CECL, both at implementation and for the three and six months ended June 30, 2020.

The process of estimating these reserves requires a high degree of judgment. To the extent our expected credit loss models are not indicative of future performance, actual losses could differ significantly from our judgments and expectations, resulting in either higher or lower future provisions for credit losses in any period.

Results of Operations

Refer to the "Glossary of Selected Terminology" for the definitions of certain key terms and related information appearing within this section.

The discussions in both the "Consolidated Results of Operations" and "Business Segment Results of Operations" provide commentary on the variances for the three and six months ended June 30, 2020 compared to the same periods in the prior year, as presented in the accompanying tables. These discussions should be read in conjunction with the discussion under "Business Environment," which contains further information on COVID-19 and the related impacts on our results.

As a result of the adoption of CECL on January 1, 2020, there is a lack of comparability in both the reserves and provisions for credit losses for the periods presented. Results for reporting periods beginning after January 1, 2020 are presented using the CECL methodology, while comparative information continues to be reported in accordance with the incurred loss methodology in effect for prior periods. Refer to Note 3 to the "Consolidated Financial Statements" for further information.

Consolidated Results of Operations

Table 1: Summary of Financial Performance

	Three Months Ended June 30,		Change 2020 vs. 2019		Six Months Ended June 30,		Change 2020 vs. 2019	
(Millions, except percentages and per share amounts)	**2020**	2019			**2020**	2019		
Total revenues net of interest expense	**$ 7,675**	$ 10,838	$ (3,163)	(29)%	**$ 17,985**	$ 21,202	$ (3,217)	(15)%
Provisions for credit losses	**1,555**	861	694	81 %	**4,176**	1,670	2,506	#
Expenses	**5,498**	7,758	(2,260)	(29)	**12,735**	15,355	(2,620)	(17)
Pretax income	**622**	2,219	(1,597)	(72)	**1,074**	4,177	(3,103)	(74)
Income tax provision	**365**	458	(93)	(20)	**450**	866	(416)	(48)
Net income	**257**	1,761	(1,504)	(85)	**624**	3,311	(2,687)	(81)
Earnings per common share — diluted [(a)]	**$ 0.29**	$ 2.07	$ (1.78)	(86)%	**$ 0.71**	$ 3.87	$ (3.16)	(82)%
Return on average equity [(b)]	**18.1 %**	31.6 %			**18.1 %**	31.6 %		
Effective tax rate	**58.7 %**	20.6 %			**41.9 %**	20.7 %		

# Denotes a variance greater than 100 percent

(a) Represents net income, less (i) earnings allocated to participating share awards of $2 million and $13 million for the three months ended June 30, 2020 and 2019, respectively, and $4 million and $24 million for the six months ended June 30, 2020 and 2019, respectively, and (ii) dividends on preferred shares of $17 million and $19 million for the three months ended June 30, 2020 and 2019, respectively, and $49 million and $40 million for the six months ended June 30, 2020 and 2019, respectively.

(b) Return on average equity (ROE) is computed by dividing (i) one-year period of net income ($4.1 billion and $7.0 billion for June 30, 2020 and 2019, respectively) by (ii) one-year average of total shareholders' equity ($22.5 billion and $22.1 billion for June 30, 2020 and 2019, respectively).

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Table 2: Total Revenues Net of Interest Expense Summary

(Millions, except percentages)	Three Months Ended June 30, 2020	2019	Change 2020 vs. 2019		Six Months Ended June 30, 2020	2019	Change 2020 vs. 2019	
Discount revenue	**$ 4,015**	$ 6,577	$ (2,562)	(39)%	**$ 9,853**	$ 12,772	$ (2,919)	(23)%
Net card fees	**1,141**	988	153	15	**2,251**	1,932	319	17
Other fees and commissions	**449**	837	(388)	(46)	**1,169**	1,640	(471)	(29)
Other	**186**	362	(176)	(49)	**498**	725	(227)	(31)
Total non-interest revenues	**5,791**	8,764	(2,973)	(34)	**13,771**	17,069	(3,298)	(19)
Total interest income	**2,426**	2,965	(539)	(18)	**5,472**	5,919	(447)	(8)
Total interest expense	**542**	891	(349)	(39)	**1,258**	1,786	(528)	(30)
Net interest income	**1,884**	2,074	(190)	(9)	**4,214**	4,133	81	2
Total revenues net of interest expense	**$ 7,675**	$ 10,838	$ (3,163)	(29)%	**$ 17,985**	$ 21,202	$ (3,217)	(15)%

Total Revenues Net of Interest Expense

Discount revenue decreased for both the three and six month periods, primarily due to a decrease in billed business of 34 percent and 20 percent, respectively. U.S. billed business decreased 32 percent and 18 percent and non-U.S. billed business decreased 38 percent and 25 percent for the three and six month periods, respectively, due to the continued impacts of the COVID-19 pandemic and the resulting containment measures.

Additional billed business highlights for the three month period:

- Worldwide billed business decreased 40 percent, 36 percent and 26 percent for the months of April, May and June, respectively.
- Proprietary consumer and commercial billed business decreased by 35 percent and 36 percent, respectively, for the quarter as compared to the prior year. T&E spend experienced a more significant decline than non-T&E spend.
    - Large and global corporate billed business experienced a more significant decline than Small and Mid-sized Enterprises (SME) with a decrease of 64 percent as compared to the prior year, while SME billed business decreased 27 percent as compared to the prior year.
- Global Network Services (GNS), representing 15 percent of total billed business, experienced a smaller decline than proprietary billed business with a decrease of 28 percent as compared to the prior year.
- U.S. billed business decreased 39 percent, 33 percent and 24 percent for the months of April, May and June, respectively. Non-U.S. billed business decreased 42 percent for both the months of April and May and 31 percent for the month of June.

See Tables 5, 6 and 7 for more details on billed business performance.

The decrease in discount revenue for both the three and six month periods was also driven by decreases in the average discount rate primarily due to a shift in spend mix to non-T&E categories. The average discount rate was 2.23 percent and 2.37 percent for the three months ended June 30, 2020 and 2019, respectively, and 2.30 percent and 2.37 percent for the six months ended June 30, 2020 and 2019, respectively.

Net card fees increased for both the three and six month periods, primarily driven by increases in our premium card product portfolios. Card fees, which are recognized over a twelve-month period, are slower to react to economic shifts and there was no increase in Card Member attrition compared to the prior year.

Other fees and commissions decreased for both the three and six month periods, primarily due to the impacts of COVID-19 containment measures, including travel bans and restrictions, which resulted in lower foreign exchange conversion revenue related to decreased cross-border Card Member spending and lower travel commissions and fees from our consumer travel business, as well as a decline in late fees due to waived charges for Card Members who are enrolled in COVID-19 related financial relief programs.

Other revenues decreased for both the three and six month periods, primarily driven by a net loss in the current year, as compared to net income in the prior year from the GBT JV, as well as lower revenue earned on cross-border Card Member spending due to the impacts of the COVID-19 containment measures, including travel bans and restrictions.

Interest income decreased for both the three and six month periods, driven by a reduction in benchmark interest rates, customer participation in COVID-19 related financial relief programs and lower average Card Member loan volumes.

Interest expense decreased for both the three and six month periods, primarily driven by lower interest rates paid on deposits and outstanding debt.

Table 3: Provisions for Credit Losses Summary

(Millions, except percentages)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change 2020 vs. 2019		Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change 2020 vs. 2019	
Card Member receivables								
Net write-offs	**$ 299**	$ 210	$ 89	42 %	**$ 557**	$ 426	$ 131	31 %
Reserve build [(a)]	**56**	14	(7)	(50)	**395**	51	295	#
Total	**355**	224	131	58	**952**	477	475	100
Card Member loans								
Net write-offs	**602**	557	45	8	**1,227**	1,106	121	11
Reserve build [(a)]	**367**	46	321	#	**1,618**	22	1,596	#
Total	**969**	603	366	61	**2,845**	1,128	1,717	#
Other								
Net write-offs - Other loans [(b)]	**24**	26	2	8	**53**	49	(4)	(8)
Net write-offs - Other receivables [(c)]	**2**	2	—	—	**8**	5	(3)	(60)
Reserve build - Other loans [(a)(b)]	**182**	4	(178)	#	**251**	9	(242)	#
Reserve build - Other receivables [(a)(c)]	**23**	2	(21)	#	**67**	2	(65)	#
Total	**231**	34	197	#	**379**	65	314	#
Total provisions for credit losses	**$ 1,555**	$ 861	$ 694	81 %	**$ 4,176**	$ 1,670	$ 2,506	# %

# Denotes a variance greater than 100 percent

(a) Refer to the "Glossary of Selected Terminology" for a definition of reserve build (release).

(b) Relates to Other loans of $4.6 billion, $5.2 billion and $4.8 billion, less reserves of $423 million, $241 million and $152 million, as of June 30, 2020, March 31, 2020 and December 31, 2019, respectively; and $4.2 billion, $4.1 billion and $3.8 billion, less reserves of $133 million, $129 million and $124 million, as of June 30, 2019, March 31, 2019 and December 31, 2018, respectively.

(c) Relates to Other receivables included in Other assets on the Consolidated Balance Sheets of $2.8 billion, $2.9 billion and $3.1 billion, less reserves of $94 million, $71 million and $27 million as of June 30, 2020, March 31, 2020 and December 31, 2019, respectively; and $3.2 billion, $3.2 billion and $2.9 billion, less reserves of $27 million, $25 million and $25 million, as of June 30, 2019, March 31, 2019 and December 31, 2018, respectively.

Provisions for Credit Losses

Provisions for credit losses on loans and receivables increased for both the three and six month periods, primarily driven by higher reserve builds reflecting the continued deterioration of the global macroeconomic outlook, including unemployment and GDP, and a shift in the mix of loans and receivables, partially offset by a decrease in the outstanding balance of loans and receivables. The current year also included a $53 million write-off in Card Member receivables due to the bankruptcy of a corporate client; an associated expected loss recovery from an insurance claim was recognized as a reduction to Other expense.

Table 4: Expenses Summary

(Millions, except percentages)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change 2020 vs. 2019		Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change 2020 vs. 2019	
Marketing and business development	**$ 1,362**	$ 1,776	$ (414)	(23)%	**$ 3,067**	$ 3,351	$ (284)	(8)%
Card Member rewards	**1,349**	2,652	(1,303)	(49)	**3,741**	5,103	(1,362)	(27)
Card Member services	**208**	563	(355)	(63)	**664**	1,113	(449)	(40)
Total marketing, business development, and Card Member rewards and services	**2,919**	4,991	(2,072)	(42)	**7,472**	9,567	(2,095)	(22)
Salaries and employee benefits	**1,349**	1,367	(18)	(1)	**2,744**	2,789	(45)	(2)
Other, net	**1,230**	1,400	(170)	(12)	**2,519**	2,999	(480)	(16)
Total expenses	**$ 5,498**	$ 7,758	$ (2,260)	(29)%	**$ 12,735**	$ 15,355	$ (2,620)	(17)%

Expenses

In January 2020, we re-launched our Delta cobrand products following the renewal extending our cobrand relationship with Delta Air Lines on March 31, 2019. The contract renewal included new pricing terms, some of which became effective upon contract signing and others that were tied to the product re-launch. These pricing changes, as well as changes in the expense classification of certain benefits associated with the re-launch, resulted in offsetting increases to Marketing and business development and decreases to both Card Member rewards and Card Member services expenses, as compared to the prior year.

Marketing and business development expense decreased for both the three and six month periods. The decrease in marketing expense reflected a reduction in proactive marketing for Card Member acquisitions, partially offset by incremental investments in enhancements to our Card Member value proposition. The decrease in business development expense was driven by decreases in corporate client incentives and network partner payments due to lower billed business reflecting the impacts of COVID-19, partially offset by the Delta changes described above.

Card Member rewards expense decreased for both the three and six month periods, primarily driven by decreases in billed business as a result of the impacts of COVID-19. In addition, redemption volume has shifted towards non-travel related options since the onset of COVID-19, contributing to a decrease in Membership Rewards weighted average cost per reward point and expense in both periods. Cobrand rewards expense also reflected the impact of the Delta changes described above. Membership Rewards and cash back rewards decreased $941 million and $954 million and cobrand rewards decreased $362 million and $408 million for the three and six month periods, respectively.

The Membership Rewards URR for current program participants was 96 percent (rounded up) at both June 30, 2020 and 2019.

Card Member services expense decreased for both the three and six month periods, primarily due to lower usage of travel-related benefits as a result of COVID-19, as well as the Delta changes described above.

Salaries and employee benefits expense decreased for the three and six month periods. The decrease in the three month period was primarily driven by lower incentive compensation, partially offset by higher payroll costs and higher deferred compensation expenses. The decrease in the six month period was primarily driven by lower incentive compensation and deferred compensation, partially offset by higher payroll costs.

Other expenses decreased for both the three and six month periods. The decrease in the six month period was primarily driven by a prior year litigation-related charge. Additionally, the decreases in the three and six month periods were driven by lower employee-related operating costs, an expected loss recovery from an insurance claim associated with the write-off of Card Member receivables due to the bankruptcy of a corporate client and a gain in the current year as compared to a loss in the prior year related to our strategic investments.

Income Taxes

The effective tax rate was 58.7 percent and 20.6 percent for the three months ended June 30, 2020 and 2019, respectively, and 41.9 percent and 20.7 percent for the six months ended June 30, 2020 and 2019, respectively. The increase for both periods reflected the impact of discrete tax charges primarily related to the realizability of certain foreign deferred tax assets, resulting from cumulative losses in certain non-U.S. legal entities that were exacerbated by the impacts of COVID-19, and lower overall pretax income.

Table 5: Selected Card-Related Statistical Information

	As of or for the Three Months Ended June 30,		Change 2020 vs. 2019	As of or for the Six Months Ended June 30,		Change 2020 vs. 2019
	2020	2019		**2020**	2019	
Billed business: *(billions)*						
U.S.	**$ 141.9**	$ 209.2	(32) %	**$ 332.1**	$ 404.7	(18) %
Outside the U.S.	**63.2**	102.5	(38)	**152.3**	202.7	(25)
Total	**$ 205.1**	$ 311.7	(34)	**$ 484.4**	$ 607.4	(20)
Proprietary	**$ 174.8**	$ 269.4	(35)	**$ 417.4**	$ 522.7	(20)
GNS	**30.3**	42.3	(28)	**67.0**	84.7	(21)
Total	**$ 205.1**	$ 311.7	(34)	**$ 484.4**	$ 607.4	(20)
Cards-in-force: *(millions)*						
U.S.	**54.4**	54.0	1	**54.4**	54.0	1
Outside the U.S.	**58.5**	60.2	(3)	**58.5**	60.2	(3)
Total	**112.9**	114.2	(1)	**112.9**	114.2	(1)
Proprietary	**69.3**	69.7	(1)	**69.3**	69.7	(1)
GNS	**43.6**	44.5	(2)	**43.6**	44.5	(2)
Total	**112.9**	114.2	(1)	**112.9**	114.2	(1)
Basic cards-in-force: *(millions)*						
U.S.	**42.7**	42.5	—	**42.7**	42.5	—
Outside the U.S.	**49.1**	50.3	(2)	**49.1**	50.3	(2)
Total	**91.8**	92.8	(1)	**91.8**	92.8	(1)
Average proprietary basic Card Member spending: *(dollars)*						
U.S.	**$ 3,697**	$ 5,445	(32)	**$ 8,629**	$ 10,529	(18)
Outside the U.S.	**2,272**	4,059	(44)	**5,788**	7,988	(28)
Worldwide Average	**$ 3,270**	$ 5,030	(35)	**$ 7,776**	$ 9,773	(20)
Average discount rate	**2.23 %**	2.37 %		**2.30 %**	2.37 %	
Average fee per card *(dollars)*[(a)]	**$ 65**	$ 57	14 %	**$ 64**	$ 56	14 %

(a) Average fee per card is computed based on proprietary net card fees divided by average proprietary total cards-in-force.

Table 6: Billed Business-Related Statistical Information

	Three Months Ended June 30, 2020	
	Year over Year Percentage Increase (Decrease)	Year over Year Percentage Increase (Decrease) Assuming No Changes in FX Rates [(a)]
Worldwide		
Proprietary		
Proprietary consumer	**(35)** %	**(34)** %
Proprietary commercial	**(36)**	**(36)**
Total Proprietary	**(35)**	**(35)**
GNS	**(28)**	**(25)**
Worldwide Total	**(34)**	**(33)**
T&E-related volume (6% of Worldwide Total) [(b)]	**(87)**	**(87)**
Non-T&E-related volume (94% of Worldwide Total) [(b)]	**(13)**	**(12)**
Airline-related volume (0% of Worldwide Total) [(b)]	**#**	**#**
U.S.		
Proprietary		
Proprietary consumer	**(32)**	
Proprietary commercial	**(33)**	
Total Proprietary	**(32)**	
U.S. Total	**(32)**	
T&E-related volume (6% of U.S. Total) [(b)]	**(84)**	
Non-T&E-related volume (94% of U.S. Total) [(b)]	**(12)**	
Airline-related volume (0% of U.S. Total) [(b)]	**#**	
Outside the U.S.		
Proprietary		
Proprietary consumer	**(41)**	**(39)**
Proprietary commercial	**(49)**	**(46)**
Total Proprietary	**(44)**	**(42)**
Outside the U.S. Total	**(38)**	**(36)**
Japan, Asia Pacific & Australia	**(27)**	**(25)**
Latin America & Canada	**(49)**	**(42)**
Europe, the Middle East & Africa	**(50)**	**(49)**

# Denotes a variance greater than 100 percent

(a) The foreign currency adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the current period apply to the corresponding prior year period against which such results are being compared).

(b) Based on billed business from merchants we acquire or merchants acquired by third parties on our behalf (e.g., OptBlue merchants).

Table 7: Billed Business-Related Statistical Information

	Six Months Ended June 30, 2020	
	Year over Year Percentage Increase (Decrease)	Year over Year Percentage Increase (Decrease) Assuming No Changes in FX Rates [(a)]
Worldwide		
Proprietary		
Proprietary consumer	**(19) %**	**(19) %**
Proprietary commercial	**(21)**	**(21)**
Total Proprietary	**(20)**	**(19)**
GNS	**(21)**	**(18)**
Worldwide Total	**(20)**	**(19)**
T&E-related volume (17% of Worldwide Total) [(b)]	**(54)**	**(54)**
Non-T&E-related volume (83% of Worldwide Total) [(b)]	**(5)**	**(4)**
Airline-related volume (4% of Worldwide Total) [(b)]	**(66)**	**(65)**
U.S.		
Proprietary		
Proprietary consumer	**(18)**	
Proprietary commercial	**(19)**	
Total Proprietary	**(18)**	
U.S. Total	**(18)**	
T&E-related volume (16% of U.S. Total) [(b)]	**(51)**	
Non-T&E-related volume (84% of U.S. Total) [(b)]	**(5)**	
Airline-related volume (3% of U.S. Total) [(b)]	**(64)**	
Outside the U.S.		
Proprietary		
Proprietary consumer	**(24)**	**(21)**
Proprietary commercial	**(30)**	**(27)**
Total Proprietary	**(27)**	**(24)**
Outside the U.S. Total	**(25)**	**(22)**
Japan, Asia Pacific & Australia	**(19)**	**(16)**
Latin America & Canada	**(31)**	**(23)**
Europe, the Middle East & Africa	**(31)**	**(29)**

(a) The foreign currency adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the current period apply to the corresponding prior year period against which such results are being compared).

(b) Based on billed business from merchants we acquire or merchants acquired by third parties on our behalf (e.g., OptBlue merchants).

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Table 8: Selected Credit-Related Statistical Information

(Millions, except percentages and where indicated)	As of or for the Three Months Ended June 30, 2020	2019	Change 2020 vs. 2019	As of or for the Six Months Ended June 30, 2020	2019	Change 2020 vs. 2019
Worldwide Card Member loans: [a]						
Card Member loans: *(billions)*						
U.S.	**$ 62.0**	$ 72.6	(15) %	**$ 62.0**	$ 72.6	(15)
Outside the U.S.	**8.1**	10.6	(24)	**8.1**	10.6	(24)
Total	**$ 70.1**	$ 83.2	(16)	**$ 70.1**	$ 83.2	(16)
Credit loss reserves:						
Beginning balance [b]	**$ 5,236**	$ 2,121	#	**$ 4,027**	$ 2,134	89
Provisions - principal, interest and fees	**$ 969**	$ 603	61	**2,845**	1,128	#
Net write-offs — principal less recoveries	**$ (499)**	$ (463)	8	**(1,017)**	(920)	11
Net write-offs — interest and fees less recoveries	**$ (103)**	$ (94)	10	**(210)**	(186)	13
Other [c]	**$ 25**	$ 1	#	**(17)**	12	#
Ending balance	**$ 5,628**	$ 2,168	#	**$ 5,628**	$ 2,168	#
% of loans	**8.0 %**	2.6 %		**8.0 %**	2.6 %	
% of past due	**493 %**	186 %		**493 %**	186 %	
Average loans *(billions)*	**$ 72.1**	$ 81.9	(12)	**$ 77.8**	$ 81.3	(4)
Net write-off rate — principal only [d]	**2.8 %**	2.3 %		**2.6 %**	2.3 %	
Net write-off rate — principal, interest and fees [d]	**3.3**	2.7		**3.2**	2.7	
30+ days past due as a % of total [e]	**1.6 %**	1.4 %		**1.6 %**	1.4 %	
Worldwide Card Member receivables: [a]						
Card Member receivables: *(billions)*						
U.S.	**$ 26.9**	$ 40.3	(33)	**$ 26.9**	$ 40.3	(33)
Outside the U.S.	**10.7**	18.4	(42)	**10.7**	$ 18.4	(42)
Total	**$ 37.6**	$ 58.7	(36)	**$ 37.6**	$ 58.7	(36)
Credit loss reserves:						
Beginning balance [b]	**$ 459**	$ 608	(25)	**$ 126**	$ 573	(78)
Provisions - principal and fees	**$ 355**	$ 224	58	**952**	477	100
Net write-offs - principal and fees less recoveries [f]	**$ (299)**	$ (210)	42	**(557)**	(426)	31
Other [c]	**$ 4**	$ (6)	#	**(2)**	(8)	(75)
Ending balance	**$ 519**	$ 616	(16) %	**$ 519**	$ 616	(16) %
% of receivables	**1.4 %**	1.0 %		**1.4 %**	1.0 %	
Net write-off rate — principal and fees [d][f][g]	**3.1 %**	1.5 %		**2.4 %**	1.5 %	

# Denotes a variance greater than 100 percent

(a) Refer to Table 3 for Other loans and Other receivables.

(b) Includes an increase of $1,643 million and decrease of $493 million to the beginning reserve balances for Card Member loans and receivables, respectively, as of January 1, 2020, related to the adoption of the CECL methodology. Refer to Note 3 to the "Consolidated Financial Statements" for further information.

(c) Other includes foreign currency translation adjustments.

(d) We present 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, as our practice is to include uncollectible interest and/or fees as part of our total provision for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

(e) During the first quarter 2020, we created a Customer Pandemic Relief program to provide short-term support for customers impacted by COVID-19. Delinquency status is generally frozen at enrollment, and loans that are current at enrollment do not age, regardless of whether payment is made. Upon exiting the program, delinquency aging resumes where it had left off at enrollment.

(f) The current periods included a $53 million write-off due to the bankruptcy of a corporate client. An associated expected loss recovery from an insurance claim was recognized as a reduction to Other expense, and thus is not reflected in the above table.

(g) Refer to Tables 11 and 14 for Net write-off rate - principal only and 30+ days past due metrics for Global Consumer Services Group (GCSG) and Global Small Business Services (GSBS) receivables, respectively. A net write-off rate based on principal losses only for Global Corporate Payments (GCP), which reflects global, large and middle market corporate accounts, is not available due to system constraints.

Table 9: Net Interest Yield on Average Card Member Loans

Effective for the first quarter of 2020, we made certain enhancements to our methodology related to the allocation of certain funding costs primarily related to our Card Member loan and Card Member receivable portfolios. These enhancements resulted in a change to the interest expense not attributable to our Card Member loan portfolio and therefore also on our Net Interest Yield on Average Card Member loans. Prior period amounts have been revised to conform to the current period presentation.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions, except percentages and where indicated)	**2020**	2019	**2020**	2019
Net interest income	**$ 1,884**	$ 2,074	**$ 4,214**	$ 4,133
Exclude:				
Interest expense not attributable to our Card Member loan portfolio [(a)]	**350**	465	**745**	951
Interest income not attributable to our Card Member loan portfolio [(b)]	**(156)**	(312)	**(420)**	(647)
Adjusted net interest income [(c)]	**$ 2,078**	$ 2,227	**$ 4,539**	$ 4,437
Average Card Member loans *(billions)*	**$ 72.1**	$ 81.9	**$ 77.8**	$ 81.3
Net interest income divided by average Card Member loans [(c)]	**10.5 %**	10.1 %	**10.8 %**	10.2 %
Net interest yield on average Card Member loans [(c)]	**11.6 %**	10.9 %	**11.7 %**	11.0 %

(a) Primarily represents interest expense attributable to maintaining our corporate liquidity pool and funding Card Member receivables.

(b) Primarily represents interest income attributable to Other loans, interest-bearing deposits and the fixed income investment portfolios.

(c) Adjusted net interest income and net interest yield on average Card Member loans are non-GAAP measures. Refer to "Glossary of Selected Terminology" for the definitions of these terms. We believe adjusted net interest income is useful to investors because it represents the interest expense and interest income attributable to our Card Member loan portfolio and is a component of net interest yield on average Card Member loans, which provides a measure of profitability of our Card Member loan portfolio. Net interest yield on average Card Member loans reflects adjusted net interest income divided by average Card Member loans, computed on an annualized basis. Net interest income divided by average Card Member loans, computed on an annualized basis, a GAAP measure, includes elements of total interest income and total interest expense that are not attributable to the Card Member loan portfolio, and thus is not representative of net interest yield on average Card Member loans.

Business Segment Results of Operations

Effective for the first quarter of 2020, we made certain enhancements to our transfer pricing methodology related to the sharing of revenues among our card issuing, network and merchant businesses, and our methodology related to the allocation of certain funding costs primarily related to our Card Member loan and Card Member receivable portfolios. These enhancements resulted in certain changes to Non-interest revenues and Interest expense within Total revenues net of interest expense and Operating expenses within Total expenses across our reportable operating segments.

The enhancements related to the allocation of certain funding costs also resulted in a change to our Net interest income divided by Average Card Member loans metric and Net Interest Yield on Average Card Member loans, a non-GAAP measure, within our reportable operating segments.

For all of the above referenced changes, prior period amounts have been revised to conform to the current period presentation.

Global Consumer Services Group

Table 10: GCSG Selected Income Statement Data

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(Millions, except percentages)	**2020**	2019	2020 vs. 2019		**2020**	2019	2020 vs. 2019	
Revenues								
Non-interest revenues	**$ 2,932**	$ 4,193	$ (1,261)	(30)%	**$ 6,826**	$ 8,105	$ (1,279)	(16)%
Interest income	**1,971**	2,297	(326)	(14)	**4,382**	4,569	(187)	(4)
Interest expense	**272**	446	(174)	(39)	**600**	881	(281)	(32)
Net interest income	**1,699**	1,851	(152)	(8)	**3,782**	3,688	94	3
Total revenues net of interest expense	**4,631**	6,044	(1,413)	(23)	**10,608**	11,793	(1,185)	(10)
Provisions for credit losses	**886**	651	235	36	**2,696**	1,202	1,494	#
Total revenues net of interest expense after provisions for credit losses	**3,745**	5,393	(1,648)	(31)	**7,912**	10,591	(2,679)	(25)
Expenses								
Marketing, business development, and Card Member rewards and services	**1,723**	3,067	(1,344)	(44)	**4,425**	5,856	(1,431)	(24)
Salaries and employee benefits and other operating expenses	**1,195**	1,221	(26)	(2)	**2,429**	2,416	13	1
Total expenses	**2,918**	4,288	(1,370)	(32)	**6,854**	8,272	(1,418)	(17)
Pretax segment income	**827**	1,105	(278)	(25)	**1,058**	2,319	(1,261)	(54)
Income tax provision	**300**	224	76	34	**330**	484	(154)	(32)
Segment income	**$ 527**	$ 881	$ (354)	(40)%	**$ 728**	$ 1,835	$ (1,107)	(60)%
Effective tax rate	**36.3 %**	20.3 %			**31.2 %**	20.9 %		

# Denotes a variance greater than 100 percent

GCSG primarily issues a wide range of proprietary consumer cards globally. GCSG also provides services to consumers, including travel and lifestyle services and non-card financing products, and manages certain international joint ventures and our partnership agreements in China.

Non-interest revenues decreased for both the three and six month periods, primarily driven by lower discount revenue and other fees and commissions, partially offset by higher net card fees.

Discount revenue decreased 39 percent and 22 percent for the three and six month periods, respectively, reflecting decreases in proprietary consumer billed business of 45 percent, 35 percent and 24 percent for the months of April, May and June, respectively.

See Tables 5, 6, 7 and 11 for more details on billed business performance.

Other fees and commissions decreased 52 percent and 34 percent for the three and six month periods, respectively, primarily due to the impacts of COVID-19, including travel bans and restrictions, which resulted in lower travel commissions and fees from our consumer travel business, as well as lower foreign exchange conversion revenue related to decreased cross-border spending, and a decline in late fees due to waived charges for Card Members who are enrolled in COVID-19 related financial relief programs.

Net card fees increased 16 percent and 17 percent for the three and six month periods, respectively, driven by year-over-year increases in the average fee per card of our premium card products.

Net interest income decreased for the three month period and increased for the six month period. The decrease in the three month period primarily reflected lower average Card Member loan volumes, partially offset by higher net yield. The increase in the six month period was driven by higher average Card Member loan volumes, year-over-year, during the first quarter.

Provisions for credit losses increased for both the three and six month periods, primarily driven by higher reserve builds reflecting the continued deterioration of the global macroeconomic outlook, including unemployment and GDP, and a shift in the mix of loans and receivables, partially offset by a decrease in the outstanding balance of loans and receivables.

Marketing, business development, and Card Member rewards and services expenses decreased for both the three and six month periods as a result of the impacts of COVID-19. Specifically, the decrease in Card Member rewards expense was primarily driven by decreases in billed business and a shift in redemption volumes towards non-travel related options since the onset of COVID-19; the decrease in Card Member services expense was primarily driven by lower usage of travel-related benefits; and the decrease in Marketing and business development expense was primarily due to a reduction in proactive marketing for Card Member acquisitions, partially offset by incremental investments in enhancements to our Card Member value proposition.

Table 11: GCSG Selected Statistical Information

	As of or for the Three Months Ended June 30,		Change 2020 vs. 2019	As of or for the Six Months Ended June 30,		Change 2020 vs. 2019
(Millions, except percentages and where indicated)	**2020**	2019		**2020**	2019	
Proprietary billed business: *(billions)*						
U.S.	**$ 68.1**	$ 100.9	(33) %	**$ 159.0**	$ 193.0	(18) %
Outside the U.S.	**22.5**	38.0	(41)	**56.2**	73.9	(24)
Total	**$ 90.6**	$ 138.9	(35)	**$ 215.2**	$ 266.9	(19)
Proprietary cards-in-force:						
U.S.	**37.5**	37.6	—	**37.5**	37.6	—
Outside the U.S.	**17.2**	17.4	(1)	**17.2**	17.4	(1)
Total	**54.7**	55.0	(1)	**54.7**	55.0	(1)
Proprietary basic cards-in-force:						
U.S.	**26.6**	26.8	(1)	**26.6**	26.8	(1)
Outside the U.S.	**11.9**	12.0	(1)	**11.9**	12.0	(1)
Total	**38.5**	38.8	(1)	**38.5**	38.8	(1)
Average proprietary basic Card Member spending: *(dollars)*						
U.S.	**$ 2,548**	$ 3,743	(32)	**$ 5,922**	$ 7,148	(17)
Outside the U.S.	**$ 1,871**	$ 3,173	(41)	**$ 4,656**	$ 6,227	(25)
Average	**$ 2,338**	$ 3,567	(34)	**$ 5,529**	$ 6,867	(19)
Total segment assets *(billions)*	**$ 80.4**	$ 102.1	(21)	**$ 80.4**	$ 102.1	(21)
Card Member loans:						
Total loans *(billions)*						
U.S.	**$ 50.3**	$ 59.5	(15)	**$ 50.3**	$ 59.5	(15)
Outside the U.S.	**7.6**	10.2	(25)	**7.6**	10.2	(25)
Total	**$ 57.9**	$ 69.7	(17)	**$ 57.9**	$ 69.7	(17)
Average loans *(billions)*						
U.S.	**$ 51.7**	$ 58.8	(12)	**$ 55.4**	$ 58.6	(5)
Outside the U.S.	**7.6**	9.9	(23)	**8.9**	9.8	(9)
Total	**$ 59.3**	$ 68.7	(14) %	**$ 64.3**	$ 68.4	(6) %
U.S.						
Net write-off rate - principal only [(a)]	**2.8 %**	2.3 %		**2.7 %**	2.4 %	
Net write-off rate - principal, interest and fees [(a)]	**3.3**	2.8		**3.2**	2.8	
30+ days past due as a % of total [(b)]	**1.5**	1.4		**1.5**	1.4	
Outside the U.S.						
Net write-off rate - principal only [(a)]	**3.7**	2.4		**3.2**	2.3	
Net write-off rate - principal, interest and fees [(a)]	**4.6**	3.0		**4.0**	2.9	
30+ days past due as a % of total [(b)]	**2.3**	1.7		**2.3**	1.7	
Total						
Net write-off rate – principal only [(a)]	**2.9**	2.4		**2.7**	2.4	
Net write-off rate – principal, interest and fees [(a)]	**3.5**	2.8		**3.3**	2.8	
30+ days past due as a % of total [(b)]	**1.6 %**	1.4 %		**1.6 %**	1.4 %	

(Millions, except percentages and where indicated)	As of or for the Three Months Ended June 30, 2020	2019	Change 2020 vs. 2019	As of or for the Six Months Ended June 30, 2020	2019	Change 2020 vs. 2019
Card Member receivables: *(billions)*						
U.S.	**$ 9.5**	$ 13.1	(27) %	**$ 9.5**	$ 13.1	(27) %
Outside the U.S.	**5.5**	8.1	(32)	**5.5**	8.1	(32)
Total receivables	**$ 15.0**	$ 21.2	(29) %	**$ 15.0**	$ 21.2	(29) %
U.S.						
Net write-off rate – principal only [(a)]	**2.1 %**	1.3 %		**1.9 %**	1.4 %	
Net write-off rate – principal and fees [(a)]	**2.3**	1.4		**2.0**	1.5	
30+ days past due as a % of total [(b)]	**1.2**	1.2		**1.2**	1.2	
Outside the U.S.						
Net write-off rate – principal only [(a)]	**3.5**	2.2		**2.9**	2.2	
Net write-off rate – principal and fees [(a)]	**3.7**	2.3		**3.1**	2.4	
30+ days past due as a % of total [(b)]	**1.6**	1.4		**1.6**	1.4	
Total						
Net write-off rate – principal only [(a)]	**2.6**	1.6		**2.2**	1.7	
Net write-off rate – principal and fees [(a)]	**2.8**	1.8		**2.4**	1.8	
30+ days past due as a % of total [(b)]	**1.3 %**	1.3 %		**1.3 %**	1.3 %	

(a) Refer to Table 8 footnote (d).
(b) Refer to Table 8 footnote (e).

Table 12: GCSG Net Interest Yield on Average Card Member Loans

(Millions, except percentages and where indicated)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
U.S.				
Net interest income	**$ 1,462**	$ 1,606	**$ 3,262**	$ 3,202
Exclude:				
Interest expense not attributable to our Card Member loan portfolio [(a)]	**97**	67	**143**	136
Interest income not attributable to our Card Member loan portfolio [(b)]	**(54)**	(53)	**(114)**	(105)
Adjusted net interest income [(c)]	**$ 1,505**	$ 1,620	**$ 3,291**	$ 3,233
Average Card Member loans *(billions)*	**$ 51.7**	$ 58.8	**$ 55.5**	$ 58.6
Net interest income divided by average Card Member loans [(c)]	**11.3 %**	10.9 %	**11.8 %**	10.9 %
Net interest yield on average Card Member loans [(c)]	**11.7 %**	11.1 %	**11.9 %**	11.1 %
Outside the U.S.				
Net interest income	**$ 237**	$ 245	**$ 520**	$ 486
Exclude:				
Interest expense not attributable to our Card Member loan portfolio [(a)]	**18**	20	**34**	41
Interest income not attributable to our Card Member loan portfolio [(b)]	**(2)**	(3)	**(6)**	(7)
Adjusted net interest income [(c)]	**$ 253**	$ 262	**$ 548**	$ 520
Average Card Member loans *(billions)*	**$ 7.6**	$ 9.9	**$ 8.9**	$ 9.8
Net interest income divided by average Card Member loans [(c)]	**12.5 %**	9.9 %	**11.7 %**	9.9 %
Net interest yield on average Card Member loans [(c)]	**13.3 %**	10.6 %	**12.4 %**	10.7 %
Total				
Net interest income	**$ 1,699**	$ 1,851	**$ 3,782**	$ 3,688
Exclude:				
Interest expense not attributable to our Card Member loan portfolio [(a)]	**115**	87	**177**	177
Interest income not attributable to our Card Member loan portfolio [(b)]	**(56)**	(56)	**(120)**	(112)
Adjusted net interest income [(c)]	**$ 1,758**	$ 1,882	**$ 3,839**	$ 3,753
Average Card Member loans *(billions)*	**$ 59.3**	$ 68.7	**$ 64.3**	$ 68.4
Net interest income divided by average Card Member loans [(c)]	**11.5 %**	10.8 %	**11.8 %**	10.8 %
Net interest yield on average Card Member loans [(c)]	**11.9 %**	11.0 %	**12.0 %**	11.1 %

(a) Refer to Table 9 footnote (a).

(b) Refer to Table 9 footnote (b).

(c) Refer to Table 9 footnote (c).

Global Commercial Services

Table 13: GCS Selected Income Statement Data

(Millions, except percentages)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change 2020 vs. 2019		Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change 2020 vs. 2019	
Revenues								
Non-interest revenues	**$ 2,014**	$ 3,059	$ (1,045)	(34)%	**$ 4,802**	$ 5,985	$ (1,183)	(20)%
Interest income	**402**	468	(66)	(14)	**901**	922	(21)	(2)
Interest expense	**154**	269	(115)	(43)	**354**	525	(171)	(33)
Net interest income	**248**	199	49	25	**547**	397	150	38
Total revenues net of interest expense	**2,262**	3,258	(996)	(31)	**5,349**	6,382	(1,033)	(16)
Provisions for credit losses	**645**	206	439	#	**1,407**	460	947	#
Total revenues net of interest expense after provisions for credit losses	**1,617**	3,052	(1,435)	(47)	**3,942**	5,922	(1,980)	(33)
Expenses								
Marketing, business development, and Card Member rewards and services	**924**	1,565	(641)	(41)	**2,432**	3,034	(602)	(20)
Salaries and employee benefits and other operating expenses	**715**	790	(75)	(9)	**1,513**	1,546	(33)	(2)
Total expenses	**1,639**	2,355	(716)	(30)	**3,945**	4,580	(635)	(14)
Pretax segment (loss) income	**(22)**	697	(719)	#	**(3)**	1,342	(1,345)	(100)
Income tax provision	**38**	136	(98)	(72)	**19**	269	(250)	(93)
Segment (loss) income	**$ (60)**	$ 561	$ (621)	# %	**$ (22)**	$ 1,073	$ (1,095)	# %
Effective tax rate	**(172.7)%**	19.5 %			**(633.3)%**	20.0 %		

# Denotes a variance greater than 100 percent

GCS primarily issues a wide range of proprietary corporate and small business cards and provides payment and expense management services globally. In addition, GCS provides commercial financing products.

Non-interest revenues decreased for both the three and six month periods, primarily driven by lower discount revenue and other fees and commissions.

Discount revenue decreased 37 percent and 22 percent for the three and six month periods, respectively, reflecting decreases in commercial billed business of 40 percent, 39 percent and 30 percent for the months of April, May and June, respectively.

Other fees and commissions decreased 37 percent and 20 percent for the three and six month periods, respectively, primarily due to the impacts of COVID-19, including travel bans and restrictions, which resulted in lower foreign exchange conversion revenue related to decreased cross-border spending, and a decline in late fees due to waived charges for Card Members who are enrolled in COVID-19 related financial relief programs.

Net interest income increased for both the three and six month periods, primarily driven by a lower cost of funds.

Provisions for credit losses increased for both the three and six month periods, primarily driven by higher reserve builds reflecting the continued deterioration of the global macroeconomic outlook, including unemployment and GDP, and a shift in the mix of loans and receivables, partially offset by a decrease in the outstanding balance of loans and receivables. The current year also included a $53 million write-off in Card Member receivables due to the bankruptcy of a corporate client; an associated expected loss recovery from an insurance claim was recognized as a reduction to Other expense.

Marketing, business development, and Card Member rewards and services expenses decreased for both the three and six month periods as a result of the impacts of COVID-19. The decrease in Card Member rewards expense was primarily driven by decreases in billed business and a shift in redemption volumes towards non-travel related options since the onset of COVID-19. The decrease in Marketing and business development expense was primarily due to a decrease in corporate client incentives and a reduction in proactive marketing for Card Member acquisitions, partially offset by incremental investments in enhancements to our Card Member value proposition.

Other expenses decreased for both the three and six month periods, primarily due to an expected loss recovery from an insurance claim associated with the write-off of Card Member receivables due to the bankruptcy of a corporate client and lower employee-related operating costs.

The effective tax rate was lower for both the three and six month periods, primarily reflecting the impact of discrete tax charges in relation to minimal pretax loss.

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Table 14: GCS Selected Statistical Information

(Millions, except percentages and where indicated)	As of or for the Three Months Ended June 30, 2020	2019	Change 2020 vs 2019	As of or for the Six Months Ended June 30, 2020	2019	Change 2020 vs 2019
Proprietary billed business *(billions)*	**$ 82.8**	$ 129.6	(36) %	**$ 198.9**	$ 253.0	(21) %
Proprietary cards-in-force	**14.6**	14.7	(1)	**14.6**	14.7	(1)
Average Card Member spending *(dollars)*	**$ 5,645**	$ 8,866	(36)	**$ 13,495**	$ 17,321	(22)
Total segment assets *(billions)*	**$ 38.3**	$ 55.0	(30)	**$ 38.3**	$ 55.0	(30)
GSBS Card Member loans:						
Total loans *(billions)*	**$ 12.1**	$ 13.4	(10)	**$ 12.1**	$ 13.4	(10)
Average loans *(billions)*	**$ 12.8**	$ 13.2	(3)	**$ 13.4**	$ 12.9	4
Net write-off rate - principal only [(a)]	**2.3 %**	1.8 %		**2.1 %**	1.8 %	
Net write-off rate - principal, interest and fees [(a)]	**2.6 %**	2.1 %		**2.4 %**	2.1 %	
30+ days past due as a % of total [(b)]	**1.6 %**	1.3 %		**1.6 %**	1.3 %	
Calculation of Net Interest Yield on Average Card Member Loans:						
Net interest income	**$ 248**	$ 199		**$ 547**	$ 397	
Exclude:						
Interest expense not attributable to our Card Member loan portfolio [(c)]	**119**	202		**264**	394	
Interest income not attributable to our Card Member loan portfolio [(d)]	**(47)**	(56)		**(111)**	(107)	
Adjusted net interest income [(e)]	**$ 320**	$ 345		**$ 700**	$ 684	
Average Card Member loans *(billions)*	**$ 12.8**	$ 13.2		**$ 13.5**	$ 12.9	
Net interest income divided by average Card Member loans [(e)]	**7.8 %**	6.0 %		**8.1 %**	6.2 %	
Net interest yield on average Card Member loans [(e)]	**10.0 %**	10.5 %		**10.5 %**	10.7 %	
Card Member receivables:						
Total receivables *(billions)*	**$ 22.6**	$ 37.5	(40)	**$ 22.6**	37.5	(40)
Net write-off rate - principal and fees [(a)(f)]	**3.3 %**	1.3 %		**2.4 %**	1.4 %	
GCP Card Member receivables:						
Total receivables *(billions)*	**$ 9.4**	$ 19.7	(52)	**$ 9.4**	$ 19.7	(52)
90+ days past billing as a % of total [(b)(f)]	**2.5 %**	0.7 %		**2.5 %**	0.7 %	
Net write-off rate - principal and fees [(a) (f) (g)]	**4.0 %**	0.7 %		**2.2 %**	0.7 %	
GSBS Card Member receivables:						
Total receivables *(billions)*	**$ 13.2**	$ 17.8	(26) %	**$ 13.2**	$ 17.8	(26) %
Net write-off rate - principal only [(a)]	**2.5 %**	1.8 %		**2.4 %**	1.8 %	
Net write-off rate - principal and fees [(a)]	**2.8 %**	2.0 %		**2.6 %**	2.1 %	
30+ days past due as a % of total [(b)]	**2.1 %**	1.6 %		**2.1 %**	1.6 %	

(a) Refer to Table 8 footnote (d).

(b) Refer to Table 8 footnote (e).

(c) Refer to Table 9 footnote (a).

(d) Refer to Table 9 footnote (b).

(e) Refer to Table 9 footnote (c).

(f) For GCP Card Member receivables, delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member's billing statement date. In addition, if we initiate collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes. GCP delinquency data for periods other than 90+ days past billing and the net write-off rate based on principal losses only are not available due to system constraints.

(g) Refer to Table 8 footnote (f).

Global Merchant and Network Services

Table 15: GMNS Selected Income Statement and Other Data

(Millions, except percentages and where indicated)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Change 2020 vs. 2019		Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Change 2020 vs. 2019	
Revenues								
Non-interest revenues	**$ 919**	$ 1,478	$ (559)	(38)%	**$ 2,265**	$ 2,927	$ (662)	(23)%
Interest income	**4**	7	(3)	(43)	**10**	16	(6)	(38)
Interest expense	**(6)**	(87)	81	(93)	**(42)**	(167)	125	(75)
Net interest income	**10**	94	(84)	(89)	**52**	183	(131)	(72)
Total revenues net of interest expense	**929**	1,572	(643)	(41)	**2,317**	3,110	(793)	(25)
Provisions for credit losses	**25**	3	22	#	**73**	7	66	#
Total revenues net of interest expense after provisions for credit losses	**904**	1,569	(665)	(42)	**2,244**	3,103	(859)	(28)
Expenses								
Marketing, business development, and Card Member rewards and services	**249**	336	(87)	(26)	**573**	640	(67)	(10)
Salaries and employee benefits and other operating expenses	**452**	476	(24)	(5)	**917**	949	(32)	(3)
Total expenses	**701**	812	(111)	(14)	**1,490**	1,589	(99)	(6)
Pretax segment income	**203**	757	(554)	(73)	**754**	1,514	(760)	(50)
Income tax provision	**137**	193	(56)	(29)	**271**	379	(108)	(28)
Segment income	**$ 66**	$ 564	$ (498)	(88)	**$ 483**	$ 1,135	$ (652)	(57)
Effective tax rate	**67.5 %**	25.5 %			**35.9 %**	25.0 %		
Total segment assets *(billions)*	**$ 11.6**	$ 22.2		(48)%	**$ 11.6**	$ 22.2		(48)%

# Denotes a variance greater than 100 percent

GMNS operates a global payments network that processes and settles card transactions, acquires merchants and provides multi-channel marketing programs and capabilities, services and data analytics, leveraging our global integrated network. GMNS manages our partnership relationships with third-party card issuers, merchant acquirers and a prepaid reloadable and gift card program manager, licensing the American Express brand and extending the reach of the global network. GMNS also manages loyalty coalition businesses in certain countries.

Non-interest revenues decreased for both the three and six month periods, primarily driven by lower discount revenue due to lower worldwide billed business and a decline in the average discount rate, primarily due to a shift in spend mix to non-T&E categories, as well as decreases in other fees and commissions, due to lower foreign exchange conversion revenue related to decreased cross-border spending as a result of the impacts of COVID-19. For a detailed discussion on billed business and the average discount rate, please refer to the "Consolidated Results of Operations."

Net interest income decreased for both the three and six month periods, reflecting a lower interest expense credit relating to internal transfer pricing, which results in a net benefit for GMNS due to its merchant payables.

Marketing, business development, and Card Member rewards and services expenses decreased for both the three and six month periods, primarily driven by lower Marketing and business development expense which reflected decreased network partner payments due to lower spend volumes as a result of the impacts of COVID-19, as well as a reduction in proactive marketing for Card Member acquisitions.

The effective tax rate was higher for both the three and six month periods, primarily reflecting the impact of discrete tax charges and lower overall pretax income.

Corporate & Other

Corporate functions and certain other businesses are included in Corporate & Other.

Corporate & Other net loss was $276 million for the three months ended June 30, 2020, compared to $245 million in the same period a year ago, and $565 million for the six months ended June 30, 2020, compared to $732 million in the same period a year ago. The increase in net loss for the three month period was primarily driven by a net loss in the current year as compared to net income in the prior year, related to the GBT JV, partially offset by a gain in the current year as compared to a loss in the prior year, related to our strategic investments. The decrease in net loss for the six month period was driven by a prior year litigation-related charge and a gain in the current year as compared to a loss in the prior year, related to our strategic investments, partially offset by a net loss in the current year as compared to net income in the prior year, related to the GBT JV.

CONSOLIDATED CAPITAL RESOURCES AND LIQUIDITY

Our balance sheet management objectives are to maintain:

- A solid and flexible equity capital profile;
- A broad, deep and diverse set of funding sources to finance our assets and meet operating requirements; and
- Liquidity programs that enable us to continuously meet expected future financing obligations and business requirements for at least a twelve-month period in the event we are unable to continue to raise new funds under our traditional funding programs during a substantial weakening in economic conditions.

We are closely monitoring the rapidly changing macroeconomic environment and actively managing our balance sheet to reflect evolving circumstances. Our objective is to remain financially strong against a backdrop of a highly uncertain operating environment and outlook.

Capital

The following table presents our regulatory risk-based capital and leverage ratios and those of our significant bank subsidiary, American Express National Bank (AENB) as of June 30, 2020.

Table 16: Regulatory Risk-Based Capital and Leverage Ratios

	Basel III Minimum	Ratios as of June 30, 2020
Risk-Based Capital		
Common Equity Tier 1	**7.0 %**	
American Express Company		**13.6 %**
American Express National Bank		**18.0**
Tier 1	**8.5**	
American Express Company		**14.8**
American Express National Bank		**18.0**
Total	**10.5**	
American Express Company		**16.5**
American Express National Bank		**20.2**
Tier 1 Leverage	**4.0**	
American Express Company		**10.4**
American Express National Bank		**11.3**

Table 17: Regulatory Risk-Based Capital Components and Risk Weighted Assets

American Express Company *($ in Billions)*		June 30, 2020
Risk-Based Capital		
Common Equity Tier 1	$	**17.6**
Tier 1 Capital		**19.2**
Tier 2 Capital		**2.1**
Total Capital		**21.3**
Risk-Weighted Assets		**129.3**
Average Total Assets to calculate the Tier 1 Leverage Ratio	$	**184.3**

We seek to maintain capital levels and ratios in excess of the minimum regulatory requirements, specifically within a 10 to 11 percent target range for American Express' Common Equity Tier 1 risk-based capital ratio, and finance such capital in a cost efficient manner. Failure to maintain minimum capital levels at American Express or AENB could affect our status as a financial holding company and cause the regulatory agencies with oversight of American Express or AENB to take actions that could limit our business operations.

Our primary source of equity capital has been the generation of net income. Capital generated through net income and other sources, such as the exercise of stock options by employees, is used to maintain a strong balance sheet, support asset growth and engage in acquisitions, with excess available for distribution to shareholders through dividends and share repurchases.

We maintain certain flexibility to shift capital across our businesses as appropriate. For example, we may infuse additional capital into subsidiaries to maintain capital at targeted levels in consideration of debt ratings and regulatory requirements. These infused amounts can affect the capital profile and liquidity levels at the American Express parent company level.

The following are definitions for our regulatory risk-based capital ratios and leverage ratio, which are calculated as per standard regulatory guidance:

Risk-Weighted Assets — Assets are weighted for risk according to a formula used by the Federal Reserve to conform to capital adequacy guidelines. On- and off-balance sheet items are weighted for risk, with off-balance sheet items converted to balance sheet equivalents, using risk conversion factors, before being allocated a risk-adjusted weight. Off-balance sheet exposures comprise a minimal part of the total risk-weighted assets.

Common Equity Tier 1 Risk-Based Capital Ratio — Calculated as Common Equity Tier 1 capital (CET1), divided by risk-weighted assets. CET1 is the sum of common shareholders' equity, adjusted for ineligible goodwill and intangible assets, certain deferred tax assets, as well as certain other comprehensive income items as follows: net unrealized gains/losses on securities, foreign currency translation adjustments and net unrealized pension and other postretirement benefit/losses, all net of tax. CET1 is also adjusted for the CECL interim final rule discussed below.

Tier 1 Risk-Based Capital Ratio — Calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of CET1, our perpetual preferred stock and third-party non-controlling interests in consolidated subsidiaries, adjusted for capital held by insurance subsidiaries. The minimum requirement for the Tier 1 risk-based capital ratio is 1.5 percent higher than the minimum for the CET1 risk-based capital ratio. We have $1.6 billion of preferred shares outstanding to help address a portion of the Tier 1 capital requirements in excess of common equity requirements.

Total Risk-Based Capital Ratio — Calculated as the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets. Tier 2 capital is the sum of the allowance for loan and receivable losses (limited to 1.25 percent of risk-weighted assets) and $480 million of eligible subordinated notes, adjusted for capital held by insurance subsidiaries. The $480 million of eligible subordinated notes reflect a 20 percent, or $120 million, reduction of Tier 2 capital credit for the $600 million subordinated debt issued in December 2014.

Tier 1 Leverage Ratio — Calculated by dividing Tier 1 capital by our average total consolidated assets for the most recent quarter.

In December 2018, federal banking regulators issued a final rule that provides an optional three-year phase-in period for the adverse regulatory capital effects of adopting the CECL methodology pursuant to new accounting guidance for the recognition of credit losses on certain financial instruments, effective January 1, 2020. In March 2020, the federal banking regulators issued an interim final rule that provides banking organizations with an alternative option to temporarily delay for two years the estimated impact of the adoption of the CECL methodology on regulatory capital, followed by the three-year phase-in period. The cumulative amount that is not recognized in regulatory capital will be phased in at 25 percent per year beginning January 1, 2022. In the first quarter of 2020, we elected to adopt the March 2020 interim final rule. As of June 30, 2020, our reported regulatory capital excluded the $0.9 billion impact to retained earnings upon the adoption of the CECL methodology and 25 percent of the impact of the $2.2 billion increase in reserves for credit losses from January 1, 2020 to June 30, 2020.

On March 4, 2020, the Federal Reserve issued a final rule to replace the 2.5 percent capital conservation buffer with a dynamic stress capital buffer (SCB), which has a floor of 2.5 percent. Under the rule, the stress capital buffer equals (i) the difference between a banking organization’s starting and minimum projected Common Equity Tier 1 capital ratios under the supervisory severely adverse stress testing scenario, plus (ii) one year of planned common stock dividends as a percentage of risk-weighted assets. On June 25, 2020, the Federal Reserve released the results of its supervisory stress tests for all banking organizations participating in Comprehensive Capital Analysis and Review (CCAR) and aggregate results of a sensitivity analysis conducted under three alternative downside scenarios stemming from the recent COVID-19 pandemic. Our preliminary SCB requirement of 2.5 percent will result in a minimum Common Equity Tier 1 capital ratio of 7.0 percent, effective on October 1, 2020, subject to confirmation of our final SCB by the Federal Reserve. We continue to support our strategy of maintaining a strong and flexible capital profile, while considering expectations from all stakeholders, including rating agencies.

In light of COVID-19 and its impact on the economy, the Federal Reserve is requiring all banking organizations participating in CCAR, including us, to resubmit capital plans in the fourth quarter based on additional economic scenarios to reflect changes in financial markets and the macroeconomic outlook.

Share Repurchases and Dividends

We return capital to common shareholders through dividends and share repurchases. The share repurchases reduce common shares outstanding and generally more than offset the issuance of new shares as part of employee compensation plans.

During the three and six months ended June 30, 2020, we returned $0.3 billion and $1.6 billion, respectively, to our shareholders in the form of common stock dividends of $0.3 billion and $0.7 billion, respectively, and share repurchases of nil and $0.9 billion, respectively. Due to the current level of uncertainty in the business environment, we have suspended share repurchases since March 2020 to maintain our financial strength.

In addition, during the three and six months ended June 30, 2020, we paid $17 million and $49 million, respectively, in dividends on non-cumulative perpetual preferred shares outstanding.

Our decisions on capital distributions will depend on various factors, including: our capital levels and regulatory capital requirements (including the SCB effective October 1, 2020); actual and forecasted business results; economic and market conditions; revisions to, or revocation of, the Federal Reserve’s authorization of our capital plan; and the CCAR process. The Federal Reserve announced it is prohibiting share repurchases by all banking organizations participating in CCAR and will require them to limit their common stock dividends to the lesser of (a) their common stock dividends last quarter and (b) the average of their net income for the four preceding calendar quarters. These restrictions will continue at least through September 30, 2020 and could be extended or further modified by the Federal Reserve.

For the third quarter of 2020, we intend to maintain our current quarterly dividend of 43 cents per common share, subject to approval by our Board of Directors.

Funding Strategy

Our principal funding objective is to maintain broad and well-diversified funding sources to allow us to meet our maturing obligations, cost-effectively finance current and future asset growth in our global businesses as well as to maintain a strong liquidity profile.

We meet our funding needs through a variety of sources, including direct and third-party distributed deposits and debt instruments, such as senior unsecured debt, asset securitizations, borrowings through secured borrowing facilities and a committed bank credit facility. While we seek to diversify our funding sources by maintaining scale and relevance in unsecured debt, asset securitizations and deposits, we currently expect that direct deposits, such as the Personal Savings program, will become a larger proportion of our funding over time.

Given the significant reductions in our business volumes and changes in growth outlook, we do not currently expect to have meaningful unsecured or secured term debt issuances for the remainder of 2020.

Summary of Consolidated Debt

We had the following consolidated debt and customer deposits outstanding as of June 30, 2020 and December 31, 2019:

Table 18: Summary of Consolidated Debt and Customer Deposits

(Billions)	**June 30, 2020**	December 31, 2019
Short-term borrowings	**$ 1.6**	$ 6.4
Long-term debt	**48.8**	57.8
Total debt	**50.4**	64.2
Customer deposits	**84.8**	73.3
Total debt and customer deposits	**$ 135.2**	$ 137.5

We may redeem from time to time certain debt securities within 31 days prior to the original contractual maturity dates in accordance with the optional redemption provisions of those debt securities.

Our equity capital and funding strategies are designed, among other things, to maintain appropriate and stable unsecured debt ratings from the major credit rating agencies: Moody’s Investor Services (Moody’s), Standard & Poor’s (S&P) and Fitch Ratings (Fitch). Such ratings help support our access to cost-effective unsecured funding as part of our overall funding strategy. Our asset securitization activities are rated separately.

Table 19: Unsecured Debt Ratings

Credit Agency	American Express Entity	Short-Term Ratings	Long-Term Ratings	Outlook
Fitch	All rated entities	F1	A	Negative
Moody’s	American Express Travel Related Services Company, Inc	N/A	A2	Negative
Moody's	American Express Credit Corporation	Prime-1	A2	Negative
Moody's	American Express National Bank	Prime-1	A3	Negative
Moody's	American Express Company	N/A	A3	Negative
S&P	American Express Travel Related Services Company, Inc	N/A	A-	Stable
S&P	American Express Credit Corporation and American Express National Bank	A-2	A-	Stable
S&P	American Express Company	A-2	BBB+	Stable

Downgrades in the ratings of our unsecured debt or asset securitization program securities could result in higher funding costs, as well as higher fees related to borrowings under our unused lines of credit. Declines in credit ratings could also reduce our borrowing capacity in the unsecured debt and asset securitization capital markets. We believe our funding mix, including the proportion of U.S. retail deposits insured by the Federal Deposit Insurance Corporation (FDIC) to total funding, should reduce the impact that credit rating downgrades would have on our funding capacity and costs.

Liquidity Management

Our liquidity objective is to maintain access to a diverse set of on- and off-balance sheet liquidity sources. We seek to maintain liquidity sources in amounts sufficient to meet our expected future financial obligations and business requirements for liquidity for a period of at least twelve months in the event we are unable to raise new funds under our regular funding programs during a substantial weakening in economic conditions.

Our liquidity management strategy includes a number of elements, including, but not limited to:

- Maintaining diversified funding sources (refer to the "Funding Strategy" section for more details);
- Maintaining unencumbered liquid assets and off-balance sheet liquidity sources;
- Projecting cash inflows and outflows under a variety of economic and market scenarios;
- Establishing clear objectives for liquidity risk management, including compliance with regulatory requirements; and
- Incorporating liquidity risk management as appropriate into our capital adequacy framework.

The amount and type of liquidity resources we maintain can vary over time, based upon the results of stress scenarios required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as additional stress scenarios required under our liquidity risk policy.

We believe that we currently maintain sufficient liquidity to meet all internal and regulatory liquidity requirements. As of June 30, 2020, we had Cash and cash equivalents of $41.5 billion. The increase of $17.6 billion from $23.9 billion as of December 31, 2019 was primarily driven by the decline in the balances of our Card Member loans and receivables.

The net interest expense to maintain these liquidity resources depends on the amount of liquidity resources we maintain and the difference between our cost of funding these amounts and their investment yields. As the amount of our liquidity resources has increased, the level of future net interest expense to maintain these resources is expected to be significant, as the investment income is less than the cost of funding.

Securitized Borrowing Capacity

As of June 30, 2020, we maintained our committed, revolving, secured borrowing facility, with a maturity date of July 15, 2022, which gives us the right to sell up to $3.0 billion face amount of eligible AAA notes from the American Express Issuance Trust II (the Charge Trust). As the balance of Card Member receivables in the Charge Trust fluctuates over time in line with business volumes, our capacity to draw on the Charge Trust facility may be reduced when volumes decline. We also maintained our committed, revolving, secured borrowing facility, with a maturity date of September 15, 2022, which gives us the right to sell up to $2.0 billion face amount of eligible AAA certificates from the American Express Credit Account Master Trust (the Lending Trust). Both facilities are used in the ordinary course of business to fund working capital needs, as well as to further enhance our contingent funding resources. As of June 30, 2020, no amounts were drawn on the Charge Trust facility or the Lending Trust facility.

Federal Reserve Discount Window

As an insured depository institution, AENB may borrow from the Federal Reserve Bank of San Francisco, subject to the amount of qualifying collateral that it may pledge. The Federal Reserve has indicated that both credit and charge card receivables are a form of qualifying collateral for secured borrowings made through the discount window. Whether specific assets will be considered qualifying collateral and the amount that may be borrowed against the collateral remain at the discretion of the Federal Reserve.

We had approximately $60.0 billion as of June 30, 2020 in U.S. credit card loans and charge card receivables that could be sold over time through our securitization trusts or pledged in return for secured borrowings to provide further liquidity, subject in each case to applicable market conditions and eligibility criteria.

Committed Bank Credit Facility

In addition to the secured borrowing facilities described above, we maintained a committed syndicated bank credit facility as of June 30, 2020 of $3.5 billion, with a maturity date of October 15, 2022. As of June 30, 2020, no amounts were drawn on this facility.

Unused Credit Outstanding and Certain Contractual Obligations

As of June 30, 2020, we had approximately $314 billion of unused credit available to Card Members as part of established lending product agreements. Total unused credit available to Card Members does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn. Our charge card products generally have no pre-set spending limit and therefore are not reflected in unused credit available to Card Members.

We provide Card Member protection that covers losses associated with purchased goods and services. See Note 7 to the Consolidated Financial Statements for further information.

In July 2020, we signed a renewal extending our cobrand partnership with British Airways through 2028. In connection with the extension, we agreed to make an initial payment of approximately £750 million for the pre-purchase of British Airways' Avios points and other consideration.

Cash Flows

The following table summarizes our cash flow activity for the six months ended June 30:

Table 20: Cash Flows

(Billions)		**2020**		2019
Total cash provided by (used in):				
Operating activities	**$**	**(0.1)**	$	11.5
Investing activities		**22.2**		(10.5)
Financing activities		**(4.8)**		(1.5)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash		**0.4**		—
Net increase (decrease) in cash, cash equivalents and restricted cash	**$**	**17.7**	$	(0.5)

Cash Flows from Operating Activities

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

The decrease in net cash from operating activities over the periods of comparison was primarily driven by the significant decline in billed business, resulting in lower accounts payable and other liabilities, and purchases of loyalty program points from certain of our cobrand partners, which resulted in an increase in Other assets. These purchases of cobrand loyalty program points during the second quarter of 2020 related to the pre-purchase of $1 billion of Hilton Honors points as part of a pre-existing contractual agreement and the payment of $350 million for Marriott Bonvoy points and other consideration as part of an extension of our contractual agreement with Marriott. These points are held as prepaid assets until they are used for future promotions, rewards and incentive programs.

Cash Flows from Investing Activities

Our cash flows from investing activities primarily include changes in Card Member loans and receivables, as well as changes in our available-for-sale investment securities portfolio.

The increase in net cash provided by investing activities over the periods of comparison was primarily driven by a decline in the balances outstanding from Card Member loans and receivables as Card Members continued to pay down outstanding balances, combined with a significant decline in Card Member spending during the period due to the continued impacts of the COVID-19 pandemic and the resulting containment measures, partially offset by a net increase in the investment securities portfolio.

Cash Flows from Financing Activities

Our cash flows from financing activities primarily include changes in customer deposits, long-term debt and short-term borrowings, as well as dividend payments and share repurchases.

The increase in net cash used in financing activities over the periods of comparison was primarily driven by higher net repayment of debt, partially offset by higher growth in customer deposits.

OTHER MATTERS

Certain Legislative, Regulatory and Other Developments

Supervision & Regulation

We are subject to extensive government regulation and supervision in jurisdictions around the world, and the costs of compliance are substantial. In recent years, the financial services industry has been subject to rigorous scrutiny, high regulatory expectations, an increasing range of regulations, and a stringent and unpredictable enforcement environment.

Governmental authorities have focused, and we believe will continue to focus, considerable attention on reviewing compliance by financial services firms with laws and regulations, and as a result, we continually work to evolve and improve our risk management framework, governance structures, practices and procedures. Reviews to assess compliance with laws and regulations by governmental authorities, as well as our own internal reviews, have resulted in, and are likely to continue to result in, changes to our products, practices and procedures, restitution to our customers and increased costs related to regulatory oversight, supervision and examination. We have also been subject to regulatory actions and may continue to be the subject of such actions, including governmental inquiries, investigations, enforcement proceedings and the imposition of fines or civil money penalties, in the event of noncompliance or alleged noncompliance with laws or regulations.

Please see the “Supervision and Regulation” and “Risk Factors” sections of our Annual Report on Form 10-K for the year ended December 31, 2019 (the 2019 Form 10-K) for further information.

Government Responses to COVID-19 Pandemic

In response to the COVID-19 pandemic, authorities around the world have implemented numerous measures to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place orders and business shutdowns. In addition to these measures, which have substantially curtailed household and business activity, fiscal and monetary policy measures have been deployed for the stated purpose of attempting to mitigate the adverse effects on the economy. In the United States, this has included the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and a number of emergency lending and liquidity facilities established by the Federal Reserve.

Among other things, the CARES Act created a new loan guarantee program in which we participated called the Paycheck Protection Program, designed to provide small businesses with support to cover payroll and certain other expenses. The CARES Act also provides financial institutions with the option to temporarily suspend (i) certain requirements under U.S. GAAP for loan modifications related to COVID-19 that would otherwise be treated as troubled debt restructurings and (ii) any determination that a loan modified as a result of COVID-19 is a troubled debt restructuring (including impairment for accounting purposes).

There have also been various governmental actions taken or proposed to provide forms of relief, such as limiting debt collections efforts and encouraging or requiring extensions, modifications or forbearance, with respect to certain loans and fees.

Governmental actions taken in response to the COVID-19 pandemic have not always been coordinated or consistent across jurisdictions but, in general, have been expanding in scope and intensity. The efficacy and ultimate effect of these actions is not known. We continue to monitor federal, state and international regulatory developments in relation to COVID-19 and their potential impact on our operations.

Payments Regulation

Legislators and regulators in various countries in which we operate have focused on the operation of card networks, including through antitrust actions, legislation and regulations to change certain practices or pricing of card issuers, merchant acquirers and payment networks, and, in some cases, to establish broad and ongoing regulatory oversight regimes for payment systems.

The European Union, Australia and other jurisdictions have focused on interchange fees (that is, the fee paid by the bankcard merchant acquirer to the card issuer in payment networks like Visa and Mastercard), as well as the rules, contract terms and practices governing merchant card acceptance. Regulation and other governmental actions relating to pricing or practices could affect all networks directly or indirectly, as well as adversely impact consumers and merchants. Among other things, regulation of bankcard fees has negatively impacted and may continue to negatively impact the discount revenue we earn, including as a result of downward pressure on our discount rate from decreases in competitor pricing in connection with caps on interchange fees. In some cases, regulations also extend to certain aspects of our business, such as network and cobrand arrangements or the terms of card acceptance for merchants.

Broad regulatory oversight over payment systems can also include, in some cases, requirements for international card networks to localize aspects of their operations, such as processing infrastructure and data storage, which could increase our costs and diminish the value of our closed loop. The development and enforcement of payment system regulatory regimes generally continue to grow and may adversely affect our ability to compete effectively and maintain and extend our global network.

For more information on payments regulation, as well as the potential impacts on our results of operations and business, please see the "Supervision and Regulation" and "Risk Factors" sections of the 2019 Form 10-K.

Surcharging

In various countries, such as certain Member States in the EU and Australia, merchants are permitted by law to surcharge card purchases. In addition, the laws of a number of states in the United States that prohibit surcharging have been challenged in litigation brought by merchant groups and some such laws have been overturned. Surcharging is an adverse customer experience and could have a material adverse effect on us if it becomes widespread, particularly where it only or disproportionately impacts our business. In addition, other steering practices that are permitted by regulation in some countries could also have a material adverse effect on us if they become widespread.

For more information on the potential impacts of surcharging and other actions that could impair the Card Member experience, please see the "Risk Factors" section of the 2019 Form 10-K.

Consumer Financial Products Regulation

In the United States, our marketing, sale and servicing of consumer financial products and our compliance with certain federal consumer financial laws are supervised and examined by the CFPB, which has broad rulemaking and enforcement authority over providers of credit, savings and payment services and products and authority to prevent "unfair, deceptive or abusive" acts or practices. In addition, a number of U.S. states have significant consumer credit protection, disclosure and other laws (in certain cases more stringent than U.S. federal laws). U.S. federal law also regulates abusive debt collection practices, which along with bankruptcy and debtor relief laws, can affect our ability to collect amounts owed to us or subject us to regulatory scrutiny.

For more information on consumer financial products regulation, as well as the potential impacts on our results of operations and business, please see the "Supervision and Regulation" and "Risk Factors" sections of the 2019 Form 10-K.

Community Reinvestment Act

AENB is subject to the Community Reinvestment Act of 1977 (CRA), which imposes affirmative, ongoing obligations on depository institutions to meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. In May 2020, the Office of the Comptroller of the Currency issued a final rule intended to (i) clarify which activities qualify for CRA credit; (ii) update where activities count for CRA credit; and (iii) change the methods for CRA measurement, data collection, recordkeeping and reporting. The final rule retains the current community development test for limited purpose banks, such as AENB. It will also require banks to designate additional deposit-based assessment areas. AENB must comply with the final rule by January 1, 2023.

China

During the second quarter 2020, we announced that our joint venture with Lianlian DigiTech Co., Ltd, a Chinese fintech services company, received approval from the People's Bank of China for a network clearing license in mainland China. There can be no assurance that we will be able to successfully compete in China with domestic payment card networks and alternative payment providers when our joint venture begins to process transactions.

Antitrust Litigation

The U.S. Department of Justice and certain states' attorneys general brought an action against us in 2010 alleging that the provisions in our card acceptance agreements with merchants that prohibit merchants from engaging in various actions to discriminate against our card products violate the U.S. antitrust laws. On June 25, 2018, the Supreme Court found in favor of American Express in that case. We continue to vigorously defend similar antitrust claims initiated by merchants. See Note 7 to the "Consolidated Financial Statements" for descriptions of the cases. It is possible that actions impairing the Card Member experience, or the resolution of one or any combination of these merchant claims for damages, could have a material adverse effect on our business. For more information on the potential impacts of an adverse decision in the merchant litigations on our business, please see the "Risk Factors" section of the 2019 Form 10-K.

Privacy, Data Protection, Information and Cyber Security

Regulatory and legislative activity in the areas of privacy, data protection and information and cyber security continues to increase worldwide. We have established and continue to maintain policies and a governance framework to comply with applicable laws, meet evolving customer expectations and support and enable business innovation and growth. Global financial institutions like us, as well as our customers, colleagues, regulators, vendors and other third parties, have experienced a significant increase in information and cyber security risk in recent years and will likely continue to be the target of increasingly sophisticated cyber attacks, including computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing, impersonation and identity takeover attempts), corporate espionage, hacking, website defacement, denial-of-service attacks and other attacks and similar disruptions from the misconfiguration or unauthorized use of or access to computer systems. For more information on privacy, data protection and information and cyber security regulation and the potential impacts of a major information or cyber security incident on our results of operations and business, please see the "Supervision and Regulation" and "Risk Factors" sections of the 2019 Form 10-K.

Recently Issued Accounting Standards

Refer to the Recently Issued Accounting Standards section of Note 1 to the "Consolidated Financial Statements."

Glossary of Selected Terminology

Adjusted net interest income — A non-GAAP measure that represents net interest income attributable to our Card Member loans (which includes, on a GAAP basis, interest that is deemed uncollectible), excluding the impact of interest expense and interest income not attributable to our Card Member loans.

Airline-related volume — Represents spend at airlines as a merchant.

Asset securitizations — Asset securitization involves the transfer and sale of loans or receivables to a special-purpose entity created for the securitization activity, typically a trust. The trust, in turn, issues securities, commonly referred to as asset-backed securities that are secured by the transferred loans and receivables. The trust uses the proceeds from the sale of such securities to pay the purchase price for the transferred loans or receivables. The securitized loans and receivables of our Lending Trust and Charge Trust (collectively, the Trusts) are reported as assets and the securities issued by the Trusts are reported as liabilities on our Consolidated Balance Sheets.

Average discount rate — This calculation is generally designed to reflect the average pricing at all merchants accepting American Express cards and represents the percentage of proprietary and GNS billed business retained by us from merchants we acquire, or from merchants acquired by third parties on our behalf, net of amounts retained by such third parties. The average discount rate, together with billed business, drive our discount revenue.

Billed business — Represents transaction volumes (including cash advances) on cards and other payment products issued by American Express (proprietary billed business) and cards issued under network partnership agreements with banks and other institutions, including joint ventures (GNS billed business). In-store spending activity within GNS retail cobrand portfolios, from which we earn no revenue, is not included in billed business. Billed business is reported as inside the United States or outside the United States based on the location of the issuer. Billed business, together with the average discount rate, drive our discount revenue.

Capital ratios — Represents the minimum standards established by regulatory agencies as a measure to determine whether the regulated entity has sufficient capital to absorb on- and off-balance sheet losses beyond current loss accrual estimates. Refer to the Capital section under "Consolidated Capital Resources and Liquidity" for further related definitions under Basel III.

Cards-in-force — Represents the number of cards that are issued and outstanding by American Express (proprietary cards-in-force) and cards issued and outstanding under network partnership agreements with banks and other institutions, including joint ventures (GNS cards-in-force), except for GNS retail cobrand cards that had no out-of-store spending activity during the prior twelve months. *Basic cards-in-force* excludes supplemental cards issued on consumer accounts. Cards-in-force is useful in understanding the size of our Card Member base.

Card Member — The individual holder of an issued American Express-branded card.

Card Member loans — Represents the outstanding amount due from Card Members for charges made on their American Express credit cards, as well as any interest charges and card-related fees. Card Member loans also include revolving balances on certain American Express charge card products.

Card Member receivables — Represents the outstanding amount due from Card Members for charges made on their American Express charge cards, as well as any card-related fees, other than revolving balances on certain American Express charge cards with Pay Over Time features. Such revolving balances are included within Card Member loans.

Charge cards — Represents cards that generally carry no pre-set spending limits and are primarily designed as a method of payment and not as a means of financing purchases. Charge Card Members generally must pay the full amount billed each month. No finance charges are assessed on charge cards. Each charge card transaction is authorized based on its likely economics reflecting a Card Member's most recent credit information and spend patterns. Some charge cards have additional Pay Over Time feature(s) that allow revolving of certain charges.

Cobrand cards — Cards issued under cobrand agreements with selected commercial partners. Pursuant to the cobrand agreements, we make payments to our cobrand partners, which can be significant, based primarily on the amount of Card Member spending and corresponding rewards earned on such spending and, under certain arrangements, on the number of accounts acquired and retained. The partner is then liable for providing rewards to the Card Member under the cobrand partner's own loyalty program.

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

Discount revenue — Primarily represents the amount earned on transactions occurring at merchants that have entered into a card acceptance agreement with us, a Global Network Services (GNS) partner or other third-party merchant acquirer, for facilitating transactions between the merchants and Card Members.

Interest expense — Includes interest incurred primarily to fund Card Member loans and receivables, general corporate purposes and liquidity needs. Interest expense is divided principally into two categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, and (ii) debt, which primarily relates to interest expense on our long-term financing and short-term borrowings, (e.g., commercial paper, federal funds purchased, bank overdrafts and other short-term borrowings), as well as the realized impact of derivatives hedging interest rate risk on our long-term debt.

Interest income — Includes (i) interest on loans, (ii) interest and dividends on investment securities and (iii) interest income on deposits with banks and other.

Interest on loans — Assessed using the average daily balance method for Card Member loans. Unless the loan is classified as non-accrual, interest is recognized based upon the principal amount outstanding in accordance with the terms of the applicable account agreement until the outstanding balance is paid or written off.

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

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

Loyalty Coalitions — Programs that enable consumers to earn rewards points and use them to save on purchases from a variety of participating merchants through multi-category rewards platforms. Merchants in these programs generally fund the consumer offers and are responsible to us for the cost of rewards points; we earn revenue from operating the loyalty platform and by providing marketing support.

Net card fees — Represents the card membership fees earned during the period recognized as revenue over the covered card membership period (typically one year), net of the provision for projected refunds for Card Membership cancellation and deferred acquisition costs.

Net interest yield on average Card Member loans — A non-GAAP measure that is computed by dividing adjusted net interest income by average Card Member loans, computed on an annualized basis. Reserves and net write-offs related to uncollectible interest are recorded through provision for credit losses, and are thus not included in the net interest yield calculation.

Net write-off rate — principal only — Represents the amount of proprietary consumer or small business Card Member loans or receivables written off, consisting of principal (resulting from authorized transactions), less recoveries, as a percentage of the average loan or receivable balance during the period.

Net write-off rate — principal, interest and fees — Includes, in the calculation of the net write-off rate, amounts for interest and fees in addition to principal for Card Member loans, and fees in addition to principal for Card Member receivables.

Operating expenses — Represents salaries and employee benefits, professional services, occupancy and equipment, and other expenses.

Reserve build (release) — Represents the portion of the provisions for credit losses for the period related to increasing or decreasing reserves for credit losses as a result of, among other things, changes in volumes, macroeconomic outlook, portfolio composition and credit quality of portfolios. Reserve build represents the amount by which the provision for credit losses exceeds net write-offs, while reserve release represents the amount by which net write-offs exceed the provision for credit losses.

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

T&E-related volume — Represents spend on travel and entertainment, which primarily includes airline, cruise, lodging and dining merchant categories. *Non-T&E-related volume* includes spend in all other merchant categories.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- a further deterioration in global economic and business conditions and consumer and business spending generally; an inability or unwillingness of Card Members to pay amounts owed to us; uncertain impacts of, or additional changes in, monetary, fiscal or tax policy to address the impact of COVID-19, including the end of programs and funding designed to support the economy; prolonged measures to contain the spread of COVID-19 or premature easing of such containment measures, both of which could further exacerbate the effects on our business activities and results of operations, Card Members, partners and merchants; our inability to manage risk in an uncertain and fast-changing environment; further market volatility, changes in capital and credit market conditions and the availability and cost of capital; issues impacting brand perceptions and our reputation; changes in foreign currency rates and benchmark interest rates; an inability of our business partners to meet their obligations to us and our customers due to slowdowns or disruptions in their businesses, bankruptcy or liquidation, or otherwise; and pricing changes, product mix and credit actions, including line size and other adjustments to credit availability;
- future credit performance, which will depend in part on changes in consumer behavior that affect loan and receivable balances (such as paydown rates) and delinquency and write-off rates; macroeconomic factors such as unemployment rates, GDP and the volume of bankruptcies; collections capabilities and recoveries of previously written-off loans and receivables; the enrollment in, and effectiveness of, hardship programs and troubled debt restructurings; and governmental actions that provide forms of relief with respect to certain loans and fees, such as limiting debt collections efforts and encouraging or requiring extensions, modifications or forbearance;
- the amount of loans and receivables outstanding being higher or lower than current expectations, which will depend on the behavior of Card Members and their actual spending and borrowing patterns, our ability to manage risk and enhance the Card Member value proposition, and competition;
- the actual amount to be spent on marketing, which will be based in part on continued changes in macroeconomic conditions and business performance; management's assessment of competitive opportunities; the receptivity of Card Members and prospective customers to advertising initiatives; and management's ability to realize efficiencies and optimize investment spending;
- the actual amount to be spent on Card Member rewards and services and business development, and the relationship of these variable customer engagement costs to revenues, which could be impacted by Card Members' interest in the value propositions we offer; further enhancements to product benefits to make them attractive to Card Members, potentially in a manner that is not cost effective; Card Member behavior as it relates to their spending patterns (including the level of spend in bonus categories) and the redemption of rewards and offers; the costs related to reward point redemptions; and new and renegotiated contractual obligations with business partners;
- our ability to reduce our operating expenses, which could be impacted by, among other things, an inability to balance expense control and investments in the business; management's decision to increase or decrease spending in such areas as technology, business and product development, sales force, premium servicing and digital capabilities depending on overall business performance; an inability to innovate efficient channels of customer interactions, such as chat supported by artificial intelligence; higher-than-expected cyber, fraud or compliance expenses or consulting, legal and other professional fees, including as a result of increased litigation or internal and regulatory reviews; the level of M&A activity and related expenses; the payment of civil money penalties, disgorgement, restitution, non-income tax assessments and litigation-related settlements; impairments of goodwill or other assets; the impact of changes in foreign currency exchange rates on costs; and greater than expected inflation;
- net card fees not growing consistent with current expectations, which could be impacted by, among other things, the further deterioration in macroeconomic conditions impacting the ability and desire of Card Members to pay card fees; higher attrition rates; Card Members continuing to be attracted to our premium card products; and an inability

to address competitive pressures and implement our strategies and business initiatives, including introducing new benefits and services that are designed for the current environment;

- a further decline of the average discount rate, including as a result of further changes in the mix of spending by location and industry, merchant negotiations (including merchant incentives, concessions and volume-related pricing discounts), competition, pricing regulation (including regulation of competitors' interchange rates) and other factors;
- changes in the substantial and increasing worldwide competition in the payments industry, including competitive pressure that may materially impact the prices we charge merchants that accept American Express cards, competition for new and existing cobrand relationships, competition from new and non-traditional competitors and the success of marketing, promotion and rewards programs;
- changes affecting our plans regarding the return of capital to shareholders, including our intention to maintain our current quarterly common share dividend for the third quarter of 2020, subject to approval by the Board of Directors, which will depend on factors such as our capital levels and regulatory capital ratios; changes in the stress testing and capital planning process and approval of our capital plans by the Federal Reserve; our results of operations and financial condition; our credit ratings and rating agency considerations; and the economic environment and market conditions in any given period;
- a failure in or breach of our operational or security systems, processes or infrastructure, or those of third parties, including as a result of cyberattacks, which could compromise the confidentiality, integrity, privacy and/or security of data, disrupt our operations, reduce the use and acceptance of American Express cards and lead to regulatory scrutiny, litigation, remediation and response costs, and reputational harm;
- further changes in capital and credit market conditions, which may significantly affect our ability to meet our liquidity needs, expectations regarding capital and liquidity ratios, access to capital and cost of capital, including changes in interest rates; changes in market conditions affecting the valuation of our assets; or any reduction in our credit ratings or those of our subsidiaries, which could materially increase the cost and other terms of our funding or restrict our access to the capital markets;
- legal and regulatory developments, which could affect the profitability of our business activities; limit our ability to pursue business opportunities; require changes to business practices or alter our relationships with Card Members, partners, merchants and other third parties, including our ability to continue certain cobrand and agent relationships in the EU; exert further pressure on the average discount rate and GNS volumes; result in increased costs related to regulatory oversight, litigation-related settlements, judgments or expenses, restitution to Card Members or the imposition of fines or civil money penalties; materially affect our capital or liquidity requirements, results of operations or ability to pay dividends; or result in harm to the American Express brand;
- changes in the financial condition and creditworthiness of our business partners, such as bankruptcies, restructurings or consolidations, including merchants that represent a significant portion of our business, such as the airline industry, or our partners in GNS or financial institutions that we rely on for routine funding and liquidity, which could materially affect our financial condition or results of operations; and
- factors beyond our control such as outbreaks and future waves of COVID-19 cases, severe weather conditions, natural and man-made disasters, power loss, disruptions in telecommunications, or terrorism, any of which could significantly affect demand for and spending on American Express cards, delinquency rates, loan and receivable balances and other aspects of our business and results of operations or disrupt our global network systems and ability to process transactions.

A further description of these uncertainties and other risks can be found in the 2019 Form 10-K, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and other reports filed with the Securities and Exchange Commission.

ITEM 1. FINANCIAL STATEMENTS

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Three Months Ended June 30 (Millions, except per share amounts)	**2020**	2019
Revenues		
Non-interest revenues		
Discount revenue	**$ 4,015**	$ 6,577
Net card fees	**1,141**	988
Other fees and commissions	**449**	837
Other	**186**	362
Total non-interest revenues	**5,791**	8,764
Interest income		
Interest on loans	**2,368**	2,764
Interest and dividends on investment securities	**27**	52
Deposits with banks and other	**31**	149
Total interest income	**2,426**	2,965
Interest expense		
Deposits	**260**	406
Long-term debt and other	**282**	485
Total interest expense	**542**	891
Net interest income	**1,884**	2,074
Total revenues net of interest expense	**7,675**	10,838
Provisions for credit losses		
Card Member receivables	**355**	224
Card Member loans	**969**	603
Other	**231**	34
Total provisions for credit losses	**1,555**	861
Total revenues net of interest expense after provisions for credit losses	**6,120**	9,977
Expenses		
Marketing and business development	**1,362**	1,776
Card Member rewards	**1,349**	2,652
Card Member services	**208**	563
Salaries and employee benefits	**1,349**	1,367
Other, net	**1,230**	1,400
Total expenses	**5,498**	7,758
Pretax income	**622**	2,219
Income tax provision	**365**	458
Net income	**$ 257**	$ 1,761
Earnings per Common Share (Note 14)[(a)]		
Basic	**$ 0.29**	$ 2.07
Diluted	**$ 0.29**	$ 2.07
Average common shares outstanding for earnings per common share:		
Basic	**804**	834
Diluted	**805**	836

(a) Represents net income less (i) earnings allocated to participating share awards of $2 million and $13 million for the three months ended June 30, 2020 and 2019, respectively, and (ii) dividends on preferred shares of $17 million and $19 million for the three months ended June 30, 2020 and 2019, respectively.

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

Six Months Ended June 30 (Millions, except per share amounts)	**2020**	2019
Revenues		
Non-interest revenues		
Discount revenue	**$ 9,853**	$ 12,772
Net card fees	**2,251**	1,932
Other fees and commissions	**1,169**	1,640
Other	**498**	725
Total non-interest revenues	**13,771**	17,069
Interest income		
Interest on loans	**5,277**	5,489
Interest and dividends on investment securities	**65**	85
Deposits with banks and other	**130**	345
Total interest income	**5,472**	5,919
Interest expense		
Deposits	**586**	805
Long-term debt and other	**672**	981
Total interest expense	**1,258**	1,786
Net interest income	**4,214**	4,133
Total revenues net of interest expense	**17,985**	21,202
Provisions for credit losses		
Card Member receivables	**952**	477
Card Member loans	**2,845**	1,128
Other	**379**	65
Total provisions for credit losses	**4,176**	1,670
Total revenues net of interest expense after provisions for credit losses	**13,809**	19,532
Expenses		
Marketing and business development	**3,067**	3,351
Card Member rewards	**3,741**	5,103
Card Member services	**664**	1,113
Salaries and employee benefits	**2,744**	2,789
Other, net	**2,519**	2,999
Total expenses	**12,735**	15,355
Pretax income	**1,074**	4,177
Income tax provision	**450**	866
Net income	**$ 624**	$ 3,311
Earnings per Common Share (Note 14)[(a)]		
Basic	**$ 0.71**	$ 3.88
Diluted	**$ 0.71**	$ 3.87
Average common shares outstanding for earnings per common share:		
Basic	**806**	837
Diluted	**807**	839

(a) Represents net income less (i) earnings allocated to participating share awards of $4 million and $24 million for the six months ended June 30, 2020 and 2019, respectively, and (ii) dividends on preferred shares of $49 million and $40 million for the six months ended June 30, 2020 and 2019, respectively.

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2020**	2019	**2020**	2019
Net income	**$ 257**	$ 1,761	**$ 624**	$ 3,311
Other comprehensive income (loss):				
Net unrealized debt securities (losses) gains, net of tax	**(5)**	26	**52**	43
Foreign currency translation adjustments, net of tax	**123**	(36)	**(199)**	(28)
Net unrealized pension and other postretirement benefits, net of tax	**(33)**	3	**(27)**	(24)
Other comprehensive income (loss)	**85**	(7)	**(174)**	(9)
Comprehensive income	**$ 342**	$ 1,754	**$ 450**	$ 3,302

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Millions, except share data)	**June 30, 2020**	December 31, 2019
Assets		
Cash and cash equivalents		
Cash and due from banks	**$ 2,043**	$ 3,402
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2020, $249; 2019, $87)	**39,325**	20,392
Short-term investment securities	**129**	138
Total cash and cash equivalents	**41,497**	23,932
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2020, $4,042; 2019, $8,284), less reserves for credit losses: 2020, $519; 2019, $619	**37,034**	56,794
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2020, $25,537; 2019, $32,230), less reserves for credit losses: 2020, $5,628; 2019, $2,383	**64,431**	84,998
Other loans, less reserves for credit losses: 2020, $423; 2019, $152	**4,129**	4,626
Investment securities	**19,942**	8,406
Premises and equipment, less accumulated depreciation and amortization: 2020, $7,131; 2019, $6,562	**4,829**	4,834
Other assets (includes restricted cash of consolidated variable interest entities: 2020, $61; 2019, $85), less reserves for credit losses: 2020, $94; 2019, $27	**16,746**	14,731
Total assets	**$ 188,608**	$ 198,321
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits	**$ 84,805**	$ 73,287
Accounts payable	**7,731**	12,738
Short-term borrowings	**1,567**	6,442
Long-term debt (includes debt issued by consolidated variable interest entities: 2020, $14,578; 2019, $19,668)	**48,797**	57,835
Other liabilities	**24,646**	24,948
Total liabilities	**$ 167,546**	$ 175,250
Contingencies (Note 7)		
Shareholders' Equity		
Preferred shares, $\$1.66^{2/3}$ par value, authorized 20 million shares; issued and outstanding 1,600 shares as of June 30, 2020 and December 31, 2019	**—**	—
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 805 million shares as of June 30, 2020 and 810 million shares as of December 31, 2019	**161**	163
Additional paid-in capital	**11,760**	11,774
Retained earnings	**12,052**	13,871
Accumulated other comprehensive loss		
Net unrealized debt securities gains, net of tax of: 2020, $27; 2019, $11	**85**	33
Foreign currency translation adjustments, net of tax of: 2020, $(171); 2019, $(319)	**(2,388)**	(2,189)
Net unrealized pension and other postretirement benefits, net of tax of: 2020, $(197); 2019, $(208)	**(608)**	(581)
Total accumulated other comprehensive loss	**(2,911)**	(2,737)
Total shareholders' equity	**21,062**	23,071
Total liabilities and shareholders' equity	**$ 188,608**	$ 198,321

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six Months Ended June 30 *(Millions)*	2020	2019
Cash Flows from Operating Activities		
Net income	$ 624	$ 3,311
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provisions for credit losses	4,176	1,670
Depreciation and amortization	711	583
Deferred taxes and other	335	485
Stock-based compensation	109	156
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Other assets	(792)	(472)
Accounts payable & other liabilities	(5,252)	5,744
Net cash (used in) provided by operating activities	(89)	11,477
Cash Flows from Investing Activities		
Sale of investment securities	36	—
Maturities and redemptions of investment securities	4,573	2,426
Purchase of investments	(16,132)	(6,310)
Net decrease (increase) in Card Member loans and receivables, and other loans	34,356	(5,832)
Purchase of premises and equipment, net of sales: 2020, nil; 2019, $34	(689)	(840)
Acquisitions/dispositions, net of cash acquired	—	(91)
Other investing activities	2	148
Net cash provided by (used in) investing activities	22,146	(10,499)
Cash Flows from Financing Activities		
Net increase in customer deposits	11,519	2,625
Net decrease in short-term borrowings	(4,859)	(322)
Proceeds from long-term debt	—	9,180
Payments of long-term debt	(9,699)	(10,379)
Issuance of American Express common shares	33	66
Repurchase of American Express common shares and other	(1,025)	(2,012)
Dividends paid	(749)	(702)
Net cash used in financing activities	(4,780)	(1,544)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	380	90
Net increase (decrease) in cash, cash equivalents and restricted cash	17,657	(476)
Cash, cash equivalents and restricted cash at beginning of period	24,446	27,808
Cash, cash equivalents and restricted cash at end of period	$ 42,103	$ 27,332

Supplemental cash flow information

Cash, cash equivalents and restricted cash reconciliation	**Jun-20**	Dec-19	Jun-19	Dec-18
Cash and cash equivalents per Consolidated Balance Sheets	$ 41,497	$ 23,932	$ 26,869	$ 27,445
Restricted cash included in Other assets per Consolidated Balance Sheets	606	514	463	363
Total cash, cash equivalents and restricted cash	$ 42,103	$ 24,446	$ 27,332	$ 27,808

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

Three months ended June 30, 2020 (Millions, except per share amounts)	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances as of March 31, 2020	$ 21,006	$ —	$ 161	$ 11,680	$ (2,996)	$ 12,161
Net income	**257**	—	—	—	—	**257**
Other comprehensive income	**85**	—	—	—	**85**	—
Other changes, primarily employee plans	**79**	—	—	**80**	—	**(1)**
Cash dividends declared preferred Series B, $12.37 per share	**(9)**	—	—	—	—	**(9)**
Cash dividends declared preferred Series C, $10.29 per share	**(8)**	—	—	—	—	**(8)**
Cash dividends declared common, $0.43 per share	**(348)**	—	—	—	—	**(348)**
Balances as of June 30, 2020	**$ 21,062**	**$ —**	**$ 161**	**$ 11,760**	**$ (2,911)**	**$ 12,052**

Six months ended June 30, 2020 (Millions, except per share amounts)	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances as of December 31, 2019	$ 23,071	$ —	$ 163	$ 11,774	$ (2,737)	$ 13,871
Cumulative effect of change in accounting principle - Reserve for Credit Losses [(a)]	**(882)**	—	—	—	—	**(882)**
Net income	**624**	—	—	—	—	**624**
Other comprehensive loss	**(174)**	—	—	—	**(174)**	—
Repurchase of common shares	**(875)**	—	**(2)**	**(105)**	—	**(768)**
Other changes, primarily employee plans	**43**	—	—	**91**	—	**(48)**
Cash dividends declared preferred Series B, $26.46 per share	**(20)**	—	—	—	—	**(20)**
Cash dividends declared preferred Series C, $34.79 per share	**(29)**	—	—	—	—	**(29)**
Cash dividends declared common, $0.86 per share	**(696)**	—	—	—	—	**(696)**
Balances as of June 30, 2020	**$ 21,062**	**$ —**	**$ 161**	**$ 11,760**	**$ (2,911)**	**$ 12,052**

(a) Represents $1,170 million, net of tax of $288 million, related to the impact as of January 1, 2020 of adopting the new accounting guidance for the recognition of credit losses on certain financial instruments.

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

Three months ended June 30, 2019 (Millions, except per share amounts)	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances as of March 31, 2019	$ 22,218	$ —	$ 168	$ 11,963	$ (2,599)	$ 12,686
Net income	1,761	—	—	—	—	1,761
Other comprehensive loss	(7)	—	—	—	(7)	—
Repurchase of common shares	(630)	—	(1)	(80)	—	(549)
Other changes, primarily employee plans	96	—	—	97	—	(1)
Cash dividends declared preferred Series B, $26.00 per share	(19)	—	—	—	—	(19)
Cash dividends declared common, $0.39 per share	(327)	—	—	—	—	(327)
Balances as of June 30, 2019	$ 23,092	$ —	$ 167	$ 11,980	$ (2,606)	$ 13,551

Six months ended June 30, 2019 (Millions, except per share amounts)	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances of December 31, 2018	$ 22,290	$ —	$ 170	$ 12,218	$ (2,597)	$ 12,499
Net income	3,311	—	—	—	—	3,311
Other comprehensive loss	(9)	—	—	—	(9)	—
Repurchase of common shares	(1,875)	—	(4)	(347)	—	(1,524)
Other changes, primarily employee plans	69	—	1	109	—	(41)
Cash dividends declared preferred Series B, $26.00 per share	(19)	—	—	—	—	(19)
Cash dividends declared preferred Series C, $24.50 per share	(21)	—	—	—	—	(21)
Cash dividends declared common, $0.78 per share	(654)	—	—	—	—	(654)
Balances as of June 30, 2019	$ 23,092	$ —	$ 167	$ 11,980	$ (2,606)	$ 13,551

See Notes to Consolidated Financial Statements.

1. Basis of Presentation

The Company

We are a globally integrated payments company that provides our customers with access to products, insights and experiences that enrich lives and build business success. Our principal products and services are credit and charge card products, along with travel and lifestyle related services, offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel. Our 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 mobile and online applications, affiliate marketing, customer referral programs, third-party vendors and business partners, direct mail, telephone, in-house sales teams, and direct response advertising.

The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2019. If not materially different, certain note disclosures included therein have been omitted from these Consolidated Financial Statements.

The interim Consolidated Financial Statements included in this report have not been audited. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim Consolidated Financial Statements, 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 accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. These accounting estimates reflect the best judgment of management, but actual results could differ.

We evaluate goodwill for impairment annually as of June 30, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of our reporting units below its carrying value. As of June 30, 2020, we performed a qualitative assessment in connection with our annual goodwill impairment evaluation, including the impacts of the COVID-19 pandemic, and determined that it was more likely than not that the fair values of our reporting units exceeded their carrying values.

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

Recently Adopted Accounting Standards

Effective January 1, 2020, we adopted the new credit reserving methodology, applicable to certain financial instruments, known as the Current Expected Credit Loss (CECL) methodology under a modified retrospective transition. The CECL methodology requires measurement of expected credit losses for the estimated life of the financial instrument, not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information. Upon implementation, total loan reserves increased by $1,663 million and total receivable reserves decreased by $493 million, along with the associated current and deferred tax impact of $288 million, and an offset to the opening balance of retained earnings, net of tax, of $882 million. There were no material changes to our business processes or internal controls as a result of adopting the new guidance. Refer to Note 3 for additional information on how management estimates reserves for credit losses in accordance with the CECL methodology.

In addition, for available-for-sale debt securities, the new methodology replaces the other-than-temporary impairment model and requires the recognition of an allowance for reductions in a security's fair value attributable to declines in credit quality, instead of a direct write-down of the security, when a valuation decline is determined to be other-than-temporary. There was no financial impact related to this implementation. Refer to Note 4 for additional information.

2. Loans and Card Member Receivables

Our lending and charge payment card products result in the generation of Card Member loans and Card Member receivables. We also extend credit to consumer and commercial customers through non-card financing products, resulting in Other loans. Reserves for reporting periods beginning after January 1, 2020 are presented using the CECL methodology, while comparative information continues to be reported in accordance with the incurred loss methodology in effect for prior periods.

Card Member loans by segment and Other loans as of June 30, 2020 and December 31, 2019 consisted of:

(Millions)		**2020**		2019
Global Consumer Services Group [(a)]	**$**	**57,907**	$	73,266
Global Commercial Services		**12,152**		14,115
Card Member loans		**70,059**		87,381
Less: Reserve for credit losses		**5,628**		2,383
Card Member loans, net	**$**	**64,431**	$	84,998
Other loans, net [(b)]	**$**	**4,129**	$	4,626

(a) Includes approximately $25.5 billion and $32.2 billion of gross Card Member loans available to settle obligations of a consolidated variable interest entity (VIE) as of June 30, 2020 and December 31, 2019, respectively.

(b) Other loans represent consumer and commercial non-card financing products, and Small Business Administration Paycheck Protection Program (PPP) loans. There were $0.7 billion of gross PPP loans as of June 30, 2020. Other loans are presented net of reserves for credit losses of $423 million and $152 million as of June 30, 2020 and December 31, 2019, respectively.

Card Member receivables by segment as of June 30, 2020 and December 31, 2019 consisted of:

(Millions)		**2020**		2019
Global Consumer Services Group [(a)]	**$**	**14,977**	$	22,844
Global Commercial Services [(b)]		**22,576**		34,569
Card Member receivables		**37,553**		57,413
Less: Reserve for credit losses		**519**		619
Card Member receivables, net	**$**	**37,034**	$	56,794

(a) Includes nil and $8.3 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of June 30, 2020 and December 31, 2019, respectively.

(b) Includes $4.0 billion and nil of gross Card Member receivables available to settle obligations of a consolidated VIE as of June 30, 2020 and December 31, 2019, respectively.

Card Member Loans and Receivables Aging

Generally, a Card Member account is considered past due if payment is not received within 30 days after the billing statement date. The following table presents the aging of Card Member loans and receivables as of June 30, 2020 and December 31, 2019:

2020 (Millions)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
Global Consumer Services Group	**$ 56,959**	**$ 240**	**$ 202**	**$ 506**	**$ 57,907**
Global Commercial Services					
Global Small Business Services	**11,894**	**69**	**42**	**84**	**12,089**
Global Corporate Payments [(a)]	**(b)**	**(b)**	**(b)**	**—**	**63**
Card Member Receivables:					
Global Consumer Services Group	**14,778**	**51**	**37**	**111**	**14,977**
Global Commercial Services					
Global Small Business Services	**$ 12,904**	**$ 103**	**$ 48**	**$ 119**	**$ 13,174**
Global Corporate Payments [(a)]	**(b)**	**(b)**	**(b)**	**$ 235**	**$ 9,402**

2019 (Millions)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
Global Consumer Services Group	$ 72,101	$ 322	$ 253	$ 590	$ 73,266
Global Commercial Services					
Global Small Business Services	13,898	56	40	85	14,079
Global Corporate Payments [(a)]	(b)	(b)	(b)	—	36
Card Member Receivables:					
Global Consumer Services Group	22,560	86	58	140	22,844
Global Commercial Services					
Global Small Business Services	$ 17,113	$ 99	$ 58	$ 134	$ 17,404
Global Corporate Payments [(a)]	(b)	(b)	(b)	$ 136	$ 17,165

(a) Global Corporate Payments (GCP) reflects global, large and middle market corporate accounts. Delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member's billing statement date. In addition, if we initiate collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member loan or receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes. See also (b).

(b) Delinquency data for periods other than 90+ days past billing is not available due to system constraints. Therefore, such data 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.

Credit Quality Indicators for Card Member Loans and Receivables

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

	2020			2019		
	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
Card Member Loans:						
Global Consumer Services Group	**2.7 %**	**3.3 %**	**1.6 %**	2.4 %	2.8 %	1.4 %
Global Small Business Services	**2.1 %**	**2.4 %**	**1.6 %**	1.8 %	2.1 %	1.3 %
Card Member Receivables:						
Global Consumer Services Group	**2.2 %**	**2.4 %**	**1.3 %**	1.7 %	1.8 %	1.3 %
Global Small Business Services	**2.4 %**	**2.6 %**	**2.1 %**	1.8 %	2.1 %	1.6 %
Global Corporate Payments	**(b)**	**2.2 %**	**(c)**	(b)	(d)	(c)

(a) We present 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 we consider uncollectible interest and/or fees in estimating our reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

(b) Net write-off rate based on principal losses only is not available due to system constraints.

(c) For GCP Card Member receivables, delinquency data is tracked based on days past billing status rather than days past due. Delinquency data for periods other than 90+ days past billing is not available due to system constraints. 90+ Days Past Billing as a % of total was 2.5% and 0.7% for the periods ended June 30, 2020 and 2019, respectively.

(d) Net loss ratio was the credit quality indicator for GCP Card Member receivables for prior periods, and represents the ratio of GCP Card Member receivables write-offs, consisting of principal (resulting from authorized transactions) and fee components, less recoveries, on Card Member receivables expressed as a percentage of gross amounts billed to corporate Card Members. The net loss ratio for the six months ended June 30, 2019 was 0.07%.

Refer to Note 3 for additional indicators, including external environmental qualitative factors, management considers in its evaluation process for reserves for credit losses.

Impaired Loans and Receivables

Impaired loans and receivables are individual larger balance or homogeneous pools of smaller balance loans and receivables for which it is probable that we will be unable to collect all amounts due according to the original contractual terms of the customer agreement. We consider impaired loans and receivables to include (i) loans over 90 days past due still accruing interest, (ii) nonaccrual loans and (iii) loans and receivables modified as troubled debt restructurings (TDRs).

In instances where the customer is experiencing financial difficulty, we may modify, through various financial relief programs, loans and receivables with the intention to minimize losses and improve collectability, while providing customers with temporary or permanent financial relief. We have classified loans and receivables in these modification programs as TDRs and continue to classify customer accounts that have exited a modification program as a TDR, with such accounts identified as "Out of Program TDRs."

Such modifications to the loans and receivables primarily include (i) temporary interest rate reductions (possibly as low as zero percent, in which case the loan is characterized as non-accrual in our TDR disclosures), (ii) placing the customer on a fixed payment plan not to exceed 60 months and (iii) suspending delinquency fees until the customer exits the modification program. Upon entering the modification program, the customer's ability to make future purchases is either limited, canceled, or in certain cases suspended until the customer successfully exits from the modification program. In accordance with the modification agreement with the customer, loans and/or receivables may revert back to the original contractual terms (including the contractual interest rate where applicable) when the customer exits the modification program, which is (i) when all payments have been made in accordance with the modification agreement or (ii) when the customer defaults out of the modification program.

Reserves for modifications deemed TDRs are measured individually and incorporate a discounted cash flow model. All changes in the impairment measurement are included within provisions for credit losses.

In response to the COVID-19 pandemic, the United States introduced the Coronavirus Aid, Relief, and Economic Security Act, which among other things provides financial institutions with the option to temporarily suspend (i) certain requirements under U.S. GAAP for loan modifications related to COVID-19 that would otherwise be treated as TDRs and (ii) any determination that a loan modified as a result of COVID-19 is a TDR (including impairment for accounting purposes). Based on the nature of our programs, we have not elected the accounting and reporting relief afforded by this guidance and continue to report modifications as TDRs.

In the first quarter of 2020, we created a Customer Pandemic Relief program for customers who have been impacted by COVID-19 to provide a concession in the form of payment deferrals and waivers of certain fees and interest. We assessed the Customer Pandemic Relief program and determined that eligible loan modifications were temporary in nature, for example, less than three months and not considered TDRs. Once customers exit the Customer Pandemic Relief program, they revert to their original agreement and repay outstanding balances, or if they continue to face financial difficulties, they can enroll in a financial relief program, in which case they are reported as an "In Program TDR."

Impaired Card Member loans and receivables outside the U.S. are not significant as of June 30, 2020 and December 31, 2019; therefore, such loans and receivables are not included in the following tables unless otherwise noted.

AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables provide additional information with respect to our impaired loans and receivables as of June 30, 2020 and December 31, 2019:

	As of June 30, 2020					
			Accounts Classified as a TDR [(c)]			
2020 (Millions)	Over 90 days Past Due & Accruing Interest[(a)]	Non-Accruals[(b)]	In Program[(d)]	Out of Program[(e)]	Total Impaired Balance	Reserve for Credit Losses - TDRs
Card Member Loans:						
Global Consumer Services Group [(f)]	**$ 321**	**$ 239**	**$ 1,175**	**$ 181**	**$ 1,916**	**$ 475**
Global Commercial Services	**38**	**54**	**421**	**44**	**557**	**130**
Card Member Receivables:						
Global Consumer Services Group	—	—	**201**	**15**	**216**	**28**
Global Commercial Services	—	—	**625**	**34**	**659**	**84**
Other Loans[(g)]	**3**	**3**	**162**	**2**	**170**	**35**
Total	**$ 362**	**$ 296**	**$ 2,584**	**$ 276**	**$ 3,518**	**$ 752**

	As of December 31, 2019					
			Accounts Classified as a TDR [(c)]			
2019 (Millions)	Over 90 days Past Due & Accruing Interest[(a)]	Non-Accruals[(b)]	In Program[(d)]	Out of Program[(e)]	Total Impaired Balance	Reserve for Credit Losses - TDRs
Card Member Loans:						
Global Consumer Services Group [(f)]	$ 384	$ 284	$ 500	$ 175	$ 1,343	$ 137
Global Commercial Services	44	54	97	38	233	22
Card Member Receivables:						
Global Consumer Services Group	—	—	56	16	72	3
Global Commercial Services	—	—	109	30	139	6
Total	$ 428	$ 338	$ 762	$ 259	$ 1,787	$ 168

(a) Our policy is generally to accrue interest through the date of write-off (typically 180 days past due). We establish reserves for interest that we believe will not be collected. Amounts presented exclude loans classified as a TDR.

(b) Non-accrual loans not in modification programs primarily include certain loans placed with outside collection agencies for which we have ceased accruing interest. Amounts presented exclude loans classified as a TDR.

(c) Accounts classified as a TDR include $37 million and $26 million that are over 90 days past due and accruing interest and $10 million and $10 million that are non-accruals as of June 30, 2020 and December 31, 2019, respectively.

(d) In Program TDRs include accounts that are currently enrolled in a modification program.

(e) Out of Program TDRs include $197 million and $188 million of accounts that have successfully completed a modification program and $79 million and $72 million of accounts that were not in compliance with the terms of the modification programs as of June 30, 2020 and December 31, 2019, respectively.

(f) Global Consumer Services Group (GCSG) includes balances outside the U.S. of $92 million and $93 million that are over 90 days and accruing interest as of June 30, 2020 and December 31, 2019, respectively.

(g) Other loans primarily represent consumer and commercial non-card financing products. Prior period balances were not significant.

Loans and Receivables Modified as TDRs

The following table provides additional information with respect to loans and receivables modified as TDRs for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020					Six Months Ended June 30, 2020				
	Number of Accounts (thousands)		Outstanding Balances (millions)[a]	Average Interest Rate Reduction (% Points)	Average Payment Term Extensions (# of Months)	Number of Accounts (thousands)		Outstanding Balances (millions)[a]	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)
Troubled Debt Restructurings:										
Card Member Loans	**116**	**$**	**1,103**	**14**	**(b)**	**140**	**$**	**1,298**	**14**	**(b)**
Card Member Receivables	**22**		**744**	**(c)**	**18**	**25**		**818**	**(c)**	**19**
Other Loans[d]	**5**	**$**	**154**	**4**	**15**	**5**	**$**	**154**	**4**	**15**
Total	**143**	**$**	**2,001**			**170**	**$**	**2,270**		

	Three Months Ended June 30, 2019					Six Months Ended June 30, 2019				
	Number of Accounts (thousands)		Outstanding Balances (millions)[a]	Average Interest Rate Reduction (% Points)	Average Payment Term Extensions (# of Months)	Number of Accounts (thousands)		Outstanding Balances (millions)[a]	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)
Troubled Debt Restructurings:										
Card Member Loans	17	$	137	13	(b)	34	$	265	13	(b)
Card Member Receivables	2		50	(c)	26	4		90	(c)	27
Total	19	$	187			38	$	355		

(a) Represents the outstanding balance immediately prior to modification. The outstanding balance includes principal, fees and accrued interest on loans and principal and fees on receivables. Modifications did not reduce the principal balance.

(b) For Card Member loans, there have been no payment term extensions.

(c) We do not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.

(d) Other loans primarily represent consumer and commercial non-card financing products. Prior period balances were not significant.

The following table provides information with respect to loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification. A customer can miss up to three payments before being considered in default, depending on the terms of the modification program. For all customers that defaulted from a modification program, the probability of default is factored into the reserves for loans and receivables.

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	Number of Accounts (thousands)		Aggregated Outstanding Balances Upon Default (millions)[a]	Number of Accounts (thousands)		Aggregated Outstanding Balances Upon Default (millions)[a]
Troubled Debt Restructurings That Subsequently Defaulted:						
Card Member Loans	**3**	**$**	**24**	**7**	**$**	**52**
Card Member Receivables	**1**		**9**	**2**		**18**
Other Loans [b]	**1**		**1**	**1**		**1**
Total	**5**	**$**	**34**	**10**	**$**	**71**

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	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default (millions)[a]	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default (millions)[a]
Troubled Debt Restructurings That Subsequently Defaulted:				
Card Member Loans	3	$ 18	5	$ 36
Card Member Receivables	1	5	2	8
Total	4	$ 23	7	$ 44

(a) The outstanding balances upon default include principal, fees and accrued interest on loans, and principal and fees on receivables.

(b) Other loans primarily represent consumer and commercial non-card financing products. Prior period balances were not significant.

3. Reserves for Credit Losses

Reserves for credit losses represent our best estimate of the expected credit losses in our outstanding portfolio of Card Member loans and receivables as of the balance sheet date. The CECL methodology, which became effective January 1, 2020, requires us to estimate lifetime expected credit losses by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period (R&S Period) beyond the balance sheet date. We make various judgments combined with historical loss experience to calculate a reserve rate that is applied to the outstanding loan or receivable balance to produce a reserve for expected credit losses.

We use a combination of statistically-based models that incorporate current and future economic conditions throughout the R&S Period. The process of estimating expected credit losses is based on several key models: Probability of Default (PD), Exposure at Default (EAD), and future recoveries for each month of the R&S Period. Beyond the R&S Period, we estimate expected credit losses using our historical loss rates.

- PD models are used to estimate the likelihood an account will be written-off.
- EAD models are used to estimate the balance of an account at the time of write-off. This includes balances less expected repayments based on historical payment and revolve behavior, which vary by customer. Due to the nature of revolving loan portfolios, the EAD models are complex and involve assumptions regarding the relationship between future spend and payment behaviors.
- Recovery models are used to estimate amounts that are expected to be received from Card Members after default occurs, typically as a result of collection efforts. Future recoveries are estimated taking into consideration the time of default, time elapsed since default and macroeconomic conditions.

We also consider the likelihood a previously written off account will be recovered. This calculation is dependent on how long ago the account was written off and future economic conditions, which estimate the likelihood and magnitude of recovery. Our models are developed using historical loss experience covering the economic cycle and consider the impact of account characteristics on expected losses.

Future economic conditions include multiple macroeconomic scenarios provided to us by an independent third party and reviewed by management. These macroeconomic scenarios contain certain geographic based variables that are influential to our modelling process, including unemployment rates and real gross domestic product. The process of estimating credit reserves incorporates the above factors over the R&S Period explicitly considering macroeconomic forward-looking information.

Additionally, we consider whether to adjust the quantitative reserves to address possible limitations within the models or factors not included within the models, such as external factors, portfolio trends or management risk actions.

Lifetime losses for most of our loans and receivables are evaluated at an appropriate level of granularity, including assessment on a pooled basis where financial assets share similar risk characteristics, such as past spend and remittance behaviors, credit bureau scores where available, delinquency status, tenure of balance outstanding, amongst others. Credit losses on accrued interest are measured and presented as part of Reserves for credit losses on the Consolidated Balance Sheets and within the Provisions for credit losses in the Consolidated Statements of Income, rather than reversing interest income. Separate models are used for accounts deemed a troubled debt restructuring, which are measured individually using a discounted cash flow model. See Note 2 for information on troubled debt restructurings.

Loans and receivable balances are written off when we consider 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 for pay in full or revolving loans and 120 days past due for term loans. Loans and receivables in bankruptcy or owed by deceased individuals are generally written off upon notification.

Results for reporting periods beginning after January 1, 2020 are presented using the CECL methodology while comparative information continues to be reported in accordance with the incurred loss methodology in effect for prior periods.

Changes in Card Member Loans Reserve for Credit Losses

Card Member loans reserve for credit losses increased for the six months ended June 30, 2020, primarily driven by higher reserve builds reflecting the continued deterioration of the estimated global macroeconomic outlook, including higher rates of unemployment and Gross Domestic Product (GDP) contraction, and changes in portfolio mix, partially offset by a decline in volumes.

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

(Millions)		**2020**		2019
Balance, January 1 [(a)]	**$**	**4,027**	$	2,134
Provisions [(b)]		**2,845**		1,128
Net write-offs [(c)]				
Principal		**(1,017)**		(920)
Interest and fees		**(210)**		(186)
Other [(d)]		**(17)**		12
Balance, June 30	**$**	**5,628**	$	2,168

(a) Includes an increase of $1,643 million as of January 1, 2020, related to the adoption of the CECL methodology.
(b) Provisions for principal, interest and fee reserve components. Provisions for credit losses includes reserve build (release) and replenishment for net write-offs.
(c) Principal write-offs are presented less recoveries of $279 million and $254 million for the six months ended June 30, 2020 and 2019, respectively. Recoveries of interest and fees were not significant. Amounts include net (write-offs) recoveries from TDRs of $(63) million and $(33) million for the six months ended June 30, 2020 and 2019, respectively.
(d) Primarily includes foreign currency translation adjustments of $(17) million and $3 million for the six months ended June 30, 2020 and 2019, respectively.

Changes in Card Member Receivables Reserve for Credit Losses

Card Member receivables reserve for credit losses increased for the six months ended June 30, 2020, primarily driven by higher reserve builds reflecting the continued deterioration of the estimated global macroeconomic outlook, including higher rates of unemployment and GDP contraction, partially offset by a decline in volumes.

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

(Millions)		**2020**		2019
Balance, January 1 [(a)]	**$**	**126**	$	573
Provisions [(b)]		**952**		477
Net write-offs [(c)]		**(557)**		(426)
Other [(d)]		**(2)**		(8)
Balance, June 30	**$**	**519**	$	616

(a) Includes a decrease of $493 million as of January 1, 2020, related to the adoption of the CECL methodology.
(b) Provisions for principal and fee reserve components. Provisions for credit losses includes reserve build (release) and replenishment for net write-offs.
(c) Net write-offs are presented less recoveries of $180 million and $184 million for the six months ended June 30, 2020 and 2019, respectively. Amounts include net (write-offs) recoveries from TDRs of $(16) million and $(6) million, for the six months ended June 30, 2020 and 2019, respectively.
(d) Primarily includes foreign currency translation adjustments of $(1) million and $3 million for the six months ended June 30, 2020 and 2019, respectively.

4. Investment Securities

Investment securities principally include available-for-sale debt securities carried at fair value on the Consolidated Balance Sheets. The CECL methodology, which became effective January 1, 2020, requires us to estimate lifetime expected credit losses for all available-for-sale debt securities in an unrealized loss position. Comparative information continues to be reported in accordance with the methodology in effect for prior periods. When estimating a security's probability of default and the recovery rate, we assess the security's credit indicators, including credit ratings. If our assessment indicates that an expected credit loss exists, we determine the portion of the unrealized loss attributable to credit deterioration and record an allowance for the expected credit loss through the Consolidated Statements of Income in Other loans Provision for credit losses. Unrealized gains and any portion of a security's unrealized loss attributable to non-credit losses are recorded in the Consolidated Statements of Comprehensive Income, net of tax. We had accrued interest on our available-for-sale debt securities totaling $24 million and $20 million, as of June 30, 2020 and December 31, 2019, respectively, presented as Other assets on the Consolidated Balance Sheets.

Investment securities also include equity securities carried at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in the Consolidated Statements of Income as Other, net expense.

Realized gains and losses are recognized upon disposition of the securities using the specific identification method.

The following is a summary of investment securities as of June 30, 2020 and December 31, 2019:

Description of Securities (Millions)	2020 Cost	2020 Gross Unrealized Gains	2020 Gross Unrealized Losses	2020 Estimated Fair Value	2019 Cost	2019 Gross Unrealized Gains	2019 Gross Unrealized Losses	2019 Estimated Fair Value
Available-for-sale debt securities:								
State and municipal obligations	**$ 185**	**$ 7**	**$ —**	**$ 192**	$ 236	$ 8	$ (1)	$ 243
U.S. Government agency obligations	**8**	**—**	**—**	**8**	9	—	—	9
U.S. Government treasury obligations	**18,959**	**100**	**—**	**19,059**	7,395	35	(1)	7,429
Corporate debt securities	**24**	**—**	**—**	**24**	27	—	—	27
Mortgage-backed securities [(a)]	**35**	**3**	**—**	**38**	39	2	—	41
Foreign government bonds and obligations	**546**	**2**	**—**	**548**	578	1	—	579
Equity securities [(b)]	**53**	**22**	**(2)**	**73**	55	25	(2)	78
Total	**$ 19,810**	**$ 134**	**$ (2)**	**$ 19,942**	$ 8,339	$ 71	$ (4)	$ 8,406

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

(b) Equity securities comprise investments in common stock, exchange-traded funds and mutual funds.

The following table provides information about our available-for-sale debt securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2019. There were no available-for-sale debt securities with gross unrealized losses as of June 30, 2020.

	2019			
	Less than 12 months		12 months or more	
Description of Securities (Millions)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
State and municipal obligations	$ 18	$ (1)	$ —	$ —
U.S. Government treasury obligations	—	—	324	(1)
Total	$ 18	$ (1)	$ 324	$ (1)

The following table summarizes the gross unrealized losses by ratio of fair value to amortized cost as of December 31, 2019. There were no available-for-sale debt securities with gross unrealized losses as of June 30, 2020.

	Less than 12 months			12 months or more			Total		
Ratio of Fair Value to Amortized Cost *(Dollars in millions)*	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
2019:									
90%–100%	2	$ 18	$ (1)	3	$ 324	$ (1)	5	$ 342	$ (2)
Total as of December 31, 2019	2	$ 18	$ (1)	3	$ 324	$ (1)	5	$ 342	$ (2)

Contractual maturities for investment securities with stated maturities as of June 30, 2020 were as follows:

(Millions)	Cost	Estimated Fair Value
Due within 1 year	**$ 11,483**	**$ 11,499**
Due after 1 year but within 5 years	**7,946**	**8,017**
Due after 5 years but within 10 years	**179**	**198**
Due after 10 years	**149**	**155**
Total	**$ 19,757**	**$ 19,869**

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

5. Asset Securitizations

We periodically securitize Card Member loans and receivables arising from our card businesses through the transfer of those assets to securitization trusts, American Express Credit Account Master Trust (the Lending Trust) and American Express Issuance Trust II (the Charge Trust and together with the Lending Trust, the Trusts). The Trusts then issue debt securities collateralized by the transferred assets to third-party investors.

The Trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue debt securities that are collateralized by the underlying Card Member loans and receivables. We perform the servicing and key decision making for the Trusts, and therefore have the power to direct the activities that most significantly impact the Trusts' economic performance, which are the collection of the underlying Card Member loans and receivables. In addition, we hold all of the variable interests in both Trusts, with the exception of the debt securities issued to third-party investors. As of June 30, 2020 and December 31, 2019, our ownership of variable interests was $11.3 billion and $12.9 billion, respectively, for the Lending Trust and $4.0 billion and $8.3 billion, respectively, for the Charge Trust. These variable interests held by us provide us with the right to receive benefits and the obligation to absorb losses, which could be significant to both the Lending Trust and the Charge Trust. Based on these considerations, we are the primary beneficiary of the Trusts and therefore consolidate the Trusts.

The following table provides information on the restricted cash held by the Trusts as of June 30, 2020 and December 31, 2019, included in Other assets on the Consolidated Balance Sheets:

(Millions)	**2020**	2019
Lending Trust	**$ 61**	$ 85
Charge Trust	**—**	—
Total	**$ 61**	$ 85

These amounts relate to collections of Card Member loans and receivables to be used by the Trusts to fund future expenses and obligations, including interest on debt securities, credit losses and upcoming debt maturities.

Under the respective terms of the Lending Trust and the Charge 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 debt securities. During the six months ended June 30, 2020 and the year ended December 31, 2019, no such triggering events occurred.

6. Customer Deposits

As of June 30, 2020 and December 31, 2019, customer deposits were categorized as interest-bearing or non-interest-bearing as follows:

(Millions)	**2020**	2019
U.S.:		
Interest-bearing	**$ 82,865**	$ 72,445
Non-interest-bearing (includes Card Member credit balances of: 2020, $1,076; 2019, $389)	**1,101**	415
Non-U.S.:		
Interest-bearing	**21**	23
Non-interest-bearing (includes Card Member credit balances of: 2020, $816; 2019, $401)	**818**	404
Total customer deposits	**$ 84,805**	$ 73,287

Customer deposits by deposit type as of June 30, 2020 and December 31, 2019 were as follows:

(Millions)	**2020**	2019
U.S. retail deposits:		
Savings accounts – Direct	**$ 57,062**	$ 46,394
Certificates of deposit:		
Direct	**2,749**	1,854
Third-party (brokered)	**7,771**	8,076
Sweep accounts – Third-party (brokered)	**15,283**	16,121
Other deposits:		
U.S. non-interest bearing deposits	**25**	26
Non-U.S. deposits	**23**	26
Card Member credit balances — U.S. and non-U.S.	**1,892**	790
Total customer deposits	**$ 84,805**	$ 73,287

The scheduled maturities of certificates of deposit as of June 30, 2020 were as follows:

(Millions)	U.S.	Non-U.S.	Total
2020	**$ 2,685**	**$ 5**	**$ 2,690**
2021	**3,735**	**5**	**3,740**
2022	**2,986**	**—**	**2,986**
2023	**642**	**—**	**642**
2024	**272**	**—**	**272**
After 5 years	**200**	**—**	**200**
Total	**$ 10,520**	**$ 10**	**$ 10,530**

As of June 30, 2020 and December 31, 2019, certificates of deposit in denominations of $250,000 or more, in the aggregate, were as follows:

(Millions)	**2020**	2019
U.S.	**$ 1,018**	$ 622
Non-U.S.	**2**	4
Total	**$ 1,020**	$ 626

7. Contingencies

In the ordinary course of business, we and our subsidiaries are subject to various pending and potential legal actions, arbitration proceedings, claims, investigations, examinations, information gathering requests, subpoenas, inquiries and matters relating to compliance with laws and regulations (collectively, legal proceedings).

Based on our current knowledge, and taking into consideration our litigation-related liabilities, we do not believe we are a party to, nor are any of our properties the subject of, any legal proceeding that would have a material adverse effect on our consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, including the fact that some pending legal proceedings are at preliminary stages or seek an indeterminate amount of damages, it is possible that the outcome of legal proceedings could have a material impact on our results of operations. Certain legal proceedings involving us or our subsidiaries are described below.

A putative merchant class action in the Eastern District of New York, consolidated in 2011 and collectively captioned In re: American Express Anti-Steering Rules Antitrust Litigation (II), alleged that provisions in our merchant agreements prohibiting merchants from differentially surcharging our cards or steering a customer to use another network's card or another type of general-purpose card ("anti-steering" and "non-discrimination" contractual provisions) violate U.S. antitrust laws. On January 15, 2020, our motion to compel arbitration of claims brought by merchants who accept American Express and to dismiss claims of merchants who do not was granted. Plaintiffs have appealed part of this decision.

On February 25, 2020, we were named as a defendant in a case filed in the Superior Court of California, Los Angeles County, captioned Laurelwood Cleaners LLC v. American Express Co., et al., in which the plaintiff seeks a public injunction prohibiting American Express from enforcing its anti-steering and non-discrimination provisions and from requiring merchants "to offer the service of Amex-card acceptance for free." We intend to vigorously defend the case.

In July 2004, we were named as a defendant in another putative class action filed in the Southern District of New York and subsequently transferred to the Eastern District of New York, captioned The Marcus Corporation v. American Express Co., et al., in which the plaintiffs allege an unlawful antitrust tying arrangement between certain of our charge cards and credit cards in violation of various state and federal laws. The plaintiffs in this action seek injunctive relief and an unspecified amount of damages.

On March 8, 2016, plaintiffs B&R Supermarket, Inc. d/b/a Milam's Market and Grove Liquors LLC, on behalf of themselves and others, filed a suit, captioned B&R Supermarket, Inc. d/b/a Milam's Market, et al. v. Visa Inc., et al., for violations of the Sherman Antitrust Act, the Clayton Antitrust Act, California's Cartwright Act and unjust enrichment in the United States District Court for the Northern District of California, against American Express Company, other credit and charge card networks, other issuing banks and EMVCo, LLC. Plaintiffs allege that the defendants, through EMVCo, conspired to shift liability for fraudulent, faulty and otherwise rejected consumer credit card transactions from themselves to merchants after the implementation of EMV chip payment terminals. Plaintiffs seek damages and injunctive relief. An amended complaint was filed on July 15, 2016. On September 30, 2016, the court denied our motion to dismiss as to claims brought by merchants who do not accept American Express cards, and on May 4, 2017, the California court transferred the case to the United States District Court for the Eastern District of New York.

We are being challenged in a number of countries regarding our application of value-added taxes (VAT) to certain of our international transactions, which are in various stages of audit, or are being contested in legal actions. While we believe we have complied with all applicable tax laws, rules and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional VAT. In certain jurisdictions where we are contesting the assessments, we were required to pay the VAT assessments prior to contesting.

Our legal proceedings range from cases brought by a single plaintiff to class actions with millions of putative class members to governmental proceedings. These legal proceedings involve various lines of business and a variety of claims (including, but not limited to, common law tort, contract, application of tax laws, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against us specify the damages sought, many seek an unspecified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against us 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 us to estimate an amount of loss or a range of possible loss, while other matters have progressed sufficiently such that we are able to estimate an amount of loss or a range of possible loss.

We have accrued for certain of our outstanding legal proceedings. An accrual is recorded when it is both (a) probable that a loss has occurred and (b) the amount of loss can be reasonably estimated. There may be instances in which an exposure to loss exceeds the accrual. We evaluate, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the accrual that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

For those disclosed material legal proceedings where a loss is reasonably possible in future periods, whether in excess of a recorded accrual for legal or tax contingencies, or where there is no such accrual, and for which we are able to estimate a range of possible loss, the current estimated range is zero to $200 million in excess of any accruals related to those matters. This range represents management's estimate based on currently available information and does not represent our maximum loss exposure; actual results may vary significantly. As such legal proceedings evolve, we may need to increase our range of possible loss or recorded accruals. In addition, it is possible that significantly increased merchant steering or other actions impairing the Card Member experience as a result of an adverse resolution in one or any combination of the disclosed merchant cases could have a material adverse effect on our business.

In addition, we face exposure associated with Card Member purchases of goods and services, including with respect to the following:

- Return Protection — refunds the price of qualifying purchases made with eligible cards, where the merchant will not accept the return, for up to 90 days from the date of purchase; and

- Merchant Protection — protects Card Members primarily against non-delivery of goods and services, usually in the event of the bankruptcy or liquidation of a merchant. When this occurs, the Card Member may dispute the transaction for which we will generally credit the Card Member's account. If we are unable to collect the amount from the merchant, we may bear the loss for the amount credited to the Card Member. The largest component of the exposure relates to Card Member transactions associated with travel-related merchants, primarily through business arrangements where we have remitted payment to such merchants for a Card Member travel purchase that has not yet been used or "flown."

We have recorded an accrual of $24 million related to these exposures as of June 30, 2020. To date, we have not experienced significant losses related to these exposures; however, our historical experience may not be representative in the current environment given the economic and financial disruptions caused by the COVID-19 pandemic and resulting containment measures. A reasonable possible loss related to these exposures in excess of the recorded accrual cannot be quantified as the Card Member purchases that may include or result in claims are not sufficiently estimable, although we believe our risk of loss has increased in the current environment.

8. Derivatives and Hedging Activities

We use derivative financial instruments to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates, foreign exchange rates, and an equity index or price, and are carried at fair value on the Consolidated Balance Sheets. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of our market risk management. We do not transact in derivatives for trading purposes.

In relation to our credit risk, certain of our bilateral derivative agreements include provisions that allow our counterparties to terminate the agreement in the event of a downgrade of our debt credit rating below investment grade and settle the outstanding net liability position. As of June 30, 2020, these derivatives were not in a significant net liability position. Based on our assessment of the credit risk of our derivative counterparties and our own credit risk as of June 30, 2020 and December 31, 2019, no credit risk adjustment to the derivative portfolio was required.

A majority of our derivative assets and liabilities as of June 30, 2020 and December 31, 2019 are subject to master netting agreements with our derivative counterparties. We have no derivative amounts subject to enforceable master netting arrangements that are not offset on the Consolidated Balance Sheets.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of June 30, 2020 and December 31, 2019:

	Other Assets Fair Value		Other Liabilities Fair Value	
(Millions)	**2020**	2019	**2020**	2019
Derivatives designated as hedging instruments:				
Fair value hedges - Interest rate contracts [(a)]	**$ 624**	$ 185	**$ —**	$ —
Net investment hedges - Foreign exchange contracts	**249**	24	**151**	186
Total derivatives designated as hedging instruments	**873**	209	**151**	186
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	**197**	134	**271**	254
Total derivatives, gross	**1,070**	343	**422**	440
Derivative asset and derivative liability netting [(b)]	**(237)**	(90)	**(237)**	(90)
Cash collateral netting [(c)(d)]	**(628)**	(185)	**(2)**	(9)
Total derivatives, net	**$ 205**	$ 68	**$ 183**	$ 341

(a) For our centrally cleared derivatives, variation margin payments are legally characterized as settlement payments as opposed to collateral.

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

(c) Represents the offsetting of the fair value of bilateral interest rate contracts and certain foreign exchange contracts with the right to cash collateral held from the counterparty or cash collateral posted with the counterparty.

(d) We posted $61 million and $47 million as of June 30, 2020 and December 31, 2019, respectively, as initial margin on our centrally cleared interest rate swaps; such amounts are recorded within Other assets on the Consolidated Balance Sheets and are not netted against the derivative balances.

Fair Value Hedges

We are exposed to interest rate risk associated with our fixed-rate debt obligations. At the time of issuance, certain fixed-rate long-term debt obligations are designated in fair value hedging relationships, using interest rate swaps, to economically convert the fixed interest rate to a floating interest rate. We have $18.8 billion and $22.6 billion of fixed-rate debt obligations designated in fair value hedging relationships as of June 30, 2020 and December 31, 2019, respectively.

The following table presents the gains and losses recognized in Interest expense on the Consolidated Statements of Income associated with the fair value hedges of our fixed-rate long-term debt for the three and six months ended June 30:

	Gains (losses)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2020**	2019	**2020**	2019
Fixed-rate long-term debt	**$ 4**	$ (280)	**$ (593)**	$ (440)
Derivatives designated as hedging instruments	**(10)**	286	**601**	444
Total	**$ (6)**	$ 6	**$ 8**	$ 4

The carrying values of the hedged liabilities, recorded within Long-term debt on the Consolidated Balance Sheets, were $19.6 billion and $22.7 billion as of June 30, 2020 and December 31, 2019, respectively, including the cumulative amount of fair value hedging adjustments of $810 million and $217 million for the respective periods.

We recognized a net decrease of $81 million and a net increase of $36 million in Interest expense on Long-term debt for the three months ended June 30, 2020 and 2019, respectively, and a net decrease of $102 million and a net increase of $74 million for the six months ended June 30, 2020, and 2019, respectively, primarily related to the net settlements (interest accruals) on our interest rate derivatives designated as fair value hedges.

Net Investment Hedges

We had notional amounts of approximately $9.9 billion and $9.8 billion of foreign currency derivatives designated as net investment hedges as of June 30, 2020 and December 31, 2019, respectively. The gain or loss on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment, was a loss of $339 million and a gain of $87 million for the three months ended June 30, 2020 and 2019, respectively, and a gain of $393 million and a loss of $75 million for the six months ended June 30, 2020, and 2019, respectively. Net investment hedge reclassifications out of AOCI into the Consolidated Statements of Income associated with the sale or liquidation of a business, net of taxes, were a gain of $1 million and nil for the three months ended June 30, 2020 and 2019, respectively, and a gain of $1 million and nil for the six months ended June 30, 2020 and 2019, respectively.

Derivatives Not Designated as Hedges

The changes in the fair value of derivatives that are not designated as hedges are intended to offset the related foreign exchange gains or losses of the underlying foreign currency exposures. The changes in the fair value of the derivatives and the related underlying foreign currency exposures resulted in a net loss of $2 million and a net gain of $23 million for the three months ended June 30, 2020 and 2019, respectively, and net gains of $18 million and $27 million for the six months ended June 30, 2020 and 2019, respectively, that are recognized in Other, net expenses in the Consolidated Statements of Income.

9. Fair Values

Financial Assets and Financial Liabilities Carried at Fair Value

The following table summarizes our financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's fair value hierarchy, as of June 30, 2020 and December 31, 2019:

	2020				2019			
(Millions)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Investment securities: [a]								
Equity securities	**$ 73**	**$ 72**	**$ 1**	**$ —**	$ 78	$ 77	$ 1	$ —
Debt securities	**19,869**	**7,214**	**12,655**	**—**	8,328	—	8,328	—
Derivatives, gross [a]	**1,070**	**—**	**1,070**	**—**	343	—	343	—
Total Assets	**21,012**	**7,286**	**13,726**	**—**	8,749	77	8,672	—
Liabilities:								
Derivatives, gross [a]	**422**	**—**	**422**	**—**	440	—	440	—
Total Liabilities	**$ 422**	**$ —**	**$ 422**	**$ —**	$ 440	$ —	$ 440	$ —

(a) Refer to Note 4 for the fair values of investment securities and to Note 8 for the fair values of derivative assets and liabilities, on a further disaggregated basis.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

The following table summarizes the estimated fair values of our financial assets and financial liabilities that are measured at amortized cost, and not required to be carried at fair value on a recurring basis, as of June 30, 2020 and December 31, 2019. The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of June 30, 2020 and December 31, 2019, and require management's judgment. These figures may not be indicative of future fair values, nor can the fair value of American Express be estimated by aggregating the amounts presented.

	Carrying	Corresponding Fair Value Amount			
2020 (Billions)	Value	Total	Level 1	Level 2	Level 3
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents [(a)]	**$ 41**	**$ 41**	**$ 40**	**$ 1**	**$ —**
Other financial assets [(b)]	**40**	**40**	**—**	**40**	**—**
Financial assets carried at other than fair value					
Card Member and Other loans, less reserves [(c)]	**69**	**73**	**—**	**—**	**73**
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	**92**	**92**	**—**	**92**	**—**
Financial liabilities carried at other than fair value					
Certificates of deposit [(d)]	**11**	**11**	**—**	**11**	**—**
Long-term debt [(c)]	**$ 49**	**$ 51**	**$ —**	**$ 51**	**$ —**

	Carrying	Corresponding Fair Value Amount			
2019 (Billions)	Value	Total	Level 1	Level 2	Level 3
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents [(a)]	$ 24	$ 24	$ 23	$ 1	$ —
Other financial assets [(b)]	60	60	—	60	—
Financial assets carried at other than fair value					
Card Member and Other loans, less reserves [(c)]	90	91	—	—	91
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	92	92	—	92	—
Financial liabilities carried at other than fair value					
Certificates of deposit [(d)]	10	10	—	10	—
Long-term debt [(c)]	$ 58	$ 60	$ —	$ 60	$ —

(a) Level 2 amounts reflect time deposits and short-term investments.

(b) Balances include Card Member receivables (including fair values of Card Member receivables of $3.9 billion and $8.2 billion held by a consolidated VIE as of June 30, 2020 and December 31, 2019, respectively), other receivables, restricted cash and other miscellaneous assets.

(c) Balances include amounts held by a consolidated VIE for which the fair values of Card Member loans were $25.4 billion and $32.0 billion as of June 30, 2020 and December 31, 2019, respectively, and the fair values of Long-term debt were $14.9 billion and $19.8 billion as of June 30, 2020 and December 31, 2019, respectively.

(d) Presented as a component of Customer deposits on the Consolidated Balance Sheets.

Nonrecurring Fair Value Measurements

We have certain assets that are subject to measurement at fair value on a nonrecurring basis. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if they are determined to be impaired or where there are observable price changes for equity investments without readily determinable fair values. During the six months ended June 30, 2020 and the year ended December 31, 2019, we did not have any material assets that were measured at fair value due to impairment and there were no material fair value adjustments for equity investments without readily determinable fair values.

10. Guarantees

The maximum potential undiscounted future payments and related liability resulting from guarantees and indemnifications provided by us in the ordinary course of business were $1 billion and $24 million, respectively, as of June 30, 2020, and $1 billion and $29 million, respectively, as of December 31, 2019, all of which were primarily related to our real estate and business dispositions.

To date, we have not experienced any significant losses related to guarantees or indemnifications. Our recognition of these instruments is at fair value. In addition, we establish reserves when a loss is probable and the amount can be reasonably estimated.

11. Changes In Accumulated Other Comprehensive Income

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. Changes in each component for the three and six months ended June 30, 2020 and 2019 were as follows:

Three Months Ended June 30, 2020 (Millions), net of tax	Net Unrealized Gains (Losses) on Debt Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
Balances as of March 31, 2020	$ 90	$ (2,511)	$ (575)	$ (2,996)
Net unrealized losses	**(5)**	—	—	**(5)**
Decrease due to amounts reclassified into earnings	—	**(3)**	—	**(3)**
Net translation gains on investments in foreign operations	—	**465**	—	**465**
Net losses related to hedges of investments in foreign operations	—	**(339)**	—	**(339)**
Pension and other postretirement benefits	—	—	**(33)**	**(33)**
Net change in accumulated other comprehensive (loss) income	**(5)**	**123**	**(33)**	**85**
Balances as of June 30, 2020	**$ 85**	**$ (2,388)**	**$ (608)**	**$ (2,911)**

Six Months Ended June 30, 2020 (Millions), net of tax	Net Unrealized Gains (Losses) on Debt Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2019	$ 33	$ (2,189)	$ (581)	$ (2,737)
Net unrealized gains	**52**	—	—	**52**
Decrease due to amounts reclassified into earnings	—	**(3)**	—	**(3)**
Net translation losses on investments in foreign operations	—	**(589)**	—	**(589)**
Net gains related to hedges of investments in foreign operations	—	**393**	—	**393**
Pension and other postretirement benefits	—	—	**(27)**	**(27)**
Net change in accumulated other comprehensive income (loss)	**52**	**(199)**	**(27)**	**(174)**
Balances as of June 30, 2020	**$ 85**	**$ (2,388)**	**$ (608)**	**$ (2,911)**

Three Months Ended June 30, 2019 (Millions), net of tax	Net Unrealized Gains (Losses) on Debt Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
Balances as of March 31, 2019	$ 9	$ (2,125)	$ (483)	$ (2,599)
Net unrealized gains	26	—	—	26
Net translation losses on investments in foreign operations	—	(123)	—	(123)
Net gains related to hedges of investments in foreign operations	—	87	—	87
Pension and other postretirement benefits	—	—	3	3
Net change in accumulated other comprehensive income (loss)	26	(36)	3	(7)
Balances as of June 30, 2019	$ 35	$ (2,161)	$ (480)	$ (2,606)

Six Months Ended June 30, 2019 (Millions), net of tax	Net Unrealized Gains (Losses) on Debt Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2018	$ (8)	$ (2,133)	$ (456)	$ (2,597)
Net unrealized gains	43	—	—	43
Net translation gains on investments in foreign operations	—	47	—	47
Net losses related to hedges of investments in foreign operations	—	(75)	—	(75)
Pension and other postretirement benefits	—	—	(24)	(24)
Net change in accumulated other comprehensive income (loss)	43	(28)	(24)	(9)
Balances as of June 30, 2019	$ 35	$ (2,161)	$ (480)	$ (2,606)

The following table shows the tax impact for the three and six months ended June 30 for the changes in each component of AOCI presented above:

	Tax expense (benefit)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2020**	2019	**2020**	2019
Net unrealized debt securities	**$ (2)**	$ 9	**$ 16**	$ 13
Net translation on investments in foreign operations	**(6)**	1	**24**	15
Net hedges on investments in foreign operations	**(106)**	28	**124**	(22)
Pension and other postretirement benefits	**(1)**	4	**11**	(7)
Total tax impact	**$ (115)**	$ 42	**$ 175**	$ (1)

Reclassifications out of AOCI into the Consolidated Statements of Income associated with the sale or liquidation of a business, net of taxes, were a gain of $3 million and nil for the three months ended June 30, 2020 and 2019, respectively, and a gain of $3 million and nil for the six months ended June 30, 2020 and 2019, respectively.

12. Other Fees and Commissions and Other Expenses

The following is a detail of Other fees and commissions for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2020**	2019	**2020**	2019
Fees charged to Card Members:				
Delinquency fees	**$ 196**	$ 255	**$ 456**	$ 506
Foreign currency conversion fee revenue	**57**	250	**250**	480
Other customer fees:				
Loyalty coalition-related fees	**90**	109	**198**	223
Travel commissions and fees	**5**	121	**65**	229
Service fees and other [(a)]	**101**	102	**200**	202
Total Other fees and commissions	**$ 449**	$ 837	**$ 1,169**	$ 1,640

(a) Other includes Membership Rewards program fees that are not related to contracts with customers.

Revenue expected to be recognized in future periods related to contracts that have an original expected duration of one year or less and contracts with variable consideration (e.g. discount revenue) are not required to be disclosed. Non-interest revenue expected to be recognized in future periods through remaining contracts with customers is not material.

The following is a detail of Other expenses for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2020**	2019	**2020**	2019
Occupancy and equipment	**$ 564**	$ 517	**$ 1,113**	$ 1,025
Professional services	**406**	512	**845**	1,006
Other [(a)]	**260**	371	**561**	968
Total Other expenses	**$ 1,230**	$ 1,400	**$ 2,519**	$ 2,999

(a) Other expense primarily includes general operating expenses, non-income taxes, communication expenses, unrealized gains and losses on certain equity investments, Card Member and merchant-related fraud losses, foreign currency-related gains and losses, and litigation expenses.

13. Income Taxes

The effective tax rate was 58.7 percent and 20.6 percent for the three months ended June 30, 2020 and 2019, respectively, and 41.9 percent and 20.7 percent for the six months ended June 30, 2020 and 2019, respectively. The increase for both periods reflects the impact of discrete tax charges primarily related to the realizability of certain foreign deferred tax assets, resulting from cumulative losses in certain non-US legal entities that were exacerbated by the impacts of COVID-19, and lower overall pretax income.

We are under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which we have significant business operations. The tax years under examination and open for examination vary by jurisdiction. Tax years from 2016 onwards are open for examination by the IRS. In the current period, the IRS commenced its review of the 2017 and 2018 tax years.

We believe it is reasonably possible that our unrecognized tax benefits could decrease within the next 12 months by as much as $113 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 $113 million of unrecognized tax benefits, approximately $96 million relates to amounts that, if recognized, would impact the effective tax rate in a future period.

14. Earnings Per Common Share (EPS)

The computations of basic and diluted EPS for the three and six months ended June 30 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions, except per share amounts)	**2020**	2019	**2020**	2019
Numerator:				
Basic and diluted:				
Net income	**$ 257**	$ 1,761	**$ 624**	$ 3,311
Preferred dividends	**(17)**	(19)	**(49)**	(40)
Net income available to common shareholders	**$ 240**	$ 1,742	**$ 575**	$ 3,271
Earnings allocated to participating share awards [(a)]	**(2)**	(13)	**(4)**	(24)
Net income attributable to common shareholders	**$ 238**	$ 1,729	**$ 571**	$ 3,247
Denominator: [(a)]				
Basic: Weighted-average common stock	**804**	834	**806**	837
Add: Weighted-average stock options [(b)]	**1**	2	**1**	2
Diluted	**805**	836	**807**	839
Basic EPS	**$ 0.29**	$ 2.07	**$ 0.71**	$ 3.88
Diluted EPS	**$ 0.29**	$ 2.07	**$ 0.71**	$ 3.87

(a) Our 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 exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) The dilutive effect of unexercised stock options excludes from the computation of EPS 1.5 million and 0.4 million of options for the three months ended June 30, 2020 and 2019, respectively, and 0.6 million and 0.4 million of options for the six months ended June 30, 2020 and 2019, respectively, because inclusion of the options would have been anti-dilutive.

15. Reportable Operating Segments

Effective for the first quarter of 2020, we made certain enhancements to our transfer pricing methodology related to the sharing of revenues between our card issuing, network and merchant businesses, and our methodology related to the allocation of certain funding costs primarily related to our Card Member loan and Card Member receivable portfolios. These enhancements resulted in certain changes to Non-interest revenues, Interest expense and operating expenses across our reportable operating segments. Prior period amounts have been revised to conform to the current period presentation. These changes had no impact on our Consolidated Results of Operations.

The following table presents certain selected financial information for our reportable operating segments and Corporate & Other as of or for the three and six months ended June 30:

Three Months Ended June 30, 2020 (Millions, except where indicated)	GCSG	GCS	GMNS	Corporate & Other [(a)]	Consolidated
Total non-interest revenues	**$ 2,932**	**$ 2,014**	**$ 919**	**$ (74)**	**$ 5,791**
Revenue from contracts with customers [(b)]	**1,836**	**1,652**	**875**	**(6)**	**4,357**
Interest income	**1,971**	**402**	**4**	**49**	**2,426**
Interest expense	**272**	**154**	**(6)**	**122**	**542**
Total revenues net of interest expense	**4,631**	**2,262**	**929**	**(147)**	**7,675**
Net income (loss)	**$ 527**	**$ (60)**	**$ 66**	**$ (276)**	**$ 257**
Total assets *(billions)*	**$ 80**	**$ 38**	**$ 12**	**$ 59**	**$ 189**

AMERICAN EXPRESS COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Six Months Ended June 30, 2020 (Millions, except where indicated)	GCSG	GCS	GMNS	Corporate & Other [(a)]	Consolidated
Total non-interest revenues	**$ 6,826**	**$ 4,802**	**$ 2,265**	**$ (122)**	**$ 13,771**
Revenue from contracts with customers [(b)]	**4,530**	**4,024**	**2,115**	**(16)**	**10,653**
Interest income	**4,382**	**901**	**10**	**179**	**5,472**
Interest expense	**600**	**354**	**(42)**	**346**	**1,258**
Total revenues net of interest expense	**10,608**	**5,349**	**2,317**	**(289)**	**17,985**
Net income (loss)	**$ 728**	**$ (22)**	**$ 483**	**$ (565)**	**$ 624**
Total assets *(billions)*	**$ 80**	**$ 38**	**$ 12**	**$ 59**	**$ 189**

Three Months Ended June 30, 2019 (Millions, except where indicated)	GCSG	GCS	GMNS	Corporate & Other [(a)]	Consolidated
Total non-interest revenues	$ 4,193	$ 3,059	$ 1,478	$ 34	$ 8,764
Revenue from contracts with customers [(b)]	3,060	2,665	1,355	—	7,080
Interest income	2,297	468	7	193	2,965
Interest expense	446	269	(87)	263	891
Total revenues net of interest expense	6,044	3,258	1,572	(36)	10,838
Net income (loss)	$ 881	$ 561	$ 564	$ (245)	$ 1,761
Total assets *(billions)*	$ 102	$ 55	$ 22	$ 19	$ 198

Six Months Ended June 30, 2019 (Millions, except where indicated)	GCSG	GCS	GMNS	Corporate & Other [(a)]	Consolidated
Total non-interest revenues	$ 8,105	$ 5,985	$ 2,927	$ 52	$ 17,069
Revenue from contracts with customers [(b)]	5,884	5,206	2,680	6	13,776
Interest income	4,569	922	16	412	5,919
Interest expense	881	525	(167)	547	1,786
Total revenues net of interest expense	11,793	6,382	3,110	(83)	21,202
Net income (loss)	$ 1,835	$ 1,073	$ 1,135	$ (732)	$ 3,311
Total assets *(billions)*	$ 102	$ 55	$ 22	$ 19	$ 198

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.
(b) Includes discount revenue, certain other fees and commissions and other revenues from customers.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. Our market risk exposures include (i) interest rate risk due to changes in the relationship between the interest rates on our assets (such as loans, receivables and investment securities) and the interest rates on our liabilities (such as debt and deposits); and (ii) foreign exchange risk related to transactions, funding, investments and earnings in currencies other than the U.S. dollar.

Interest Rate Risk

We analyze a variety of interest rate scenarios in response to changes in balance sheet composition, market conditions, and other factors. As of June 30, 2020, the composition of the balance sheet shifted substantially compared to December 31, 2019. There was a substantial net reduction in total fixed rate assets within Card Member loans, Card Member receivables and investment securities, and an increase in floating rate assets such as cash and cash equivalents. Largely as a result of this change in balance sheet composition, the adverse impact of changes in market interest rates on our net interest income has been significantly lowered since December 31, 2019. A hypothetical, immediate 100 basis point increase or decrease in market interest rates would have a modest detrimental effect of less than $40 million on our annual net interest income, based on the balance sheet as of June 30, 2020. The detrimental impact from rate changes is measured by instantaneously increasing or decreasing the anticipated future interest rates by 100 basis points, using a static asset liability gapping model. Our estimated repricing risk assumes that our interest-rate sensitive assets and the majority of our liabilities that reprice within the twelve-month horizon generally reprice by the same magnitude as benchmark rate changes, and these benchmark rates do not fall below zero percent. It is further assumed that certain deposit liabilities reprice at lower magnitudes than benchmark rate movements, and the magnitude of this repricing in turn depends on, among other factors, the direction of rate movements. These assumptions are consistent with historical deposit repricing experience in the industry and within our own portfolio. Actual changes in our net interest income will depend on many factors, and therefore may differ from our estimated risk to changes in market interest rates.

Foreign Exchange Risk

With respect to earnings denominated in foreign currencies, the adverse impact of a hypothetical 10 percent strengthening of the U.S. dollar would have been approximately $17 million and $173 million on our pretax income for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information that updates the disclosures set forth under Part I, Item 3. "Legal Proceedings" in our 2019 Form 10-K, refer to Note 7 to the "Consolidated Financial Statements" in this Form 10-Q.

ITEM 1A. RISK FACTORS

For a discussion of our risk factors, see Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019 (the 2019 Form 10-K) and Part II, Item 1A. "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the First Quarter Form 10-Q). The information included in the "Risk Factors" section of the First Quarter Form 10-Q is incorporated by reference herein. However, the risks and uncertainties that we face are not limited to those set forth in the 2019 Form 10-K, as supplemented and updated in the First Quarter Form 10-Q. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our securities, particularly in light of the fast-changing nature of the COVID-19 pandemic, containment measures, the potential for future waves of outbreaks and the related impacts to economic and operating conditions.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) ISSUER PURCHASES OF SECURITIES

The table below sets forth the information with respect to purchases of our common stock made by or on behalf of us during the three months ended June 30, 2020.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [c]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1-30, 2020				
Repurchase program[a]	—	$ —	—	102,171,653
Employee transactions[b]	—	—	N/A	N/A
May 1-31, 2020				
Repurchase program[a]	—	$ —	—	102,171,653
Employee transactions[b]	28,756	$94.26	N/A	N/A
June 1-30, 2020				
Repurchase program[a]	—	$ —	—	102,171,653
Employee transactions[b]	—	—	N/A	N/A
Total				
Repurchase program[a]	—	$ —	—	102,171,653
Employee transactions[b]	28,756	$94.26	N/A	N/A

(a) On September 23, 2019, the Board of Directors authorized the repurchase of up to 120 million common shares from time to time, subject to market conditions and in accordance with our capital plans. This authorization replaced the prior repurchase authorization and does not have an expiration date. See "MD&A – Consolidated Capital Resources and Liquidity" for additional information regarding share repurchases.

(b) Includes: (i) shares surrendered by holders of employee stock options who exercised options (granted under our incentive compensation plans) in satisfaction of the exercise price and/or tax withholding obligation of such holders and (ii) restricted shares withheld (under the terms of grants under our incentive compensation plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. Our incentive compensation plans provide that the value of the shares delivered or attested to, or withheld, be based on the price of our common stock on the date the relevant transaction occurs.

(c) Share purchases under publicly announced programs are made pursuant to open market purchases or privately negotiated transactions (including employee benefit plans) as market conditions warrant and at prices we deem appropriate.

ITEM 6. EXHIBITS

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

Exhibit	Description
10.1	American Express Company 2016 Incentive Compensation Plan (as amended and restated effective May 5, 2020) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated May 5, 2020 (filed May 7, 2020)).
31.1	Certification of Stephen J. Squeri pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Jeffrey C. Campbell pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Stephen J. Squeri pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Jeffrey C. Campbell pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

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

AMERICAN EXPRESS COMPANY
(Registrant)

Date: July 24, 2020	By	/s/ Jeffrey C. Campbell Jeffrey C. Campbell Chief Financial Officer
Date: July 24, 2020	By	/s/ Jessica Lieberman Quinn Jessica Lieberman Quinn Executive Vice President and Corporate Controller (Principal Accounting Officer)