

Exhibit 2 U.S. Card Services Selected Income Statement Data

Years ended December 31 (millions)	2011	2010	2009
Revenues			
Discount revenue, net card fees, and other	\$10,648	\$9,884	\$9,043
Securitization income, net ¹	—	—	400
Interest income	5,230	5,390	3,216
Interest expense	807	812	568
Net interest income	4,423	4,578	2,648
Total revenues, net of interest expense	15,071	14,462	12,091
Provisions for losses	657	1,591	3,769
Total revenues, net of interest expense after provisions for losses	14,414	12,871	8,322
Expenses			
Marketing, promotion, rewards, and cardmember services	6,233	5,741	4,362
Salaries and employee benefits	3,442	3,623	3,725
Operating expenses			
Total	10,255	9,367	7,747
Pretax segment income	4,129	3,504	575
Income tax provision	1,449	1,279	171
Segment income	\$2,680	\$2,225	\$404

Data source: American Express annual report, 2012.

1. In accordance with new GAAP governing consolidations and VIEs, the company no longer reports net securitization income in its income statement beginning January 1, 2010.

by AXP's banking subsidiaries, any interest on loans to members was another source of revenue that Visa and MasterCard did not receive.

AXP's business model was supported by a complimentary advertising campaign designed to attract affluent consumers who would tend to spend more per purchase. From 1987 to 1996, the AXP ad campaign tagline was "Membership has its privileges."⁸ Ads often featured images of cardmember celebrities, from Elvis Presley in 1958⁹ to Robert DeNiro in 2004's "My Life" campaign.¹⁰ The brand became widely associated with affluence and exclusivity, and its average annual spend per cardholder tended to be higher than that of AXP's competitors. The average annual spend per card increased at a double-digit rate from 2009

to 2011, growing from \$11,505 to \$14,124.¹¹ Industry analysts were well aware of the differences in approach: "This contrast is evident in the numbers; Visa has more than 2 billion cards in use worldwide and processes more than 60 billion transactions per year, while AmEx has just 107 million cards in force and processes just 6 billion transactions per year. Despite this disparity, American Express has annual gross revenues of \$33 billion while Visa earns just \$14 billion per year."¹²

Experiencing Exclusion

The EG team recognized that it needed to better understand the Bank 2.0 customer. Rather than simply relying on third-party research about financial inclusion, the team sought to engage directly with the experiences of underbanked people by trying to make payments without accessing credit or checking accounts. Chokshi, for example, stood in line for at least half an hour before attempting to cash a personal check at a check casher. The standard check casher, he found, took between 2% and 5% of the face transactional value. This process, Chokshi discovered, was the first of several instances in which underbanked people lost both money and time relative to affluent customers. Once their checks were cashed—at a substantial price in fees—they had to stand in another line to get a money order to pay their bill. Given the difficulty of finding time to stand in lines—*This is like a part-time job*, Chokshi thought—people often had to contend with late fees.

At a meeting, the team members shared with each other that at least 50% of Americans lived paycheck-to-paycheck. "Most have enough money to cover expenses," one team member explained. "It's a timing issue. It's cash flow. The populations we're talking about can't [take on more debt]. They have no savings, they have no flex." As a result, this segment often resorted to payday loans.

The next task was to develop a specific go-to-market approach. The team had been thinking about an innovative product: a prepaid, reloadable card that could do many of the things one would normally have to go to a bank to do. The physical-branch-based system was increasingly unreliable—not only because of rising fees, but also because branches were closing across the country. In a meeting room, the team wrote on a board: "It's expensive to be poor" and "2,300 bank branches closed last year, 95% in low-income areas. 70 million people in the United States are unbanked or underbanked; they pay 10% of their income on fees and interest to complete everyday transactions." EG thought 10% was about the