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

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

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 No. 1-7657

American Express Company

(Exact name of registrant as specified in its charter)

New York	**13-4922250**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
World Financial Center **200 Vesey Street** **New York, New York** *(Address of principal executive offices)*	**10285** *(Zip Code)*

Registrant's telephone number, including area code: (212) 640-2000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares (par value $0.20 per Share)	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

As of June 30, 2011, the aggregate market value of the registrant's voting shares held by non-affiliates of the registrant was approximately $61.7 billion based on the closing sale price as reported on the New York Stock Exchange.

As of February 22, 2012, there were 1,201,902,244 common shares of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II and IV: Portions of Registrant's 2011 Annual Report to Shareholders.

Part III: Portions of Registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Shareholders to be held on April 30, 2012.

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PART I *

ITEM 1. BUSINESS

INTRODUCTION

Overview

American Express Company, together with its consolidated subsidiaries ("American Express," the "Company," "we," "us" or "our"), is a global service company that provides customers with access to products, insights and experiences that enrich lives and build business success. Our principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world.

We were founded in 1850 as a joint stock association. We were incorporated in 1965 as a New York corporation. American Express Company and its principal operating subsidiary, American Express Travel Related Services Company, Inc. ("TRS"), are bank holding companies under the Bank Holding Company Act of 1956 (the "BHC Act"), subject to the supervision and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve").

Our headquarters are located in New York, New York in lower Manhattan. We also have offices in other locations in North America, as well as throughout the world.

We are principally engaged in businesses comprising four reportable operating segments: U.S. Card Services, International Card Services, Global Commercial Services and Global Network & Merchant Services, all of which we describe below. Corporate functions and auxiliary businesses, including the Company's Enterprise Growth Group, publishing business and other company operations, are included in Corporate & Other.

Securities Exchange Act Reports and Additional Information

We maintain an Investor Relations Web site on the Internet at http://ir.americanexpress.com. We make available free of charge, on or through this Web site, our annual, quarterly and current reports and any amendments to those reports as soon as reasonably practicable following the time they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). To access these materials, just click on the "SEC Filings" link under the caption "Financial Information/Filings" on our Investor Relations homepage.

You can also access our Investor Relations Web site through our main Web site at www.americanexpress.com by clicking on the "About American Express" link, which is located at the bottom of our homepage. Information contained on our Investor Relations Web site, our main Web site and other Web sites referred to in this report is not incorporated by reference into this report or any other report filed with or furnished to the SEC. We have included such Web site addresses only as inactive textual references and do not intend them to be active links.

This report includes trademarks, such as American Express ®, which are protected under applicable intellectual property laws and are the property of American Express Company. This report also contains trademarks, service marks, copyrights and trade names of other companies, which are the property of their

* Some of the statements in this report constitute forward-looking statements. You can identify forward-looking statements by words such as "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," "estimate," "predict," "potential," "continue" or other similar expressions. We discuss certain factors that affect our business and operations and that may cause our actual results to differ materially from these forward-looking statements under "Risk Factors" below. You 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 publicly or revise any forward-looking statements.

respective owners. Solely for convenience, our trademarks and tradenames referred to in this report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and tradenames.

2011 Highlights

Compared with 2010, we delivered:

- Total revenues net of interest expense of $30.0 billion, up 9% from $27.6 billion
- Net income of $4.9 billion, up 22% from $4.1 billion
- Diluted earnings per share based on net income attributable to common shareholders of $4.12, up 23% from $3.35
- Return on average equity of 27.7%, compared with 27.5%

Our results for 2011 continued to reflect strong spending growth and improved credit performance, as well as a planned slowdown in the growth of operating expenses in the fourth quarter of the year. During the year cardmember spending volumes grew both in the United States and internationally, and across all of our businesses, despite both a challenging economic environment and comparisons to relatively strong performance in the prior year. Improving credit trends contributed to a reduction in loan write-offs and in overall loss reserve levels over the course of 2011 when compared to 2010. Going forward, we expect the benefits to our results from reserve releases to diminish as credit metrics are at historically low levels.

Despite our continued momentum, competition remains extremely intense across all of our businesses. In addition, the global economic environment remains uncertain. The current instability in Europe in particular and concerns about sovereign defaults and the creditworthiness and liquidity of the European banking systems could adversely affect global economic conditions, including potentially negatively affecting consumer and corporate confidence and spending, disrupting the debt and equity markets and impacting foreign exchange rates. European billed business accounted for approximately 12 percent of our total billed business for the year ended December 31, 2011. We also received the last settlement payments from MasterCard International, Inc. (“MasterCard”) and Visa Inc. (“Visa”) in 2011 and face more difficult year-over-year comparisons in light of strong 2010 and 2011 volume and credit performance. Due to these factors, we are continuing to implement our plan to slow the growth of operating expenses over the next few years.

In 2012, we will continue our focus on several initiatives designed to help us accomplish our long-term growth goals: increasing our share of online spending across all of our products while transforming our customers’ digital experience; delivering greater value to merchants; accelerating our growth outside the United States; making significant progress within the Enterprise Growth Group; and broadening and deepening our customer base through the addition of more women, minorities and younger adults. We continue to focus our investments on both driving near-term metrics and building capabilities that will benefit our medium- to long-term success.

For a complete discussion of our 2011 financial results, including financial information regarding each of our reportable operating segments, see pages 14-106 of our 2011 Annual Report to Shareholders, which is incorporated herein by reference. For a discussion of our principal sources of revenue, see pages 59-60 of our 2011 Annual Report to Shareholders.

Products and Services

Our range of products and services includes:

- Charge and credit card products
- Expense management products and services

- Consumer and business travel services
- Stored value products such as Travelers Cheques and other prepaid products
- Network services
- Merchant acquisition and processing, servicing and settlement, and point-of-sale, marketing and information products and services for merchants
- Fee services, including market and trend analyses and related consulting services, fraud prevention services, and the design of customized customer loyalty and rewards programs

We have also recently focused on generating alternative sources of revenue on a global basis in areas such as online and mobile payments and fee-based services. 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 direct mail, online applications, in-house and third-party sales forces and direct response advertising.

Our products and services generate the following types of revenue:

- Discount revenue, our largest revenue source, which represents fees charged to merchants when cardmembers use their cards to purchase goods and services at merchants on our network
- Net card fees, which represent revenue earned for annual charge card memberships
- Travel commissions and fees, which are earned by charging a transaction or management fee for airline or other travel-related transactions
- Other commissions and fees, which are earned on foreign exchange conversions and card-related fees and assessments
- Other revenue, which represents insurance premiums earned from cardmember travel and other insurance programs, revenues arising from contracts with Global Network Services' partners (including royalties and signing fees), publishing revenues and other miscellaneous revenue and fees
- Interest and fees on loans, which principally represent interest income earned on outstanding balances and card fees related to the cardmember loans portfolio

Our general-purpose card network, card-issuing and merchant-acquiring and processing businesses are global in scope. We are a world leader in providing charge and credit cards to consumers, small businesses and corporations. These cards include cards issued by American Express as well as cards issued by third-party banks and other institutions that are accepted by merchants on the American Express network (collectively, "Cards"). American Express Cards permit cardmembers ("Cardmembers") to charge purchases of goods and services in most countries around the world at the millions of merchants that accept Cards bearing our logo. At December 31, 2011, we had total worldwide Cards-in-force of 97.4 million (including Cards issued by third parties). In 2011, our worldwide billed business (spending on American Express ® Cards, including Cards issued by third parties) was $822 billion.

To put us in a better position to grow within new revenue categories, we created an Enterprise Growth Group to focus on generating alternative sources of revenue on a global basis in areas such as online and mobile payments and fee-based services. For a discussion concerning our Enterprise Growth Group, see "Corporate & Other" below. In addition to the Enterprise Growth Group, we are seeking to transform all of our businesses for the digital marketplace, including by increasing our share of online spend billings across all products and enhancing customers' digital experience, both organically and through strategic investments.

Our business as a whole has not experienced significant seasonal fluctuations, although travel sales generally tend to be highest in the second and fourth quarters. Travelers Cheque sales and Travelers Cheques outstanding tend to be greatest each year in the summer months, peaking in the third quarter. American Express ® Gift Card sales are highest in the months of November and December; and Card billed business tends to be moderately higher in the fourth quarter than in other quarters.

Competitive Advantages of our Closed-Loop Network and Spend-Centric Model

We believe our "closed-loop" network and "spend-centric" business model continue to be competitive advantages by giving us the ability to provide more value to Cardmembers, merchants and our Card-issuing partners.

Wherever we manage both the acquiring relationship with merchants and the Card-issuing side of the business, there is a "closed-loop," which distinguishes our network from the bankcard networks, in that we have access to information at both ends of the Card transaction. We maintain direct relationships with both our Cardmembers and our merchants, and we handle all key aspects of those relationships. This allows us to analyze information on Cardmember spending and build algorithms and other analytical tools that enable us to provide targeted marketing and other information services for merchants and special offers and services to Cardmembers through a variety of channels. At the same time, we protect the confidentiality of information on Cardmember spending, and comply with our privacy, data protection and firewall and antitrust policies and applicable legal requirements.

Our "spend-centric" business model focuses on generating revenues primarily by driving spending on our Cards and secondarily by finance charges and fees. Spending on our Cards, which is higher on average on a per-card basis versus our competitors, offers greater value to merchants in the form of loyal customers and higher sales. This enables us to earn discount rates that allow us to invest more in greater value-added services for merchants and Cardmembers. Because of the revenues generated from higher spending Cardmembers, we have the flexibility to invest in more attractive rewards and other benefits to Cardmembers, as well as targeted marketing and other programs and investments for merchants, all of which in turn create incentives for Cardmembers to spend more on their Cards. The significant investments we make in rewards and other compelling value propositions for Cardmembers incent Card usage at merchants and Cardmember loyalty.

The American Express Brand

Our brand and its attributes — trust, security, integrity, quality and customer service — are key assets of the Company. We continue to focus on our brand by educating employees about these attributes and by incorporating them into our programs, products and services. Our brand has consistently been rated one of the most valuable brands in the world in published studies, and we believe it provides us with a significant competitive advantage.

We believe our brand and its attributes are critical to our success, and we invest heavily in managing, marketing and promoting it. In addition, we place significant importance on trademarks, service marks and patents, and diligently protect our intellectual property rights around the world.

GLOBAL NETWORK & MERCHANT SERVICES

The Global Network & Merchant Services ("GNMS") segment operates a global payments network that processes and settles proprietary and non-proprietary card transactions. GNMS acquires merchants and provides point-of-sale products, multi-channel marketing programs and capabilities, services and data, leveraging our global closed-loop network. It provides ATM services and enters into partnership agreements with third-party card issuers and acquirers, licensing the American Express brand and extending the reach of the global network.

The majority of Cards bearing our logo are issued by our principal operating subsidiary, TRS, by the Company's U.S. banking subsidiaries, American Express Centurion Bank ("Centurion Bank") and American Express Bank, FSB ("AEBFSB"), and by other operating and banking subsidiaries outside the United States. In addition, our Global Network Services ("GNS") business establishes and maintains relationships with banks and other institutions around the world that issue Cards and, in certain countries, acquire local merchants on the American Express network. GNS is key to our strategy of broadening the Cardmember and merchant base for our

network worldwide. Cards bearing our logo are accepted at all merchant locations worldwide that accept American Express-branded Cards, and depending on the product, they are generally accepted at ATM locations worldwide that accept cards.

Our Global Merchant Services ("GMS") business provides us with access to rich transaction data through our closed-loop network, which encompasses relationships with both the Cardmember and the merchant. This capability helps us acquire new merchants, deepen relationships with existing merchants, process transactions, and provide targeted marketing, analytical and other value-added services to merchants on our network. In addition, it allows us to analyze trends and spending patterns among various segments of our customer base.

Global Network Services

We continue to pursue a strategy, through our GNS business, of inviting U.S. and foreign banks and other institutions to issue Cards and, in some countries, act as merchant acquirers on the American Express network. By leveraging our global infrastructure and the appeal of the American Express brand, we broaden our Cardmember and merchant base for our network worldwide. This strategy also enables us to enhance our presence in countries where we already do business and expand our presence into new geographic areas at economic scale and cost levels that would be difficult for us to achieve on our own. The GNS business has established 139 Card-issuing and/or merchant-acquiring arrangements with banks and other institutions in 155 countries. In assessing whether we should pursue a proprietary or GNS strategy in a given country, or some combination thereof, we consider a wide range of country-specific factors, including the stability and attractiveness of returns, the size of the affluent segment, the strength of available marketing and credit data, the size of co-brand opportunities and how we can best create strong merchant value.

In 2011, GNS signed 11 new partners to issue Cards and/or acquire merchants on the American Express network, including new card-issuing partnerships with the Bank of China, the Korea Exchange Bank, the First National Bank of Omaha and a card-issuing subsidiary of Isetan Mitsukoshi Group. GNS also supported existing partners in launching approximately 69 new products during 2011, bringing the total number of American Express-branded GNS partner products to over 1,000. New products launched in 2011 include the first American Express-branded contactless credit Cards in the United Kingdom from MBNA Europe Bank Ltd.; the Diamond Awards American Express ® Card from Commonwealth Bank of Australia; the Maybankard 2 American Express ® Credit Card with Maybank in Malaysia; the ICBC Platinum American Express ® Card with the Industrial and Commercial Bank of China; The Platinum Card ® and the Costco Samsung American Express ® Card, both launched by Samsung Card in Korea; and the Bradesco American Express ® Card and the American Express ® Business Card with Banco Bradesco in Brazil. GNS also continues to expand the airline co-brand products issued through GNS relationships, launching four new airline co-brands in 2011 bringing the total to 57 airline co-brand products.

GNS focuses on partnering with qualified third-party banks and other institutions that choose to issue Cards accepted on our global network and/or acquire merchants on our network. Although we customize our network arrangements to the particular country and each partner's requirements, as well as to our strategic plans in that marketplace, all GNS arrangements are designed to help issuers develop products for their highest-spending and most affluent customers and to support the value of American Express Card acceptance to merchants. We choose to partner with institutions that share a core set of attributes compatible with the American Express brand, such as commitment to high quality standards and strong marketing expertise, and we require adherence to our product, brand and service standards. **

With over 1,000 different Card products launched on our network so far by our partners, GNS is an increasingly important business that is strengthening our brand visibility around the world, driving more

** The use of the term "partner" or "partnering" 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 third-party issuers and merchant acquirers.

transaction volume onto our merchant network and increasing the number of merchants accepting the American Express Card. GNS enables us to expand our network's global presence generally without assuming additional Cardmember credit risk or having to invest a large amount of resources, as our GNS partners already have established attractive customer bases to whom they can target American Express-branded products, and are responsible for managing the credit risk associated with the Cards they issue. Since 1999, Cards-in-force issued by GNS partners have grown at a compound annual growth rate of 23%, and totaled over 34 million Cards at the end of 2011. Outside the United States, 77% of new Cards issued in 2011 were Cards issued by GNS partners. Spending on GNS Cards has grown at a compound annual rate of 25% since 1999. Year-over-year spending growth on these Cards in 2011 was 27%, with total spending equal to $117 billion.

GNS Arrangements

Although the structures and details of each of the GNS arrangements vary, all of them generate revenues for us from the Card transaction volumes they drive on the American Express network. Gross revenues we receive per dollar spent on a Card issued by a GNS partner are generally lower than those from our proprietary Card-issuing business. However, because the GNS partner is responsible for most of the operating costs and risk of its Card-issuing business, our operating expenses and credit losses are generally lower than those in our proprietary Card-issuing business. The GNS business model generates an attractive earnings stream and risk profile that requires a lower level of capital support. The return on equity in our GNS business can thus be significantly higher than that of our proprietary Card-issuing business. In addition, since the majority of GNS costs are fixed, the GNS business is highly scalable. GNS partners benefit from their association with the American Express brand and their ability to gain attractive revenue streams and expand and differentiate their product offerings with innovative marketing programs.

Our GNS arrangements fall into the following three main categories: Independent Operator Arrangements, Network Card License Arrangements and Joint Venture Arrangements.

Independent Operator Arrangements

The first type of GNS arrangement is known as an independent operator ("IO") arrangement. As of the end of 2011, we had 67 of these arrangements around the world. We pursue these arrangements to expand the presence of the American Express network in countries in which we do not offer a proprietary local currency Card. The partner's local presence and relationships help us enhance the impact of our brand in the country, reach merchant coverage goals more quickly, and operate at economic scale and cost levels that would be difficult for us to achieve on our own. Subject to meeting our standards, IO bank partners are licensed to issue local currency Cards in their countries, including the American Express classic Green, Gold and Platinum Card ®. In addition, the majority of these partners serve as the merchant acquirer and processor for local merchants. American Express retains the relationship with multinational merchants. Our IO partners own the customer relationships and credit risk for the Cards they issue, and make the decisions about which customers will be issued Cards. GNS generates revenues in IO arrangements from Card licensing fees, royalties on Cardmember billings, foreign exchange conversion revenue, royalties on charge volume at merchants, share of discount revenue and, in some partnerships, royalties on net spread revenue or royalties on Cards-in-force. Our IO partners are responsible for transaction authorization, billing and pricing, Cardmember and merchant servicing, and funding Card receivables for their Cards and payables for their merchants.

We bear the credit risk arising from the IO partner's potential failure to meet its settlement obligations to us. We mitigate this risk by partnering with institutions that we believe are financially sound and will meet their obligations, and by monitoring their financial health, their compliance with the terms of their relationship with us and the political, economic and regulatory environment in which they operate. In addition, depending on an IO partner's credit rating and other indicators of financial health, we may require an IO partner to post a letter of credit, bank guarantee or other collateral to reduce this risk.

Examples of countries where we have entered into IO arrangements include Brazil, Russia, Indonesia, Turkey, Ecuador, Colombia, South Korea, Malaysia, Croatia, Peru, Portugal and Vietnam. Through our IO partnerships, we believe we can accelerate growth in Cardmember spending, Cards-in-force and merchant acceptance in these countries.

Network Card License Arrangements

The second type of GNS arrangement is known as a network Card license ("NCL"). At the end of 2011, we had 68 of these arrangements in place worldwide. We pursue these arrangements to increase our brand presence and gain share in countries in which we have a proprietary Card-issuing and/or merchant acquiring business and, in a few cases, those in which we have IO partners. In an NCL arrangement, we grant the third-party institution a license to issue American Express-branded Cards. The NCL issuer owns the customer relationships for all Cards it issues, provides customer service to its Cardmembers, authorizes transactions, manages billing and credit, is responsible for marketing the Cards, and designs Card product features (including rewards and other incentives for Cardmembers), subject to meeting certain standards. We operate the merchant network, route and process Card transactions from the merchant's point of sale through submission to the issuer, and settle with issuers. The NCL is the type of arrangement we have implemented with banks in the United States, United Kingdom, Australia and Japan.

GNS' revenues in NCL arrangements are driven by a variety of factors, including the level of Cardmember spending, royalties, currency conversions and licensing fees paid by the partner and fees charged to the Card issuer based on charge volume, plus our provision of value-added services such as Cardmember insurance products and other Card features and benefits for the issuer's Cards. As indicated above, the NCL issuer bears the credit risk for the issued Cards, as well as the Card marketing and acquisition costs, Cardmember fraud risks and costs of rewards and other loyalty initiatives. We bear the risk arising from the NCL partner's potential failure to meet its settlement obligations to us. We mitigate this risk by partnering with institutions that we believe are financially sound and will meet their obligations, and by monitoring their financial health, their compliance with the terms of their relationship with us and the political, economic and regulatory environment in which they operate. In addition, depending on an NCL issuer's credit rating and other indicators of financial health, we may require an NCL issuer to post a letter of credit, bank guarantee or other collateral to reduce this risk.

Examples of NCL arrangements include our relationships with Bank of America in the United States, Lloyds TSB Bank in the United Kingdom and Westpac Banking Corporation in Australia.

Joint Venture Arrangements

The third type of GNS arrangement is a joint venture ("JV") arrangement. We have utilized this type of arrangement in Switzerland and Belgium, as well as in other countries. In these countries, we join with a third party to establish a separate business in which we have a significant ownership stake. The JV typically signs new merchants to the American Express network and issues local and U.S. dollar-denominated currency Cards that carry our logo. In a JV arrangement, the JV is responsible for the Cardmember credit risk and bears the operating and marketing costs. Unlike the other two types of GNS arrangements, we share management, risk, and profit and loss responsibility with our JV partners. Income is generated by discount revenues, Card fees and net spread revenues. The economics of the JV are similar to those of our proprietary Card-issuing business, which we discuss under "U.S. Card Services," and we receive a portion of the JV's income depending on, among other things, the level of our ownership interest. Our subsidiary, American Express Overseas Credit Corporation Limited, purchases Card receivables from certain of the GNS JVs from time to time.

Global Merchant Services

We operate a GMS business, which includes signing merchants to accept Cards, accepting and processing Card transactions, and settling with merchants that accept Cards for purchases made by Cardmembers with Cards ("Charges"). We also provide marketing information and other programs and services to merchants, leveraging

the capabilities provided by our investments in our closed-loop structure, as well as point-of-sale products, servicing and fraud prevention and other value-added services. Continued investments in the GMS business were a key priority in 2011 and will remain so in 2012.

Our objective is for Cardmembers to be able to use the Card wherever and however they desire, and to increase merchant activation in key geographic areas and in selected new industries that have not traditionally accepted the Card. We add new merchants to our network through a number of sales channels: a proprietary sales force, third-party sales and service agents, strategic alliances with banks and processors, the Internet, telemarketing and inbound "Want to Honor" calls (i.e., where merchants desiring to accept the Card contact us directly). As discussed in the "Global Network Services" section, our IO partners and JVs also add new local merchants to the American Express network.

During 2011, we continued expanding our integrated American Express OnePoint ® program by adding third-party agents to service our small- and medium-sized merchants in the United States. Under this program, third-party service agents provide payment processing services to merchants on our behalf for Card transactions, while we retain the acceptance contract with participating merchants, manage the merchant pricing process, and receive the same transactional information we always have received through our closed-loop network. This program simplifies Card processing for small- and medium-sized merchants by providing them with a single source for statements, settlement and customer service. We are now following a similar strategy in Spain through an arrangement with La Caixa and in Mexico through arrangements with Banco Santander and Elavon Inc.

In June 2011, we announced the U.S.-wide rollout of our partnership with foursquare that allows Cardmembers to access special merchant offers through the popular location-based mobile platform. Merchants can offer tailored deals that may be redeemed automatically at the point of sale when the registered Card is used for the purchase — without coupons, offer codes or sales staff training. Merchant offers initially included retailers H&M and Sports Authority and some restaurants owned by the Union Square Hospitality Group (such as Union Square Cafe, Blue Smoke and The Modern). Since the launch of the partnership, additional merchants such as Diane von Furstenberg and Dunkin' Donuts have offered deals via the American Express-foursquare partnership.

In July 2011, we also used our couponless fulfillment capabilities to launch the "Link, Like, Love SM " application on Facebook, providing Cardmembers with deals, access and experiences based on the likes, interests and social connections of Cardmembers and their Facebook friends. Cardmembers can receive statement credits as they shop online or in stores, without the need for coupons or special codes.

In 2011, we completed the integration of Accertify Inc., a leading provider of solutions that help merchants combat fraudulent online and other card-not-present transactions, which we acquired in November of 2010. Launched in 2007, Accertify provides a hosted software application that offers an extra level of security for transactions over any of the major payment networks, including American Express, Visa, MasterCard, Discover and PayPal, or any other alternative payment method. Accertify also offers merchants the option to outsource their end-to-end fraud management process and other value-added services. With the acquisition of Accertify, American Express is able to broaden its fraud prevention services to merchants for transactions that take place on all networks. Accertify's capabilities are incremental and complementary to American Express' fraud solutions already offered to merchants for transactions on the American Express network.

GMS continues to significantly expand the number of merchants that accept our Card products as well as the kinds of businesses that accept the Card in order to address Cardmember needs. Over the last several years, we have focused our efforts on increasing the use of our Cards for everyday spending. In 1990, 64% of our U.S. billings came from the travel and entertainment sectors and 36% came from retail and other sectors. That proportion has now been more than reversed. In 2011, only 28% of U.S. billings came from the travel and

entertainment sectors. This shift resulted, in part, from the growth, over time, in the types of merchants that began to accept charge and credit cards in response to consumers' increased desire to use these cards for more of their purchases, our focus on expanding Card acceptance to meet Cardmembers' needs, and increased competition for travel and entertainment sector spending.

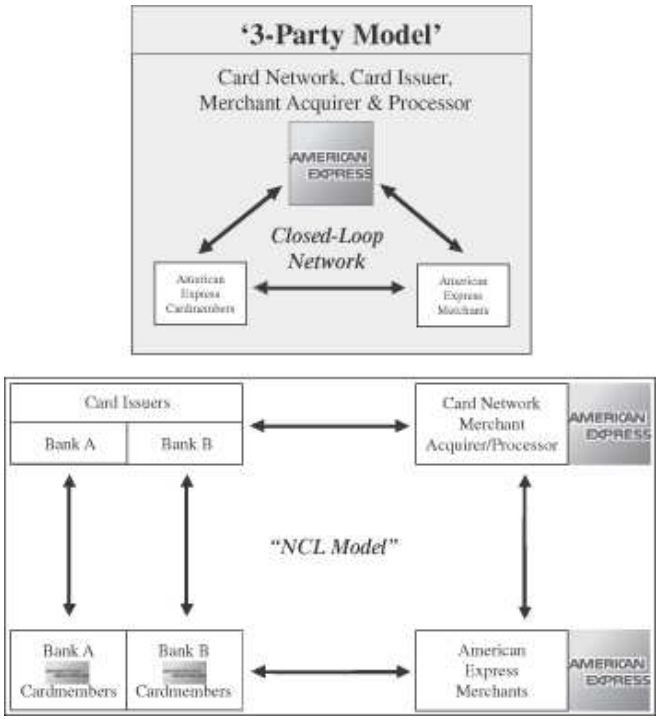
During 2011, we continued our efforts to bring Card acceptance to industries where cash or checks are the predominant form of payment. For example, we have made headway in promoting Card acceptance in industries such as pharmaceuticals, construction, industrial supply, insurance and advertising. We also continued our drive to expand Card acceptance for retail and everyday spending categories outside the United States.

Globally, acceptance of general-purpose charge and credit cards continues to increase. As in prior years, during 2011, we continued to grow merchant acceptance of Cards around the world and to refine our approach to calculating merchant coverage in accordance with changes in the marketplace. We estimate that, as of the end of 2011, our merchant network in the United States accommodated more than 90% of our Cardmembers' general-purpose charge and credit card spending. Our international spend coverage is more limited, although we continue to expand our merchant network in locations outside the United States. We estimate that our international merchant network as a whole accommodated more than 80% of our Cardmembers' general-purpose charge and credit card spending. These percentages are based on comparing our Cardmembers' spending on our network currently with our estimate of what our Cardmembers would spend on our network if all merchants that accept general-purpose credit and charge cards accepted American Express Cards.

We earn "discount" revenue from fees charged to merchants for accepting Cards as payment for goods or services sold. The merchant discount is the fee charged to the merchant for accepting Cards and is generally expressed as a percentage of the Charge amount. In some instances, an additional flat transaction fee is assessed. The merchant discount is generally deducted from the amount of the payment that the "merchant acquirer" (in most cases, including for all U.S. merchants, TRS or one of its subsidiaries) pays to a merchant for Charges submitted. A merchant acquirer is the entity that contracts for Card acceptance with the merchant, accepts transactions from the merchant, pays the merchant for these transactions and submits the transactions to the American Express network, which submits the transactions to the appropriate Card issuer. When a Cardmember presents the Card for payment, the merchant creates a record of charge for the transaction and submits it to the merchant acquirer for payment. To the extent that TRS or one of its subsidiaries is the merchant acquirer, the merchant discount is recorded by us as discount revenue at the time the transaction is received by us from the merchant.

Where we act as the merchant acquirer and the Card presented at a merchant is issued by a third-party bank or financial institution, such as in the case of our GNS partners, we will make financial settlement to the merchant and receive the discount revenue. In our role as the operator of the Card network, we will also receive financial settlement from the Card issuer, who receives an issuer rate (i.e., the individually negotiated amount that Card issuers receive for transactions charged on our network with Cards they issue, which is usually expressed as a percentage of the Charge amount). The difference between the discount revenue (received by us in the form of the merchant discount) and the issuer rate received by the Card issuer generates a return to us. In cases where American Express is the Card issuer and the merchant acquirer is a third-party bank or financial institution (which can be the case in a country in which the IO is the local merchant acquirer), we receive an individually negotiated issuer rate in our settlement with the merchant acquirer, which is recorded by us as discount revenue. By contrast with networks such as those operated by Visa and MasterCard, there is no collectively set interchange rate on the American Express network.

The following diagrams depict the relationships among the parties in a point-of-sale transaction effected on the American Express network where we act as both the Card issuer and merchant acquirer (the "3-Party Model") and under an NCL arrangement where third-party financial institutions act as Card issuers (the "NCL Model"):



The merchant discount we charge reflects the value we deliver to the merchant and the investments we make in providing that value. We deliver greater value to merchants in a variety of ways, including through higher spending by our Cardmembers relative to users of cards issued on competing card networks, our product and network features and functionality, our marketing expertise and programs, information services, fraud prevention services, and other investments which enhance the merchant value propositions associated with acceptance of the Card.

The merchant discount varies with, among other factors, the industry in which the merchant does business, the merchant's Charge volume, the timing and method of payment to the merchant, the method of submission of Charges and, in certain instances, the geographic scope of the Card acceptance agreement signed with us (local or global) and the Charge amount.

In prior years, we experienced some reduction in our global weighted average merchant discount rate. The average discount rate was 2.54 percent and 2.55 percent for 2011 and 2010, respectively. Over time, certain repricing initiatives, changes in the mix of business and volume-related pricing discounts and investments will likely result in some erosion of the average discount rate.

While merchants that accept our Cards understand our merchant discount pricing in relation to the value provided, we do encounter merchants that accept our Cards, but tell their customers that they prefer to accept another type of payment or otherwise seek to suppress use of the Card. Our Cardmembers value the ability to use their Cards where and when they want to, and we, therefore, take steps to seek to serve our Cardmembers' desires and to protect the American Express brand, subject to local legal requirements, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") in the United States. We make efforts to limit

Card suppression by focusing on acquiring merchants where Cardmembers want to use the Card; continuing to enhance the value we provide to merchants through programs such as American Express Selects ®, which enable merchants of any size to gain valuable exposure and additional sales by providing exclusive offers and experiences to American Express Cardmembers; developing and providing new and innovative business insights, marketing programs (such as the foursquare program described above and our Small Business Saturday ® event described below) and fraud prevention tools using information available through our closed-loop network; providing better and earlier communication of our value proposition; and, when appropriate, exercising our right to terminate Card acceptance agreements with merchants who seek to suppress the use of our Card products. We have a client management organization which is dedicated to growing our merchant customers' business and finding ways to enhance effectiveness of our relationship with these key business partners. Most importantly, we recognize that it is the merchant's choice whether or not to accept American Express Cards and that all merchants have numerous options given the intense competition from new and traditional forms of payment. Therefore, we dedicate substantial resources to delivering superior and differentiated value to attract and retain our merchant customers.

The laws of a number of states in the United States and certain countries outside the United States prohibit the surcharging of credit card purchases. Conversely, there are certain countries in which surcharging is specifically permitted, such as Australia and certain countries in the European Union. American Express' Card acceptance agreements with merchants generally do not prohibit surcharging so long as it is permitted by law and a merchant does not discriminate against the Card by surcharging higher amounts on purchases with the Card than on purchases with other cards, or by imposing a surcharge only on Card purchases, but not on purchases made with other cards. American Express also does not prohibit merchants from offering discounts to customers who pay with cash, check or inter-bank transfers (i.e., Automated Clearing House or "ACH"). In addition, American Express does not prohibit U.S. merchants from offering discounts or in-kind incentives to customers who pay with particular forms of payment in accordance with the provisions of Dodd-Frank. For information concerning the proceeding against us brought by the U.S. Department of Justice ("DOJ") and certain state attorneys general alleging violation of the U.S. antitrust laws with regard to certain provisions of our merchant agreements that are designed to protect our Cardmembers and our brand against discrimination at the point of sale, see "Corporate Matters" within "Legal Proceedings" below.

GMS is focused on understanding and addressing factors that influence merchant satisfaction, including developing and executing programs that increase Card usage at merchants, using technology resources and innovative marketing tools such as social media and applying our closed-loop capabilities and deep marketing expertise. We also offer our merchant customers a full range of point-of-sale solutions, including integrated point-of-sale terminals, software, online solutions and direct links that allow merchants to accept American Express Cards (as well as credit and debit cards issued on other networks and checks). Virtually all proprietary point-of-sale solutions support direct processing (i.e., direct connectivity) to American Express, which can lower a merchant's cost of Card acceptance and enhance payment efficiency.

We continue to focus our efforts in areas that make use and acceptance of the Card more secure and convenient for merchants and Cardmembers. We participate in standard-setting bodies, such as EMVCo, GlobalPlatform and PCI Security Standards Council, LLC ("PCI SSC"), to help drive secure and interoperable payments globally, making it easier for merchants to accept our Cards, for Cardmembers to have a more seamless experience at the point of sale, and for issuers that have more than one network relationship to have a standard across their card products. These efforts are particularly important as emerging technologies such as contactless cards and mobile phones move the payment card industry increasingly away from mag-stripe transactions. For example, we offer a contactless payment feature embedded in certain Cards, to provide a fast, easy-to-use alternative to cash, check, debit or other payment forms, particularly for making everyday purchases at merchants where speed and convenience is important. In the United States, certain quick-service restaurants, movie theaters, drug and convenience stores and major retail chains accept American Express contactless payments.

Our closed-loop network and relationships allow us to analyze information on Cardmember spending. This enables us to provide targeted marketing and other information services for merchants and special offers and services to Cardmembers through a variety of channels. We have created a business within GMS called American Express ® Business Insights, which offers products and services derived from our strong business model and closed-loop network. Business Insights combines aggregated, non-personally identifiable data and trend analysis to provide specialized business planning and marketing expertise to our merchant and other customers. At the same time, we protect the confidentiality of information on Cardmember spending, and comply with our privacy, data protection and firewall and antitrust policies and applicable legal requirements. In 2011, we expanded Business Insights to businesses in the United Kingdom and France. We also launched a new product called Insights Online that delivers streamlined business intelligence in a dynamic, web-based format and is targeted at small- and medium-sized businesses.

We work closely with our Card-issuing and merchant-acquiring bank partners to maintain key elements of this closed loop, which permits them to customize marketing efforts and deliver greater value to their Cardmembers, as well as help us to direct increased business to merchants who accept the Card.

As the merchant acquirer, we have certain exposures that arise if a billing dispute between a Cardmember and a merchant is settled in favor of the Cardmember. Drivers of this liability are returns in the normal course of business, disputes over fraudulent Charges, the quality or non-delivery of goods and services, and billing errors. Typically, we offset the amount due to the Cardmember against payments for the merchant's current or future Charge submissions. We can realize losses when a merchant's offsetting Charge submissions cease, such as when the merchant decides to no longer accept the Card or goes out of business. We actively monitor our merchant base to assess the risk of this exposure. When appropriate, we will take action to reduce the net exposure to a given merchant by holding cash reserves funded through Charge payable holdbacks from a merchant, lengthening the time between when the merchant submits a Charge for payment and when we pay the merchant, requiring the merchant to secure a letter of credit or a parent company guarantee, or implementing other appropriate risk management tools. We also establish reserves on our balance sheet for these contingencies in accordance with relevant accounting rules.

In some markets outside the United States, particularly in Asia, third-party processors and some bankcard acquirers offer merchants the capability of converting credit card transactions from the local currency to the currency of the cardholder's residence (i.e., the cardholder's billing currency) at the point-of-sale, and submitting the transaction in the cardholder's billing currency, thus bypassing the traditional foreign currency conversion process of the card network. This practice, known as "dynamic currency conversion," reduces or eliminates revenue for card issuers and card networks relating to the conversion of foreign charges to the cardholder's billing currency. This practice is still not widespread, and it remains uncertain whether its use will expand over time. Our policy generally requires merchants to submit Charges and be paid in the currency of the country in which the transaction occurs, and we convert the transaction to the Cardmember's billing currency.

Global Network & Merchant Services — Competition

Our global card network, including our Global Merchant Services and Global Network Services businesses, competes in the global payments industry with other card networks, including, among others, Visa, MasterCard, Diners Club International (which is owned by Discover Financial Services), Discover (primarily in the United States) and JCB and China UnionPay (primarily in Asia). We are the third largest general-purpose charge and credit card network on a global basis based on charge volume, behind Visa and MasterCard. In addition to such networks, a range of companies globally, including merchant acquirers and processors and companies such as PayPal, carry out some activities similar to those performed by our GMS and GNS businesses. No single entity engages on a global basis in the full range of activities that are encompassed by our closed-loop business model.

The principal competitive factors that affect the network and merchant service businesses include:

- The number of Cards-in-force and amount of spending on these Cards

- The quantity and quality of the establishments where the Cards can be used
- The economic attractiveness to card issuers and merchants of participating in the network
- The success of marketing and promotional campaigns
- Reputation and brand recognition
- The innovation and investment in systems, technology, product and service offerings, particularly in online commerce, including through partnerships with leading companies in the digital space
- The quality of customer service
- The payments industry expertise and capabilities that can be provided to partners in areas such as customer servicing, loyalty and data analytics
- The security of Cardmember and merchant information
- The impact of existing litigation, legislation and government regulation
- The cost of Card acceptance relative to the value provided

Another aspect of network competition is the recent emergence and rapid growth of alternative payment mechanisms and systems, which include aggregators (such as PayPal), wireless payment technologies (including using mobile telephone networks to carry out transactions), prepaid systems and systems linked to payment cards, and bank transfer models.

New technologies, together with the portability provided by smartphones and tablets and evolving consumer behavior with social networking, are rapidly changing the way people interact with each other and transact business all around the world. Traditional and non-traditional competitors such as mobile telecommunications companies are working to deliver digital and mobile payment services for both consumers and merchants. Although we estimate that we have the largest volume of online spending of any major card issuer and more global online billings volume than PayPal, the competition remains fierce for capturing online spend in the ever-increasing digital world, and alternative business models present a significant challenge. For example, unlike us, PayPal has the ability to acquire merchants for multiple payment networks. In addition, new entrants to the digital payments space such as online, social media and technology companies are an additional competitive and potentially disintermediating factor in the card payment industry given the scale of their customer relationships and resources available to develop new platforms and technologies.

To the extent alternative payment mechanisms and systems, such as aggregators, continue to successfully expand, discount revenues and potentially other revenues, as well as our ability to access transaction data through our closed-loop network, could be negatively impacted. In the United States, alternative payment vehicles that seek to redirect customers to payment systems based on ACH continue to emerge and grow, merchants with recurring billing models actively seek to switch customers to payment through direct debits from bank accounts, and existing debit networks also continue to expand both on- and off-line and are making efforts to develop online PIN functionality, which could further reduce the relative use of charge and credit cards online. For a further discussion of the competitive environment in the emerging payments area, see “Enterprise Growth Group — Online and Mobile Payments — Competition” under “Corporate & Other” below.

Some of our competitors have attempted to replicate our closed-loop functionality, such as Visa, with its Visa Incentive Network, and MasterCard, with its MasterCard Advisors. Efforts by Visa, MasterCard and other card networks and payment providers to replicate the closed loop support its continued value and the intensely competitive environment in which we operate.

Global Network & Merchant Services — Regulation

Local regulations governing the issuance of charge and credit cards have not been a significant factor impacting GNS’ arrangements with banks and qualifying financial institutions, because such banks and

institutions generally are already authorized to issue general-purpose cards and, in the case of our IO arrangements, to operate merchant-acquiring businesses. Accordingly, our GNS partners have generally not had difficulty obtaining appropriate government authorization in the countries in which we have chosen to enter into GNS arrangements. As a service provider to regulated U.S. banks, our GNS business is subject to review by certain federal bank regulators, including the Federal Reserve, the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency ("OCC").

As the operator of a general-purpose card network, we are also subject to certain provisions of the Currency and Foreign Transactions Reporting Act and the accompanying regulations issued by the U.S. Department of the Treasury (collectively referred to as the "Bank Secrecy Act"), as amended by the USA PATRIOT Act of 2001 (the "Patriot Act"). We conduct due diligence on our GNS partners to ensure that they have implemented and maintain sufficient anti-money laundering ("AML") controls to prevent our network from being used for money laundering or terrorist financing purposes. As a result of American Express Company and TRS each being bank holding companies, our business is also subject to further regulation and regulatory oversight by the Federal Reserve. For additional information about our regulatory status, see "Supervision and Regulation — General" below.

In recent years, regulators in several countries outside the United States have focused on the fees involved in the operation of card networks, including interchange fees paid to card issuers on certain card networks and the fees merchants are charged for card acceptance. Regulators in the United Kingdom, Canada, New Zealand, Poland, Italy, Switzerland, Hungary, the European Union, Australia, Brazil, Mexico and Venezuela, among others, have conducted investigations that are either ongoing, concluded or on appeal.

The interchange fee, which is the collectively set fee paid by the bankcard merchant acquirer to the card issuing bank in "four-party" payment networks, like Visa and MasterCard, is generally the largest component of the merchant service charge payable by merchants for debit and credit card acceptance in these systems. By contrast, the American Express network does not have such interchange fees. Although the regulators' focus has primarily been on Visa and MasterCard as the dominant card networks, antitrust actions and government regulation relating to merchant pricing could ultimately affect all networks. Lower interchange and/or merchant discount revenue may lead card issuers to look for other sources of revenue from consumers such as higher annual card fees or interest charges, as well as to reduce costs by scaling back or eliminating rewards programs.

In the United States, Dodd-Frank gave the Federal Reserve the authority to establish rules regarding interchange fees charged by payment card issuers for transactions in which a person uses a debit or general-use prepaid card, and to enforce a new statutory requirement that such fees be "reasonable and proportional" to the cost of a transaction to the issuer, with specific allowances for the costs of fraud prevention, as well as to prohibit exclusive network routing restrictions for electronic debit transactions. Reloadable general-use prepaid cards (but not those marketed or labeled as gift cards or gift certificates) are exempt from the interchange fee limitations, although all prepaid cards are subject to the exclusive network routing restrictions for electronic debit transactions. The Federal Reserve issued its final rule on June 29, 2011, which provides that the regulations on interchange and routing do not apply to a three-party network like American Express when it acts as both the issuer and the network for its prepaid cards, and is therefore not a "payment card network" as that term is defined and used for the specific purposes of this final rule.

Additionally, Dodd-Frank prohibits payment card networks from restricting merchants from offering discounts or incentives to encourage customers to pay with particular forms of payment such as cash, check, credit or debit card, provided that such offers do not discriminate on the basis of the network or issuer. Further, to the extent required by federal law or applicable state law, the discount or incentive must be offered to all prospective buyers and must be clearly and conspicuously disclosed. Dodd-Frank also permits U.S. merchants to establish minimum purchase amounts of no more than $10 for credit card purchases, provided that the merchants do not discriminate between networks or issuers. Federal government agencies and institutions of higher learning are also permitted to establish maximum amounts for credit card purchases provided they do not discriminate

between networks or issuers. As a result of these new laws, customers may be incentivized by merchants to move away from the use of charge and credit card products to other forms of payment, such as debit, which could adversely affect our revenues and profitability.

During the last five years, a number of bills were proposed in individual state legislatures seeking to impose caps on credit card interchange fees or to prohibit credit card companies from charging a merchant discount on the sales tax portion of credit card purchases. Other proposals were aimed at increasing the transparency of card network rules for merchants. In addition, a number of bills were proposed to establish merchant liability for the costs of a data security breach of a merchant's system or require merchants to adopt technical safeguards to protect sensitive cardholder payment information. In 2010, Vermont enacted legislation that permits merchants to set a minimum dollar value of no more than $10 for acceptance of any form of payment; permits merchants to provide discounts or other benefits based on the form of payment (i.e., card, cash, check, debit card, stored-value card, charge card or credit card); and permits merchants to accept the cards of a payment system at one or more of its locations but not at others. In the event that additional legislative or regulatory activity to limit interchange or merchant fees continues or increases, or state privacy or data security-related legislation is adopted, our revenues and profitability could be adversely affected.

In certain countries where antitrust actions or regulations have led our competitors to lower their fees, we have made adjustments to our pricing to merchants to reflect local competitive trends. For example, reductions in bankcard interchange mandated by the Reserve Bank of Australia in 2003 resulted in lower merchant discount rates for Visa and MasterCard acceptance. As a result of changes in the marketplace, we reduced our own merchant discount rates in Australia over time, although we have been able to increase billed business and the number of merchants accepting our Cards. In December 2007, the European Commission ruled that MasterCard's multilateral interchange fees ("MIF") for cross-border payment card transactions violate EC Treaty rules on restrictive business practices. The European Commission's decision applies to cross-border consumer credit, charge and debit card transactions within the European Union and to domestic transactions to which MasterCard has chosen to apply the cross-border MIF. The ruling does not prevent MasterCard and its issuer banks from adopting an alternative MIF arrangement that can be proven to comply with EU competition rules. Although the European Commission's investigation included commercial cards, it has reserved judgment for the time being on the legality of MasterCard's cross-border MIF for commercial card transactions. MasterCard lodged an appeal against the European Commission's findings, which is pending. An interim settlement, pending the appeal, was agreed to in 2009 between the European Commission and MasterCard, capping MIF at 30 basis points for consumer card transactions and 20 basis points for debit card transactions. In 2008, the European Commission opened formal antitrust proceedings against Visa Europe Limited in relation to Visa's MIFs for cross-border consumer card transactions within Europe, and in 2010, the European Commission accepted Visa Europe's pledge to cut its cross-border debit card MIF to 20 basis points for four years. The European Commission's investigation into Visa Europe's credit and deferred debit card MIF for cross-border transactions remains ongoing. Developments at the EU level may affect how the competition authorities in the Member States of the EU view domestic interchange and the progress of ongoing investigations. For example, the Office of Fair Trading in the United Kingdom indicated that it was delaying further consideration of its cases against MasterCard and Visa pending the outcome of the appeal of the European Commission's decision against MasterCard.

Within the past few years, national parliaments in Hungary, Italy and France have sought to enact caps on interchange fees or point of sale service charges without government sponsorship for these measures. Although such legislation has been or may be either repealed or struck down on procedural grounds, it is possible there may be further attempts to enact regulation of merchant fees or interchange with direct or indirect impacts on American Express.

In January 2012, the European Commission published a Green Paper (a document to stimulate debate and begin a process of consultation) entitled "Towards an Integrated European Market for Card, Internet and Mobile Payments." The area of focus covers a range of issues affecting the payments industry, including: multilateral

interchange fees; scheme rules; separating scheme management from processing; cross-border acquiring; surcharging; co-badging cards across different schemes; mobile payments; technical standardization; and governance of industry-led changes aimed at supporting the integration of Europe in the area of payments. Regulatory action is a possible outcome of this consultation. The European Commission has set a three-month consultation period, ending early April 2012. Further rounds of consultation on any emerging proposals would then be expected before any action is pursued.

Regulators have also considered network rules that prohibit merchants from surcharging card purchases. In Australia, we have seen selective, but increasing, merchant surcharging on our Cards in certain industries and, in some cases, on a basis that is greater than that applied to cards issued on the bankcard networks. The Reserve Bank of Australia conducted a review during 2011 and has proposed amendments to the surcharging regulations that would allow a scheme's rules to limit surcharges to a reasonable cost of acceptance of cards of that scheme. The form of the proposed amendments to the regulations is subject to a further round of consultation in early 2012.

In the last few years, the member states of the European Economic Area have now implemented a relatively new legislative framework for electronic payment services, including cards, called the European Directive 2007/64/EC on payment services. This directive, commonly referred to as the Payment Services Directive ("PSD"), prescribes common rules for licensing and supervision of payment services providers, including card issuers and merchant acquirers, and for their conduct of business with customers. The objective of the PSD is to facilitate the operation of a single internal payments market in the EU through harmonization of EU Member State laws governing payment services. One provision of the PSD permits merchants to surcharge, subject to disclosure requirements, but also allows individual Member States to override this rule by prohibiting or limiting surcharging. To date, the member states of the European Economic Area are split on whether they prohibit or permit surcharging, with countries such as the United Kingdom (which for a number of years has permitted it for credit card purchases), the Netherlands and Spain permitting it, in some cases within limits, and other countries such as France, Italy and Sweden prohibiting it. All Member States permit discounts for forms of payment that are cheaper for merchants to process. The PSD complements another European initiative, the Single Euro Payments Area ("SEPA"), which is an industry-led initiative with support from EU institutions. Among other changes, SEPA involves the adoption of new, pan-European technical standards for cards and card transactions. All of the foregoing requires significant costs to implement and maintain. In addition, the European Union's Consumer Rights Directive, which was adopted by the EU Council of Ministers in October 2011, will prohibit merchants from surcharging card purchases more than the merchants' cost of acceptance. The Member States have two years to adopt this legislation.

The Canadian Competition Bureau has commenced an application against Visa and MasterCard under the price maintenance provisions of the Canadian Competition Act seeking a remedial order prohibiting Visa and MasterCard from entering into, enforcing or imposing terms that restrain merchants from certain business practices, including encouraging use of lower cost methods of payment and discouraging use of credit cards with higher card acceptance fees, declining acceptance of certain credit cards and surcharging customers who use Visa and MasterCard credit cards. While the Competition Bureau did not name American Express in its application, this action evidences the strong regulatory and judicial focus on this area, which could have indirect implications for American Express.

U.S. CARD SERVICES

As a significant part of our proprietary Card-issuing business, our U.S. banking subsidiaries, Centurion Bank and AEBFSB, issue a wide range of Card products and services to consumers and small businesses in the United States. Our consumer travel business, which provides travel services to Cardmembers and other consumers, complements our core Card business, as does our Global Payment Options business.

The proprietary Card business offers a broad set of Card products to attract our target customer base. As we continue to focus on premium products, the Company's priority will be to drive billed business and average spend per card rather than achieve broad growth in Cards-in-force. Core elements of our strategy are:

- Focusing on acquiring and retaining high-spending, creditworthy Cardmembers
- Designing Card products with features that appeal to traditional and newer customer segments
- Using strong incentives to drive spending on our various Card products and generate loyal customers, including our Membership Rewards ® program and other rewards features
- Using loyalty programs such as Delta SkyMiles, sponsored by our co-brand and other partners to drive spending
- Developing and nurturing wide-ranging relationships with co-brand and other partners
- Promoting and using incentives for Cardmembers to use their Cards in new and expanded merchant categories, including everyday spend and traditional cash and check categories
- Providing exceptional customer service
- Providing opportunities to drive spending and loyalty programs in digital channels

In August 2011, J.D. Power and Associates released its annual nationwide credit card satisfaction study and ranked American Express #1 in overall customer satisfaction among the top 10 largest card issuers in the United States, for the fifth consecutive year.

Consumer and Small Business Services

We offer individual consumer charge Cards such as the American Express ® Card, the American Express ® Gold Card, the Platinum Card ® and the Centurion ® Card, as well as ZYNC ® from American Express. We also offer revolving credit Cards such as Blue from American Express ® , the Blue Cash ® Everyday Card from American Express ® and Blue Sky from American Express ® . In addition, we offer a variety of Cards sponsored by and co-branded with other corporations and institutions, such as the Delta SkyMiles ® Credit Card from American Express, TrueEarnings ® Card exclusively for Costco members, Starwood Preferred Guest ® Credit Card and JetBlue Card from American Express. For the year ended December 31, 2011, billed business from charge Cards comprised 59% of total U.S. Card Services billed business. We also offer deposit products directly to consumers through Personal Savings from American Express.

Centurion Bank and AEBFSB as Issuers of Certain Cards and Deposit Products

We have two U.S. banking subsidiaries, Centurion Bank and AEBFSB, which are both FDIC-insured depository institutions and wholly owned subsidiaries of TRS. Centurion Bank and AEBFSB are regulated, supervised and examined by their respective regulators. In addition, Centurion Bank, AEBFSB and their affiliates, including the Company, are subject to supervision, examination and enforcement by the Consumer Financial Protection Bureau (the "CFPB") with respect to our marketing and sale of consumer financial products and our compliance with certain federal consumer financial laws, including, among other laws, the Consumer Financial Protection Act and the Truth in Lending Act. Both banks take steps to maintain compliance programs to address the various safety and soundness, internal control and compliance requirements, including AML requirements and consumer protection laws, that apply to them. You can find a further discussion of the AML initiatives affecting us under "Supervision and Regulation—General" below.

Certain additional information regarding each bank is set forth in the table below:

	Centurion Bank	AEBFSB
Type of Bank	Utah-chartered industrial bank	Federal savings bank
Regulatory Supervision	Regulated, supervised and regularly examined by the Utah Department of Financial Institutions and the FDIC Subject to supervision, examination and enforcement by the CFPB with respect to marketing and sale of consumer financial products and compliance with federal consumer financial laws	Regulated, supervised and regularly examined by the OCC, an independent bureau of the U.S. Department of the Treasury Subject to supervision, examination and enforcement by the CFPB with respect to marketing and sale of consumer financial products and compliance with federal consumer financial laws
Types of cards issued	• Consumer credit Cards • Consumer charge Cards (including co-brand charge Cards)	• Consumer credit Cards (including all co-brand credit Cards) • Consumer charge Cards (including co-brand charge Cards) • All OPEN ® credit Cards and charge Cards
Card marketing methods	Primarily direct mail and other remote marketing channels	• Direct mail and other remote marketing channels • In-person selling and third-party co-brand partners
Deposit Programs	Deposits obtained only through third-party brokerage channels	Deposits obtained through third-party brokerage channels and accepted directly from consumers
Risk-based capital adequacy requirements*, based on Tier One risk-based capital, total risk-based capital and Tier One core capital ratios at December 31, 2011	Well capitalized	Well capitalized

* The risk-based capital standards for both the FDIC and OCC are substantively identical. Currently, a bank generally is deemed to be well capitalized if it maintains a Tier One risk-based capital ratio of at least 6%, a total risk-based capital ratio of at least 10% and a leverage ratio of at least 5%. For further discussion regarding capital adequacy, including changes to capital adequacy rules, see “Financial Holding Company Status and Activities — Capital Adequacy” under “Supervision and Regulation — General” below.

Charge Cards

Our charge Cards, which generally carry no preset spending limits, are primarily designed as a method of payment and not as a means of financing purchases of goods or services. Charges are approved based on a variety of factors including a Cardmember’s current spending patterns, payment history, credit record and financial resources. Cardmembers generally must pay the full amount billed each month, and no finance charges are assessed on the balance. Charge Card accounts that are past due are subject, in most cases, to a delinquency assessment and, if not brought to current status, may be cancelled. The no-preset spending limit and pay-in-full nature of these products attract high-spending Cardmembers.

The charge Cards also offer several ways for eligible U.S. Cardmembers to pay off certain of their purchases over time. The Sign & Travel ® feature permits eligible U.S. Cardmembers to extend payment for airline tickets, cruise ship tickets and other travel items purchased with our charge Cards. The Extended Payment Option permits eligible U.S. Cardmembers to extend payment for eligible Charges above a certain dollar amount.

Revolving Credit Cards

We offer a variety of revolving credit Cards. These Cards have a range of different payment terms, interest rate and fee structures, rewards programs, and Cardmember benefits. Revolving credit Card products, such as Blue from American Express ®, the Blue Cash Everyday ® Card from American Express and Blue Sky from American Express ®, provide Cardmembers with the flexibility to pay their bill in full each month or carry a monthly balance on their Cards to finance the purchase of goods or services. Along with charge Cards and co-brand Cards, these revolving credit Cards attract affluent Cardmembers and promote increased relevance for our expanding merchant network.

In 2011, we launched two new products in the Blue Cash card family: Blue Cash Everyday ® and Blue Cash Preferred ®. Both Cards offer cash-back features and Blue Cash Preferred ® has an annual fee, which supports the diversification of revenue streams in this portfolio. We also launched a new rewards program for the Blue Cash card family that allows Cardmembers to earn rewards that can be redeemed anytime for cash back in the form of a statement credit, gift cards and merchandise.

Co-brand Cards

We issue Cards under co-brand agreements with selected commercial firms in the United States. The competition among card issuers and networks for attractive co-brand card partnerships is quite intense because these partnerships can generate high-spending loyal cardholders. The duration of our co-brand arrangements generally ranges from four to ten years. Cardmembers earn rewards provided by the partners' respective loyalty programs based upon their spending on the co-brand Cards, such as frequent flyer miles, hotel loyalty points and cash back. We make payments to our co-brand partners, which can be significant, based primarily on the amount of Cardmember spending and corresponding rewards earned on such spending and, under certain arrangements, on the number of accounts acquired and retained. We expense amounts due under co-brand arrangements in the month earned. Payment terms vary by arrangement, but are monthly or quarterly. Generally, the partner is solely liable for providing rewards to the Cardmember under the co-brand partner's own loyalty program. As the issuer of the co-brand Card, we retain all the credit risk with the Cardmember and bear the receivables funding and operating expenses for such Cards. The co-brand partner retains the risk associated with the miles points, or other currency earned by the Cardmember under the partner's loyalty program.

During 2011, we launched two new co-branded Card products designed for Mercedes-Benz drivers and enthusiasts: the Mercedes-Benz Credit Card from American Express and the Platinum Card ® from American Express Exclusively for Mercedes-Benz. In 2011, we also introduced several new features on our existing co-branded Card products. For example, we introduced the Delta Priority Boarding benefit, which allows Gold, Platinum or Reserve Delta SkyMiles Credit Card Cardmembers to priority board on Delta flights, as well as savings on eligible in-flight purchases on Delta Air Lines-operated flights.

Card Pricing and Account Management

On certain Cards we charge an annual fee that varies based on the type of Card and the number of Cards for each account. We also offer many revolving credit Cards on which we assess finance charges for revolving balances. Depending on the product, we may also charge Cardmembers an annual program fee to participate in the Membership Rewards programs and fees for account performance (e.g., late fees) or for certain services (e.g., Automatic Flight Insurance). We apply standards and criteria for creditworthiness to each Cardmember through a variety of means both at the time of initial solicitation or application and on an ongoing basis during the Card

relationship. We use sophisticated credit models and techniques in our risk management operations. For a further description of our risk management policies, see "Risk Management" appearing on page 35 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

Membership Rewards ® Program

The Membership Rewards program from American Express allows Cardmembers to earn one point for virtually every dollar charged on eligible, enrolled American Express Cards, and then redeem points for a wide array of rewards, including travel, retail merchandise, dining and entertainment, financial services and even donations to benefit tens of thousands of charities. Points generally have no expiration date and there is no limit on the number of points one can earn. A large majority of spending by eligible Cardmembers earns points under this program.

The U.S. Membership Rewards program has over 150 redemption partners and features over 500 merchandise brands. Membership Rewards program tiers are aligned with specific Card products to better meet Cardmember lifestyle and reward program usage needs. American Express Cardmembers participate in one of three Membership Rewards program tiers based on the credit or charge Card they have in their wallet. For those Cardmembers with American Express Cards, such as Blue from American Express and ZYNC from American Express, we have the Membership Rewards Express ® program. American Express charge Cardmembers with American Express Green and Gold Cards have the Membership Rewards program. Platinum Card ® members and Centurion ® Cardmembers are enrolled in the Membership Rewards First ® program.

We believe our Membership Rewards point bank is a substantial asset and a competitive advantage. We continue to evolve Membership Rewards as a virtual currency. Cardmembers increasingly use our Pay with Points program including to make purchases on Amazon.com and for airline tickets and other travel categories, as well as to pay for their annual membership fee.

During 2011, we added a number of new redemption partners across several popular categories such as dining and entertainment (OpenTable), retail (Recreational Equipment, Inc.) and travel (Four Seasons Hotels & Resorts). Cardmembers can also now use their points to purchase advertising credits for Facebook, gift cards for Seamless.com and gift certificates at vente-privee USA, a members-only premium shopping site developed in partnership with American Express.

When a Cardmember enrolled in the Membership Rewards program uses the Card, we establish reserves to cover the cost of estimated future reward redemptions for points earned to date. When a Membership Rewards program enrollee redeems a reward using Membership Rewards points, we make a payment to the Membership Rewards program partner providing the reward pursuant to contractual arrangements. Membership Rewards expense is driven by Cardmember Charge volume, customer participation in the program and contractual arrangements with redemption partners. At year-end, we estimated that current Cardmembers will ultimately redeem approximately 92% of their points. For more information on our Membership Rewards program, see "Critical Accounting Estimates — Reserves for Membership Rewards Costs" appearing on page 16 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

Membership Rewards continues to be an important driver of Cardmember spending and loyalty. We believe, based on historical experience, that Cardmembers enrolled in rewards programs yield higher spend, stronger credit performance and greater profit for us. By offering a broader range of redemption choices, we have given our Cardmembers more flexibility in the use of their rewards points and favorably affected our average cost per point. We continually seek to optimize the overall economics of the program and make changes to enhance its value to Cardmembers and to merchants. Our program is also valuable to merchants that become redemption partners as we bring them high-spending Cardmembers and new marketing channels to reach these Cardmembers.

Cardmember Special Services and Programs

Throughout the world, our Cardmembers have access to a variety of fee-free and fee-based special services and programs, depending on the type of Cards they have. Examples of these special services and programs include:

- Membership Rewards ® program
- Global Assist ® Hotline
- Car Rental Loss and Damage Insurance
- Extended Warranty
- Purchase Protection
- Return Protection
- Emergency Card Replacement
- Manage Your Card Account Online
- Online Year-End Summary
- Roadside Assistance
- Advance Ticket Sales
- Event Ticket Protection Plan
- Automatic Flight Insurance
- Premium Baggage Protection
- American Express Travel Insurance
- CreditSecure ®
- Account Protector
- Fraud Protection Guarantee
- My Credit Score and Report
- Identity Theft Assistance
- ID Protect from American Express
- Platinum Office Program
- Online Money Manager
- Exclusive Access to Cardmember Events

As part of our effort to deliver additional value for existing Cardmembers and to attract new high-spending customers to American Express, we introduced several new benefits to the Platinum Card ® and Centurion ® Card in 2011 that will provide our consumer and OPEN ® Cardmembers with improved value and service while traveling, such as greater access to international airport lounges, the elimination of foreign currency translation fees and a credit for the Global Entry program that allows expedited clearance when returning from traveling abroad. We also continued to roll out digital innovations in 2011, including an application that can be downloaded onto most smartphones and tablet devices enabling Cardmembers to check and pay their bills, redeem their Membership Rewards points, learn about key Card benefits and take advantage of upcoming events and offers.

OPEN

In addition to our U.S. Consumer Card business, through AEBFSB we are also a leading payment card issuer for small businesses (generally, firms with fewer than 100 employees and/or annual sales up to $10 million). American Express OPEN (“OPEN”) offers small business owners a wide range of tools, services and savings designed to meet their evolving payment and business needs, including:

- charge and credit Cards
- rewards on eligible spend and business-relevant rewards redemption options
- travel and concierge services
- business, retail and travel protections such as employee card misuse protection, purchase protection and baggage insurance
- 3%–10% discounts at select suppliers of travel, business services and products through OPEN Savings ®
- expense management tools and reporting
- online account management capabilities
- proprietary and third-party business solutions to support everyday business operations such as social media management, business travel and international payments
- resources to help grow and manage a business through the award-winning community-driven Web site, OPEN Forum ®

As part of our commitment to support small businesses, in 2011 we sponsored the second Small Business Saturday ®, a day to increase consumer awareness and patronage of local businesses and their role in the economy and local neighborhoods. We also developed new tools to help small businesses succeed, such as the Shop

Small ® Digital Toolkit, a suite of free tools designed to help small business owners develop their digital presence to drive sales, and American Express OPEN's Marketing Suite, which features third-party software-as-a-service solutions designed to help small business owners develop and manage their online marketing efforts. We also continued to enhance and expand our small business offerings: we launched a new OPEN ® Business Gold Rewards Card and expanded the OPEN Savings ® program through new partnerships with Iron Mountain, FedEx Freight, Dun & Bradstreet Credibility Corp. and the Microsoft Store.

Card-Issuing Business — Competition

Our proprietary Card business encounters substantial and intense competition in the United States and internationally. As a card issuer, we compete in the United States with financial institutions (such as Citibank, Bank of America, JPMorgan Chase and Capital One Financial) that issue general-purpose charge and revolving credit cards, and Discover Financial Services, which issues the Discover card on the Discover network. We also encounter competition from businesses that issue their own cards or otherwise extend credit to their customers, such as retailers and airline associations, although these cards are generally accepted only at limited locations. Because of continuing consolidations among banking and financial services companies and credit card portfolio acquisitions by major card issuers, there are now a smaller number of significant issuers. The largest competing issuers have continued to grow, in several cases by acquiring card portfolios, and also by cross-selling through their retail branch networks.

In recent years, we have encountered increasingly intense competition in the small business sector, as competitors have targeted OPEN's customer base and our leadership position in providing financial services and other fee-based solutions to small businesses. Competing card issuers offer a variety of products and services to attract cardholders, including premium cards with enhanced services or lines of credit, airline frequent flyer program mileage credits, cash rebates and other reward or rebate programs, services for small business owners, "teaser" promotional interest rates for both credit card acquisition and balance transfers, and co-branded arrangements with partners that offer benefits to cardholders.

Most financial institutions that offer demand deposit accounts also issue debit cards to permit depositors to access their funds. Use of debit cards for point-of-sale purchases has grown as most financial institutions have replaced ATM cards with general-purpose debit cards bearing either the Visa or MasterCard logo. As a result, the purchase volume and number of transactions made with debit cards in the United States has grown more rapidly than credit and charge card transactions. Debit cards were historically marketed as replacements for cash and checks, and transactions made with debit cards have typically been for smaller dollar amounts. There is no credit extended when a debit card is used and the consumer must have sufficient funds in his or her demand deposit account to pay for the purchase at the time of the transaction as opposed to charge cards where payment is due at the end of the billing period or credit cards where payment can be extended over a period of time. However, debit cards are also perceived as an alternative to credit or charge cards and used in that manner. Additionally, overdraft accounts can be used by our competitors to extend credit to customers when transaction values exceed monies available in a linked demand deposit account.

As the payments industry continues to evolve, we are also facing increasing competition from non-traditional players, such as online networks, telecom providers and software-as-a-service providers, who leverage new technologies and customers' existing charge and credit card accounts and bank relationships to create payment or other fee-based solutions. In addition, the evolution of payment products in emerging markets may be different than it has been in developed markets. Instead of migrating from cash to checks to plastic, technology and consumer behaviors in these markets may result in the skipping of one or more steps to alternative payment mechanisms such as mobile payments. For a further discussion of the evolving competitive landscape in the payments industry, see "Global Network & Merchant Services — Competition" under "Global Network & Merchant Services" above and "Enterprise Growth Group — Online and Mobile Payments — Competition" under "Corporate & Other" below.

The principal competitive factors that affect the card-issuing business include:

- The features and quality of the services, including rewards programs and digital resources, provided to Cardmembers
- The number, spending characteristics, and credit performance of Cardmembers
- The quantity, diversity and quality of the establishments that accept Cards
- The cost of Cards and Cardmember services
- The pricing, payment and other Card account terms and conditions
- The number and quality of other payment cards and other forms of payment, such as debit cards, available to Cardmembers
- The nature and quality of expense management data capture and reporting capability
- The success of targeted marketing and promotional campaigns
- The reputation and brand recognition
- The ability of issuers to manage credit and interest rate risk throughout the economic cycle
- The ability of issuers to implement operational and cost efficiencies
- The quality of customer service
- The level and effectiveness of advertising investments

Financing Activities

The Company meets its financing needs through a variety of sources, including cash or assets that are readily convertible into cash, direct and third-party sourced deposits, unsecured medium- and long-term notes, asset securitizations, securitized borrowings through a secured financing facility, and long-term committed bank borrowing facilities in certain non-U.S. markets.

American Express Credit Corporation, a wholly owned subsidiary of TRS, along with its subsidiaries (“Credco”), acquires or finances the majority of charge Card receivables arising from the use of corporate Cards issued in the United States and consumer and corporate Cards issued in certain currencies outside the United States. Credco funds the acquisition or financing of receivables principally through the sale of medium- and long-term notes. Centurion Bank and AEBFSB finance their revolving credit receivables and consumer and small business charge card receivables, in part, through the sale of medium-term notes and by accepting consumer deposits in the United States. TRS, Centurion Bank and AEBFSB also fund receivables through asset securitization programs. The cost of funding Cardmember receivables and loans is a major expense of Card operations.

There is a discussion of our securitization and other financing activities on pages 29-33 under the caption “Financial Review,” and Note 7 on page 74 of our 2011 Annual Report to Shareholders, which portions we incorporate herein by reference. In addition, see “ *Difficult conditions in the global capital markets and economy generally, as well as political conditions in the United States and elsewhere, may materially adversely affect our business and results of operations* ” and “ *Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital* ” in “Risk Factors” below.

Deposit Programs

Centurion Bank and AEBFSB accept deposits from individuals through third-party brokerage networks, and AEBFSB accepts deposits directly from consumers. As of December 31, 2011, we had approximately

$37.3 billion in total U.S. retail deposits. The majority of the Company's outstanding U.S. retail deposits has been raised through third-party brokerage networks. As part of our funding strategy, a majority of the deposits raised during 2011 were accepted directly from consumers through Personal Savings from American Express, a suite of deposit products offered by AEBFSB. Our deposit-taking activities compete with those of other deposit-taking organizations that source deposits through telephone, Internet and other electronic delivery channels, brokerage networks and/or branch locations. We compete primarily in the deposit sector on the basis of rates and our brand reputation for safety and service.

Our ability to obtain deposit funding and offer competitive interest rates on deposits is dependent on the capital levels of our U.S. banking subsidiaries. The Federal Deposit Insurance Act ("FDIA") generally prohibits a bank, including Centurion Bank and AEBFSB, from accepting brokered deposits or offering interest rates on any deposits significantly higher than the prevailing rate in its normal market area or nationally (depending upon where the deposits are solicited), unless (1) it is well capitalized or (2) it is adequately capitalized and receives a waiver from the FDIC. A bank that is less than well capitalized generally may not pay an interest rate on any deposit, including direct-to-consumer deposits, in excess of 75 basis points over the national rate published by the FDIC unless the FDIC determines that the bank is operating in a high-rate area. An adequately capitalized insured depository institution may not accept, renew or roll over any brokered deposit unless it has applied for and been granted a waiver of this prohibition by the FDIC. Undercapitalized depository institutions may not solicit deposits by offering interest rates that are significantly higher than the prevailing rates of interest on insured deposits in such institution's normal market areas or in the market area in which such deposits would otherwise be accepted. There are no such restrictions on a bank that is well capitalized (provided such bank is not subject to a capital maintenance provision within a written agreement, consent order, order to cease and desist, capital directive, or prompt corrective action directive issued by its federal regulator). If a depository institution's federal regulator determines that it is in an unsafe or unsound condition or is engaging in unsafe or unsound banking practices, the regulator may reclassify a well capitalized institution as adequately capitalized, require an adequately capitalized institution to comply with certain restrictions as if it were undercapitalized, or require an undercapitalized institution to take certain actions applicable to significantly undercapitalized institutions, all of which would adversely impact its ability to accept brokered deposits.

Card-Issuing Business and Deposit Programs — Regulation

Our charge card, consumer lending and deposit operations are subject to extensive regulation. In the United States, we are subject to a number of federal laws and regulations, including:

- The Equal Credit Opportunity Act (which generally prohibits discrimination in the granting and handling of credit)
- The Fair Credit Reporting Act ("FCRA"), as amended by the Fair and Accurate Credit Transactions Act ("FACT Act") (which, among other things, regulates use by creditors of consumer credit reports and credit prescreening practices and requires certain disclosures when an application for credit is rejected)
- The Truth in Lending Act ("TILA") (which, among other things, requires extensive disclosure of the terms upon which credit is granted), including the amendments to TILA that were adopted through the enactment of the Fair Credit and Charge Card Disclosure Act (which mandates certain disclosures on credit and charge card applications)
- The Fair Credit Billing Act (which, among other things, regulates the manner in which billing inquiries are handled and specifies certain billing requirements)
- The Truth in Savings Act (which requires certain disclosures about rates paid and other terms of deposit accounts)
- The Electronic Funds Transfer Act (which governs disclosures and settlement of transactions for electronic funds transfers and customer rights and liability arising from the use of ATMs and other electronic banking services)

- The CARD Act (which prohibits certain acts and practices in connection with consumer credit card accounts)
- The Consumer Financial Protection Act of 2010 (Title X of Dodd-Frank)
- The Telephone Consumer Protection Act (which prohibits contacting customers on their cellular telephones without their express consent, and provides for significant statutory damages)
- Regulation Z (which implements TILA and was recently amended by the Federal Reserve to extensively revise the open end consumer credit disclosure requirements and implement the requirements of the CARD Act)
- Federal and state laws and regulations that generally prohibit engaging in unfair, deceptive and abusive acts and practices in offering consumer financial products and services

Certain federal and state privacy-related laws and regulations govern the collection and use of customer information by financial institutions. Federal legislation also regulates abusive debt collection practices. In addition, a number of states, the European Union, and many foreign countries in which we operate have significant consumer credit protection and disclosure and data protection-related laws (in certain cases more stringent than the laws of the United States). Bankruptcy and debtor relief laws affect us to the extent that such laws result in amounts owed being classified as delinquent and/or charged off as uncollectible. As stated above, financial institutions, card issuers and card networks are subject to certain provisions of the Bank Secrecy Act as amended by the Patriot Act, with regard to maintaining effective AML programs. For a discussion of these and other regulations and legislation that impact our business, see “Supervision and Regulation — General” below.

American Express Company and its subsidiaries, including in particular our U.S. banking subsidiaries, Centurion Bank and AEBFSB, and our other banking subsidiaries, are subject to a variety of laws and regulations applicable to financial institutions. Changes in such laws and regulations or in the regulatory application or judicial interpretation thereof could impact the manner in which we conduct our business and the costs of compliance. The regulatory environment in which we operate has become increasingly complex and robust, and following the financial crisis of 2008, supervisory efforts to apply relevant laws, regulations and policies have become more intense. The U.S. Congress and regulators, as well as various consumer advocacy groups, have continued to focus their attention on certain practices of credit card issuers, such as unfair and deceptive business practices, increases in annual percentage rates (“APRs”), changes in the terms of the account, and the types and levels of fees and financial charges charged by card issuers for, among other things, late payments, returned checks, payments by telephone, copies of statements and the like. In August 2010, AEBFSB entered into a public, written supervisory agreement with the Office of Thrift Supervision (“OTS”), which was then its primary federal banking regulator, requiring AEBFSB to make certain enhancements to its compliance program and to complete certain corrective actions relating to compliance. We regularly review and, as appropriate, refine our business practices in light of existing and anticipated developments in laws, regulations and industry trends so we can continue to manage our business prudently and consistent with regulatory requirements and expectations. For information about the recently enacted CARD Act, see “Privacy, Fair Credit Reporting” within “Supervision and Regulation — General” below. For information regarding Centurion Bank’s receipt of a notice from the FDIC regarding its plan to take formal enforcement action against Centurion Bank in connection with a review by the FDIC and the Utah Department of Financial Institutions (“DFI”) of Centurion Bank’s card practices for compliance with certain consumer protection laws and regulations, see “Legal Proceedings” below.

In January 2003, the Federal Financial Institutions Examination Council, an interagency body composed of the principal U.S. federal entities that regulate banks and other financial institutions, issued guidance to the industry on credit card account management and loss allowance practices (the “Guidance”). The Guidance covers five areas: (1) credit line management; (2) over-limit practices; (3) minimum payment and negative amortization practices; (4) workout and forbearance practices; and (5) certain income (fee) recognition and loss allowance

practices. Centurion Bank and AEBFSB evaluate and discuss the Guidance with their respective regulators on an ongoing basis as part of their regulatory examination processes, and, as a result, may refine their practices from time to time based on regulatory input. The Guidance has not had, nor do we expect it to have, any material impact on our businesses or practices.

American Express U.S. Consumer Travel Network

The American Express U.S. Consumer Travel Network provides travel, financial and Cardmember services to consumers through American Express-owned travel service offices, call centers, participating American Express Representatives (independently owned travel agency locations that operate under the American Express brand) and the Consumer Travel Web site. American Express U.S. Consumer Travel Network has distinguished itself in the luxury space through its Platinum Travel Services and Centurion Travel Services, which service the needs of our premium Cardmembers and support the exclusive travel benefits that we provide for them. These exclusive travel benefits include the International Airline Program, which offers an international first- and/or business-class companion ticket offer on qualifying tickets with 23 world-class airlines, and the Fine Hotels & Resorts program, which is a luxury hotel program offering room upgrades and value-added amenities.

In addition, the Consumer Travel business operates a wholesale travel business in the United States through our Travel Impressions subsidiary. (A wholesaler secures allotments, such as hotel rooms, from suppliers and then offers the services to customers at retail prices that the wholesaler determines.) Our wholesale travel business manages and operates American Express Vacations, sold exclusively through the American Express Consumer Travel Network in the United States and our Membership Travel Services International Group internationally. Travel Impressions also distributes travel packages through other retail travel agents and private label brands for third parties in the United States. Travel Impressions is consistently recognized by its customers for outstanding services, including being named *Travel Weekly* 's "Best Tour Operator, Sales and Service," for seven years in a row.

Our Consumer Travel Web site, americanexpress.com/travel, offers a full range of travel rates and discounts on airfares, hotels, car rentals, last-minute deals, cruises and full vacation packages. The Web site offers unique American Express Cardmember benefits such as double Membership Rewards ® points, an American Express Travel Office locator, Travel Specialist finder tools and travel planning resources and destination content. In addition, Cardmembers are able to Pay with Points by redeeming Membership Rewards points for some categories of travel through our Web site, as well as through our call centers and Travel Offices. During 2011, we signed an agreement with Orbitz Worldwide, LLC, a wholly owned subsidiary of Orbitz Worldwide, Inc., whereby Orbitz will provide private label services through our Consumer Travel Web site.

American Express U.S. Consumer Travel Network — Competition

The American Express U.S. Consumer Travel Network competes with a variety of different competitors including traditional "brick and mortar" travel agents, credit card issuers offering products with significant travel benefits, online travel agents and travel suppliers that distribute their products directly via the Internet or telephone-based customer service centers. In recent years we have experienced an increasing presence of "niche" players that are seeking to capitalize on the growth in the luxury travel segment by combining luxury travel offers with concierge-type services. The travel business is broad with much overlap between consumer and business travel. For more information about the competitive environment in the travel business, see "Global Business Travel — Competition" under "Global Commercial Services" below.

American Express U.S. Consumer Travel Network — Regulation

The American Express U.S. Consumer Travel Network is subject to domestic and international laws applicable to the provision of travel services, including: licensure requirements; laws and regulations regarding passenger protections such as the Enhancing Airline Passenger Protections rule issued by the U.S. Department of Transportation; and laws and regulations regarding passenger screening and registration such as the Secure Flight Rule issued by the U.S. Transportation Security Administration. Additionally, the American Express U.S. Consumer Travel Network is subject to U.S. state and federal laws and regulations related to privacy, data security and breach notification.

INTERNATIONAL CARD SERVICES

We issue our charge and credit Cards in numerous countries around the globe. Our geographic scope is widespread and we focus primarily on those countries that we believe offer us the greatest financial opportunity. For a discussion of Cards issued internationally through our GNS partner relationships, see "Global Network Services" above.

The Company continued to bolster its international proprietary Card business through the launch of numerous new or enhanced Card products during 2011. These are Cards that we issue, either on our own or as co-brands with partnering institutions. As we have renewed many of our co-brand and financial institution deals, we have been focused on adding new products, new channels, and increasingly, new countries to the agreements. In 2011, among other new proprietary products, we announced or launched several new co-branded products, including a suite of co-brand Cards in partnership with Virgin Australia, a new Costco credit Card in the United Kingdom and a new Delta Air Lines co-brand credit Card in Japan. We offer many of the same programs and services in our international proprietary Card-issuing business as we do in our U.S. proprietary issuing business. For example, as in the United States, we offer various flexible payment options similar to our Sign & Travel ® program and our Extended Payment Option to Cardmembers in several countries outside the United States. Also, as in the United States, we issue Cards internationally under distribution agreements with financial services institutions. Another example of our distribution partnerships is affinity cards with fraternal, professional, educational and other organizations. For instance, we have been successful in penetrating the affinity card segment in Australia, where we issue Cards with more than 30 of the largest professional associations in that country. In Australia, affinity cards are a substantial part of our total revolving portfolio and contribute to our proprietary consumer lending activities.

As in the United States, the Membership Rewards ® program is a strong driver of Cardmember spending in the international consumer business. We have more than 1,300 redemption partners across our international business, with an average of approximately 75 partners in each country; approximately 25% of these partners are in the travel industry. Cardmembers can redeem their points with more than 35 airlines and over 175 hotels. Our redemption options include travel, retail merchandise, entertainment, shopping and recreation gift certificates, experiences, financial services and charity rewards. In 2011, we continued to enhance our rewards programs in several countries, offering more flexible choices that enable Cardmembers to redeem Membership Rewards points more quickly.

We continue to build on our strengths and look for further opportunities to increase our presence internationally. During 2011, we completed the acquisition of a controlling interest in Loyalty Partner, a leading marketing services company known for the loyalty programs it operates in Germany, Poland and India. This acquisition has furthered our strategy to grow fee-based revenue, deepened our merchant relationships in select countries, added more than 36 million consumers to our international customer base and expanded our range of rewards and loyalty marketing services. Loyalty Partner builds merchant coalitions, such as its Payback program, and offers loyalty cards good for discounts and rewards at participating coalition partners. Merchants fund the consumer offers and are responsible for the accumulated loyalty points, and Loyalty Partner earns revenue from operating the loyalty platform and by providing marketing support. In 2011, we launched, through Loyalty Partner, the Payback program in India. The Future Group, one of India's largest retailers, became the first Payback partner in India and added 1,600 new points-of-sale to the Payback network, doubling its size. Loyalty Partner also provides market analysis, operating platforms and consulting services that help merchants grow their businesses. Using these services, merchants are able to run targeted and tailored campaigns across all available channels.

Membership Travel Services International provides premium travel and concierge services to our Platinum and Centurion Customers, through 25 exclusively dedicated call centers in 23 international countries. Additionally, Membership Travel Services operates 16 proprietary Travel Service Offices in Mexico, Italy and Argentina to provide all Cardmembers with travel and general card service assistance. We deliver exclusively

negotiated travel and lifestyle benefits to premium Cardmembers including the Fine Hotels & Resorts Program, American Express Vacations and American Express' International Airline Program. In addition, we provide exclusive access to events and airport lounge access to our premium Cardmembers.

We expanded the flexibility of payment for travel and concierge services by allowing International Consumer Cardmembers to use their Membership Rewards points to pay for their travel purchases in 15 countries outside the United States.

International Proprietary Consumer Card — Competition

Compared with the United States, consumers outside the United States use general-purpose charge and credit cards for a smaller percentage of their total payments, with some large emerging market countries just beginning to transition to card usage in any meaningful way. Although our geographic scope is widespread, we generally do not have significant share in the countries in which we operate internationally. Our proprietary Card-issuing business is subject to competition from multinational banks, such as Citibank, HSBC and Banco Santander, as well as many local banks and financial institutions. We view Citibank and Banco Santander as our strongest competitors on a global basis, as they currently offer card products in a large number of countries.

International Proprietary Consumer Card — Regulation

As discussed elsewhere in this report, regulators in 2011 continued to propose and enact a variety of regulatory changes to the payments landscape in many of our key countries. Regulators have been active in almost all jurisdictions in which we operate and their scope has been very broad. Privacy, data protection, AML and consumer credit have been key themes in both regulations and examinations. For example, in the European Economic Area we have seen both local and regional initiatives as the European Commission looks to introduce more harmonization measures, such as the European Directive 2008/48/EC on credit agreements for consumers (commonly referred to as the Consumer Credit Directive), which harmonizes the provision of credit to customers. Outside Europe, regulations in Mexico, Australia, Canada, Hong Kong and India have been a focus. Some jurisdictions, such as Mexico, Hong Kong and India, are enacting legislation mandating the migration to the EMV standard for card issuing and acceptance, following the approach taken in the European Economic Area. The EMV standard is a global standard for credit and debit payment cards based on chip card technology and is managed and maintained by EMVCo, a standards body in which we are an owner-member.

We expect this activity to continue in 2012. We continue to evaluate our business planning in light of changing market circumstances and the evolving political, economic, regulatory and media environment.

GLOBAL COMMERCIAL SERVICES

In our Global Commercial Services ("GCS") segment, we provide expense management services to companies and organizations worldwide through our Global Corporate Payments and Global Business Travel businesses. American Express is a leading provider of corporate payment solutions and a leading global travel management company for businesses. During 2011, we added or retained several major Corporate Payments and Business Travel clients in the United States and internationally, including among others Accenture, AstraZeneca, Boston Scientific, British Telecom, Chrysler, Hewlett-Packard, Lord & Taylor, Microsoft, Siemens and Yahoo!.

GCS offers a wide range of expense management products and services to companies worldwide, including:

- A comprehensive offering of Corporate Card Programs, such as:
  - *Corporate Cards* : issued to individuals through a corporate account established by their employer and that many business customers use to manage travel and entertainment spending
  - *Corporate Meeting Cards* : provided primarily to corporate meeting planners as a tool to help companies control their meeting and event expenses

  - *Business Travel Accounts ("BTAs")* : centrally billed to and paid directly by corporate clients, BTAs can be used by companies to pay for their employees' travel expenses

- A suite of Business-to-Business (or "B2B") Payment Solutions, including:
  - *Corporate Purchasing Card* : an account established by companies to pay for everyday and large-ticket business expenses such as office and computer supplies
  - *vPayment* : provides fast and efficient payment for business-related purchases and permits the processing of transactions with effective fraud controls
  - *Buyer-Initiated Payments* : an electronic solution for companies looking to automate their payment processes

- A variety of business travel-related products, services and solutions, including:
  - *Travel Services* : online, offline and on-the-go travel offerings tailored to client needs
  - *Supplier Relations* : preferred partnerships with airline, hotel, car and limousine suppliers
  - *Meetings & Events* : a suite of solutions and tools to help organizations of all sizes gain control of and insight into their meetings spend and help mitigate against risk
  - *Advisory Services* : a leading practice line offering tools and consulting to help companies maximize their travel program through compliance and solution optimization

Global Corporate Payments

Global Corporate Payments ("GCP") offers a range of expense management solutions to companies worldwide through our Corporate Card Programs and Business-to-Business Payment Solutions.

Corporate Card Programs

The American Express ® Corporate Card is a charge card that individuals may obtain through a corporate account established by their employer for business purposes. Through our Corporate Card Program, companies can manage their travel and entertainment spending and everyday business expenses and negotiate more effectively with suppliers, among other benefits. We use our direct relationships with merchants to offer Corporate Card clients superior data about company spending, as well as streamlined dispute resolution. We issue local currency Corporate Cards in 44 countries and international dollar/euro Corporate Cards in 120 countries. We also offer Corporate Cards issued through our GNS partner relationships in an additional 30 countries. In 2011, we introduced international dollar/euro Corporate Cards in an additional 12 countries and recently launched a European Enhanced Business Travel Accounts product for our global and multinational clients, providing enhanced visibility into travel expenses.

With the heightened focus on cost containment, many companies are increasingly interested in our Corporate Meeting Card program, which helps businesses control meeting-related expenses. It allows clients to capture meeting spending, simplify the payment process and gain access to data to support negotiations with suppliers.

American Express also partners with many other companies around the world to offer a number of co-brand Corporate Cards in various countries. To date, American Express has 14 Corporate Card co-brand partnerships worldwide. These products, typically suited for mid-sized companies (defined in the United States as firms with annual revenues of $10 million to $1 billion worldwide), provide savings on everyday business spending and/or air travel. GCP is focused on continuing to expand its business with mid-sized companies, which represent significant growth opportunities. Businesses of this size often do not have a corporate card program. However, once enrolled, mid-sized companies typically put a significant portion of their business spending on the Corporate Card because they can gain control, savings and employee benefits.

GCP offers the Savings at Work ® Program to mid-sized companies in the United States, as well as similar programs globally, which provides companies with cash back and/or discounted pricing on everyday business products and services, such as car rentals, hotels, restaurants and courier services. Corporate Cardmembers can also take advantage of our Membership Rewards program to earn points that can be redeemed for air travel and hotel stays, as well as retail, home and recreation items. Membership Rewards is a powerful tool for encouraging Corporate Card usage, leading to greater expense control and savings.

Business-to-Business Payment Solutions

We also offer a series of Business-to-Business Payment Solutions to help companies manage B2B spending. This type of spending by companies helps to diversify our spend mix. These solutions provide a variety of benefits to companies, including cost savings, process efficiency, improved cash flow and increased visibility, and control and security over business expenses. The Corporate Purchasing Card helps large corporations and mid-sized companies manage their everyday spending. It is used to pay for everyday goods and business expenses, such as office supplies, industrial supplies and business equipment in 27 countries around the world.

vPayment, which offers companies single-use virtual account numbers, allows GCP customers to make payments with enhanced controls, data capture and reconciliation capabilities. Charges are authorized for a specified amount during a designated amount of time. The solution automates reconciliation, eliminates manual check requests, interfaces easily with a customer's enterprise resource planning ("ERP"), procurement and accounts payable systems, and can be used at one or more stages of the procurement-to-payables process.

Buyer Initiated Payments ("BIP") allows American Express to pay B2B suppliers electronically on behalf of our clients, permitting our clients to have more control over their payments, extend their own days payable outstanding (or "float"), and increase their cash on hand. This solution is best suited for mid- to large-sized companies that want to transition rapidly to electronic payments, reduce supplier inquiries, convert from paper to electronic payments, and optimize cash flow. BIP is currently available to companies in the United States and Canada. In 2011, we launched BIP Express, a Web-hosted version of BIP that is easy to implement and enables customers to process transactions in a matter of days.

Online Capabilities

GCP offers companies and individual Cardmembers the ability to manage their Corporate Card Programs, and offers companies the ability to manage their Business-to-Business Payment Solutions, on a 24/7 basis through a suite of secure Web-based online tools. American Express @ Work ® provides clients' authorized users online access to global management information to help them gain visibility into their spending patterns, as well as the ability to make changes to their Corporate Card, Corporate Purchasing Card, BTA and Corporate Meeting Card accounts. Cardmembers can use the online Manage Your Card Account tool to manage their individual Card account. Business-to-Business Payment Solutions also offers clients the option to use online access to manage their vPayment and Buyer Initiated Payments solutions.

Global Corporate Payments — Competition

The corporate payments sector is dynamic and highly competitive, with competition increasingly intense at both the network and payment provider levels. At the network level, we have experienced increasing competition including intense price competition, aggressive expansion into new and emerging segments, efforts to transition B2B spend from cash and check to cards and electronic invoicing and payment vehicles, and expanding marketing and advertising budgets for commercial services. Both Visa and MasterCard continue to support card

issuers such as U.S. Bank, JPMorgan Chase and Citibank to build and support data collection and reporting necessary to satisfy customer requirements. Moreover, in the current economic environment, the interest in expense management tools is particularly strong, as clients aim to capture data, analyze trends and make decisions that enhance their cash flow and profitability.

At the payment provider level, we are seeing increased competition, particularly for mid-sized companies, from both regional banks and national banks, such as Citibank and JPMorgan. Payment providers have increasingly acquired technology offerings to enhance data capture capabilities and reporting functionality. In addition, many providers attempt to leverage their banking relationships and capabilities to secure and retain card business. Global servicing, data quality, technological functionality and simplicity, customer experience, and price and other financial terms are among the key competitive factors in the corporate payments business.

Global Corporate Payments — Regulation

The Global Corporate Payments business, which engages in the extension of commercial credit, is subject to more limited regulation than our consumer lending business. In the United States, we are subject to certain of the federal and state laws applicable to our consumer lending business, including the Equal Credit Opportunity Act, the FCRA (as amended by the FACT Act), as well as laws that generally prohibit engaging in unfair and deceptive business practices. We are also subject to certain state laws that regulate fees and charges on our products. Additionally, as a global business, we are subject to U.S. state data security and breach notification laws and regulations, as well as significant data protection laws in the European Union and many foreign countries in which we operate. We are also subject to bankruptcy and debtor relief laws that can affect our ability to collect amounts owed to us. As discussed above, along with the rest of our business, we are subject to certain provisions of the Bank Secrecy Act as amended by the Patriot Act, with regard to maintaining effective AML programs. For a discussion of this legislation and its effect on our business, see “Supervision and Regulation — General” below. In some countries, regulation of card practices and consumer protection legislation may apply to some corporate payments relationships.

Global Business Travel

American Express Global Business Travel provides globally integrated solutions, both online and offline, as well as through mobile applications, to help organizations manage and optimize their travel investments and service their traveling employees. With clients ranging from small businesses to multinational and global corporations, these solutions include: travel reservation advice and transaction processing through a global network that is available 24 hours per day; travel expense management policy consultation; meeting management, supplier negotiation and consultation; advisory services, management information reporting, business intelligence, data analysis, research and benchmarking; group and incentive travel services; policy control advice; and mobile applications to help travelers be more efficient when traveling on business.

We continue to evaluate our economic model and invest in new products, services and technologies to enhance the value that we deliver to our customers and address ongoing travel industry challenges and opportunities. For example, we have substantially reduced our reliance on commission revenues from suppliers (such as airlines or hotels) and now generate revenues primarily from customers who pay for the services that we provide.

We launched several new programs to support our corporate clients in 2011. These programs include solutions designed to provide our clients with savings, control, services and traveler care. For example, we enhanced our hotel offering by providing additional rates and including additional properties that do not load content in various travel booking engines. We made enhancements to our mobile travel solution, MOBILEXTEND ®, which provides travelers with various mobile support services, including a new feature that enables travel managers to manage and locate travelers around the globe in case of travel emergencies or disruption. We also launched OPEN Business Travel, an online travel booking tool designed specifically for OPEN small business Cardmembers.

Global Business Travel — Competition

American Express Global Business Travel continues to face intense competition in the United States and internationally from numerous traditional and online travel management companies, as well as from direct sales by airlines, other travel suppliers and new entrants. Competition among travel management companies is mainly based on price, service, value creation, convenience, global capabilities and proximity to the customer. Competition also comes from corporate customers themselves, as some companies have become accredited as in-house corporate travel agents. New entrants could also represent additional competition along the end-to-end travel value chain, which could impact competition in the medium to long term.

For many years, travel management companies have faced pressure on revenues from airlines, as most carriers have stopped paying "base" commissions to travel agents for tickets sold and significantly reduced other forms of travel agent compensation. Carriers have also made efforts to increase the number of transactions they book directly through their Web sites and other means. These trends have reduced the revenue opportunities for travel management companies because they do not receive distribution revenue from directly booked transactions. In recent years, the airline industry has undergone bankruptcies, restructurings, consolidations and other similar events including expanded grants of antitrust immunity to airline alliances. This immunity enables airlines to closely coordinate their international operations and to launch highly integrated joint ventures in transatlantic and other markets. These types of structural changes may result in additional challenges to travel management companies. For additional information concerning these issues, see "Risk Factors" below.

Overall, intense competition among travel management companies, the ongoing trends of increasing direct sales by airlines, the rise of low-cost carriers, and ongoing reductions in or elimination of airline commissions and fees, continue to put pressure on revenue and profitability for travel agents.

Over the last few years we have evolved our business model to permit us to charge customers for the services we provide and the value we create, and restructured our expense base through the rationalization of our call center locations and the transitioning of many of our services online. We continue to look for new ways to enhance the value we deliver for our customers both online and offline. Additionally, we are focusing on developing new and innovative products, services and technologies, which enhance the value we deliver to our customers and suppliers and address ongoing travel industry challenges and opportunities.

As noted above, the travel business is broad with much overlap between consumer and business travel. See "American Express U.S. Consumer Travel Network — Competition" under "U.S. Card Services" above for additional information on the competitive environment in the travel business.

Global Business Travel — Regulation

The Global Business Travel business is subject to domestic and international laws applicable to the provision of travel services, including licensure requirements, as well as laws and regulations regarding passenger screening and registration such as the Secure Flight Rule issued by the U.S. Transportation Security Administration. Additionally, we are subject to U.S. state and federal laws and regulations related to privacy, data security and breach notification, as well as significant data protection laws in the European Union and many foreign countries in which we operate. We are also subject to bankruptcy and debtor relief laws that can affect our ability to collect amounts owed to us.

CORPORATE & OTHER

Corporate & Other consists of corporate functions and auxiliary businesses, including the Company's Enterprise Growth Group, the Company's publishing business, as well as other company operations. We also discuss information relevant to the Company as a whole in this section.

As discussed in "Consolidated Capital Resources and Liquidity" on page 32 of our 2011 Annual Report to Shareholders, our corporate liquidity objective is to maintain access to cash, readily-marketable securities and contingent sources of liquidity, such that we can continuously meet expected future financing obligations and business requirements for at least a twelve-month period. A large portion of the interest expense in Corporate & Other includes the interest expense related to maintaining this excess liquidity pool since all of our businesses benefit from the liquidity.

Enterprise Growth Group

The Enterprise Growth Group was established to pursue new forms of payments and digital commerce that open American Express to new customer segments, new geographies across the world, and new products and services. Specifically, this includes growing a digital services platform for the Company, expanding alternative mobile and online payment services, forming new partnerships and building new revenue streams beyond the traditional Card and travel businesses. Enterprise Growth seeks to leverage our assets and capabilities and build or acquire the talent, businesses and platforms required to deliver new forms of growth in the digital economy. The group consists of three core business units: Online and Mobile, Fee Based Services and Global Payment Options (formerly known as Global Prepaid). Starting in the first quarter of 2011, certain business activities such as LoyaltyEdge and Foreign Exchange Services (formerly known as Global Foreign Exchange Services) that were previously managed and reported in the USCS and GCS operating segments, respectively, are now managed by Enterprise Growth. The group also includes the corporate development function (the Company's mergers & acquisitions group), as well as Serve Virtual Enterprises, Inc. or "Serve" (formerly known as Revolution Money).

Online and Mobile Payments

The Online and Mobile business unit is responsible for developing new online and mobile payment capabilities and associated services that can expand the role we play in the digital economy. In 2011, we launched Serve ® in the United States as a first step toward delivering more alternative payment options. Serve is a new digital software-based platform where consumers can spend, send and receive money, and make person-to-person payments online at serve.com, via mobile phones and at merchants that accept American Express Cards. Serve unifies multiple payment options into a single account that can be funded from a bank account, debit, credit or charge card, or by receiving money from another Serve account. Since acquiring Serve, we have been working to transition it into an enterprise-wide platform to support future digital initiatives.

Following the launch of Serve, we established business relationships in the mobile, e-commerce, not-for-profit and gaming space to build capabilities and drive distribution of the Serve platform. We are focused on working with partners that have large customer bases that would benefit from embedding Serve directly into their purchase path and rolling out easy-to-use digital payment solutions for consumers, businesses and sellers. We also made strategic investments and acquisitions in 2011 to obtain capabilities that are intended to enhance the Serve platform and drive customer growth, including the acquisition of Sometrics, a virtual currency platform and in-game payments provider.

The team is also responsible for expanding our presence in emerging markets, such as India and China. The team is identifying market strategies that include introducing new payment forms outside our charge and credit products and services, embracing new online and mobile payment technologies, and formulating strategic relationships to generate new, international revenue streams. For example, in 2011 we announced a strategic investment in the Lianlian Group, which includes a mobile top-up company in China, and an operating agreement to use Serve in products and services Lianlian develops for its consumer and business customers in China.

Online and Mobile Payments — Competition

The online and mobile payments sector is dynamic and highly competitive, with a variety of different competitors that offer or are developing payment systems in e-commerce and across mobile devices, including

traditional financial institutions, such as credit card issuers and networks, and alternative payment providers, such as PayPal and Google Wallet, and other non-traditional competitors, such as mobile operators, handset manufacturers, technology companies and others. Among other services, these competitors provide or are seeking to develop digital payment services that can be used to buy and sell goods online, and services that support payments to and from deposit accounts or proprietary accounts for digital, mobile commerce and other applications. A number of competitors rely principally on the Internet and potential wireless communication networks to support their services, and may enjoy lower costs than we do. Other competitors working to deliver digital and mobile payment services may have and may deploy substantially greater financial and other resources than we have or may offer a wider range of services and capabilities than we offer. Consumer and merchant adoption is a key competitive factor and our competitors may develop platforms or technologies that become more widely adopted than ours. Micro-payments on social networks are relatively small today but have the potential to grow rapidly, representing the potential for competition from a new payment form. Competition will remain fierce as payment services and technologies continue to evolve.

Fee Based Services

The Fee Based Services team within Enterprise Growth is tasked with identifying ways to capitalize on the existing assets of American Express by creating business models that can generate new, non-payment, e-commerce revenue streams. The Fee Based Services team is responsible for supporting our LoyaltyEdge offering, a new business line that assists partners, like Delta Air Lines, with developing, operating and improving their own loyalty programs. In 2011, we launched the exclusive online retail site, www.venteprivee.com, a joint venture between American Express and vente-privee.com, Europe's leader in online private sales of luxury goods. The site features member-only sales events with premium European and American brands.

Global Payment Options (formerly known as Global Prepaid)

Global Payment Options ("GPO") offers a wide range of prepaid and foreign exchange services and products across the globe, including both reloadable and non-reloadable prepaid payment products.

The American Express ® Gift Card is available in over 100,000 locations in the United States and Canada. Sales of gift cards continued to rise in 2011. GPO also offers in the United States a variety of prepaid Cards, including rebate, incentive and reward products, as well as prepaid reloadable Cards marketed through various channels and to various segments. For example, PASS from American Express ®, a prepaid reloadable Card, is sold and marketed to parents as a payment tool for teens and young adults that is an alternative to checks, cash or debit cards. As another example, we launched the American Express ® Prepaid Card in 2011, a reloadable prepaid card with no activation or maintenance fees. With this everyday payment card we hope to serve new customer segments that do not rely on traditional charge and credit cards to manage day-to-day finances. We also launched the American Express for Target Card, a reloadable prepaid card, in more than 1,000 U.S. Target stores. Other examples of products we have launched with reloadable prepaid card functionality if activated include a pilot university student ID card and a AAA membership card.

In addition, we have been in the business of issuing and selling Travelers Cheques since 1891. We sell the American Express ® Travelers Cheque ("Travelers Cheque" or "Cheque") as a safe and convenient alternative to cash. Travelers Cheques are currently available in U.S. dollars and four foreign currencies, including euros. We also issue and sell other forms of paper Travelers Cheques, including American Express ® Gift Cheques ("Gift Cheques"), which are available in U.S. and Canadian dollars. Sales of Travelers Cheques continued to decline in 2011. We also issue general purpose reloadable prepaid travel cards in different denominations in Australia, Brazil and South Africa.

We sell American Express prepaid products through a variety of channels globally, including sales directly to customers via the Internet. Travelers Cheques and Gift Cheques are sold primarily through a broad network of selling outlets across multiple countries, including American Express travel offices, third-party financial

institutions and select independent agents. Gift cards are available at americanexpress.com, in malls and retail locations and in bank branches. Reloadable prepaid products are available in certain retail channels as well as online in the United States.

The Foreign Exchange Services division ("FES") of GPO consists of retail and wholesale foreign exchange services and the FX International Payments service. Other than in Australia and Singapore, where we operate foreign exchange offices in city locations and through selected partner locations, we concentrate our retail foreign exchange business in key international airports, such as multiple airport locations in Europe (London Heathrow, Edinburgh, Glasgow, Madrid, Vienna, Geneva and Nice). In 2011, we announced the expansion of our airport portfolio to include Birmingham (U.K.), Copenhagen and Boston Logan international airports. Our online FX International Payments service allows companies and financial institutions (and consumers, in the case of Australia) to make cross-border payments in foreign currencies quickly and efficiently.

Global Payment Options — Competition

Our products compete with a wide variety of financial payment products including cash, foreign currency, checks, other brands of travelers checks, debit, prepaid and ATM cards, store branded gift cards, other network branded cards and other payment cards.

The principal competitive factors affecting the prepaid sector vary depending on the type of product, but some are:

- Number and location of merchants accepting the form of payment
- Availability to the consumer of other forms of payment
- Amount of fees charged to the consumer
- Compensation paid to, and frequency of settlement by, selling outlets
- Accessibility of sales and refunds for the products
- Success of marketing and promotional campaigns
- Ability to service the customer satisfactorily, including for lost or stolen instruments

Global Payment Options — Regulation

As an issuer of Travelers Cheques and prepaid Cards and a provider of foreign exchange services, we are regulated in the United States under the "money transmitter" or "sale of check" laws in effect in most states. These laws require travelers check (and, where applicable, prepaid card) issuers, as well as providers of foreign exchange services, to obtain licenses, to meet certain safety and soundness criteria, to hold outstanding proceeds of sale in highly rated and secure investments, and to provide detailed reports. We invest the proceeds from sales of our Travelers Cheques and prepaid Cards in accordance with applicable law, predominantly in highly rated debt securities consisting primarily of intermediate- and long-term federal, state and municipal obligations. Many states examine licensees annually.

In addition, federal AML regulations require, among other things, the registration of travelers check issuers and the providers of foreign exchange services as "Money Service Businesses" and compliance with applicable AML recordkeeping and reporting requirements. Outside the United States, there are varying licensing and AML requirements, including some that are similar to those in the United States.

Travelers check and prepaid card issuers are required by the laws of many states to comply with state unclaimed and abandoned property laws, under which such issuers must pay to states the face amount of any travelers check or prepaid card that is uncashed or unredeemed after a period of time depending on the type of product. In recent years, a number of states have passed legislation establishing shorter periods for travelers checks and/or prepaid cards, often with retroactive application. We have challenged, and intend to continue to challenge, what we believe are significant defects in these laws, which can have a significant impact on our Travelers Cheques and prepaid Cards business in the states in which they are enacted.

In May 2009, the CARD Act amended provisions of the Electronic Funds Transfer Act to impose new restrictions on the terms of gift cards and certain other prepaid cards, including restrictions on the fees that may be charged, expiration dates, and consumer disclosures. The Federal Reserve issued final regulations to implement the CARD Act gift card provisions that became effective in August 2010. Congress thereafter passed legislation that extended the August 2010 effective date of the CARD Act gift card provisions to January 2011 for gift cards produced prior to April 1, 2010, provided certain conditions are met. We continue to monitor state legislative activity restricting the terms of gift cards. In certain states where regulation continues to restrict fees and has made it unprofitable for us to offer gift cards, we have limited or withdrawn from selling these cards.

In July 2011, the Financial Crimes Enforcement Network ("FinCen"), an enforcement agency of the U.S. Department of the Treasury, issued the Prepaid Access Final Rule, which imposes new AML requirements on the prepaid industry. The regulation becomes effective March 31, 2012; however, we have taken actions to become compliant with the new requirements as soon as practicable. In general, the regulation will require issuers of prepaid access (formerly referred to as "stored value") products to identify customers and retain information with regard to the customer identification and identify and report suspicious activity. The regulation does not impose significant new obligations on American Express as a provider of prepaid access because our existing AML program already requires the identification and reporting of suspicious transactions, customer identification and retention of customer identification and transactional records.

See "Global Network & Merchant Services — Regulation" for a discussion of the Federal Reserve's rules under Dodd-Frank that establish, among other things, interchange fee limitation rules for debit and prepaid card transactions, and that prohibit exclusive network routing restrictions for electronic debit transactions (which applies to all debit and prepaid cards).

American Express Publishing

Through American Express Publishing, we produce: luxury lifestyle magazine brands such as *Travel + Leisure* ®, *Food & Wine* ®, *Departures* ® and *Executive Travel* ; a variety of travel, cooking, wine, time management and financial books and products; international editions of our titles; digital and mobile content; luxury-marketing events; and custom print and online programs for clients. We seek to deliver lifestyle expertise that informs choices, enriches perspective and empowers affluent and accomplished people — and the businesses that serve them — to make decisions and lead extraordinary lives. We have a management services agreement with Time Inc. pursuant to which we share certain profits relating to this business.

The Global Services Group

The Global Services Group ("Global Services") was created to heighten the Company's focus on customer service and to ensure all business operations are managed as effectively and efficiently as possible. We have organized support functions by process rather than business unit, which the Company expects will streamline costs, reduce duplication of work, better integrate skills and expertise, and improve customer service.

Global Services comprised principally the following divisions:

World Service

Our U.S. and international service organizations have been consolidated under World Service. Our customer service units have worked over a number of years to ensure outstanding service to customers, while at the same

time improving operating margins. As mentioned above, J.D. Power and Associates released its annual nationwide credit card satisfaction study and ranked American Express highest in overall satisfaction among 10 of the largest card issuers in the United States for the fifth consecutive year.

Global Business Services

The Global Business Services division comprised principally procurement, real estate, human resources processing, and financial processing. These internal process-driven activities have been consolidated to simplify and standardize processes for increased quality, efficiency and cost savings.

Global Credit Administration

Global Credit Administration ("GCA") is responsible for the end-to-end management of our credit, collections and fraud operations around the world. GCA aims to strike the right balance between helping Cardmembers in need through a range of workout programs, and taking actions to prevent spending that will not be paid back to American Express.

Technologies

We continue to make significant investments in our systems and infrastructure to allow faster introduction and greater customization of products, while maintaining the security of customer data. We also are using technology to develop and improve our service capabilities to continue to deliver a high quality customer experience. For example, we maintain a service delivery platform that our employees use in the Card business to support a variety of customer servicing and account management activities such as account maintenance, updating of Cardmember information, the addition of new Cards to an account and resolving customer satisfaction issues. In international markets, we are enhancing our global platforms and capabilities, such as in revolving credit.

We continue to devote substantial resources to our technology platform to ensure the highest level of data integrity, information security, data protection and privacy. Our internal IT organization retains our key technology competencies, such as information technology strategy and information security, while outsourcing most of our technology infrastructure management and application development and maintenance to third-party service providers. This enables us to benefit from third-party expertise and lower information technology costs per transaction. We continue our efforts to safeguard the data entrusted to us in accordance with applicable laws, rules and regulations, and our internal policies, as described under "Supervision and Regulation — General — Privacy, Fair Credit Reporting" below.

We continue to leverage the Internet to lower costs, improve service quality and enhance our business model. As of the end of 2011, customers had enrolled approximately 30 million Cards globally in our online account management capability known as the "Manage Your Card Account" service. This service enables Cardmembers to review all of their card transactions online, pay their American Express bills electronically, view and service their Membership Rewards program accounts and conduct various other functions quickly and securely online. We now have an online presence in 27 countries around the world, including the United Kingdom, Australia, Italy, France, Mexico and Japan.

SUPERVISION AND REGULATION — GENERAL

Overview

Federal and state banking laws, regulations and policies extensively regulate the Company, TRS, Centurion Bank and AEBFSB, including prescribing standards relating to capital, earnings, liquidity, dividends, the

repurchase or redemption of shares, loans or extension of credit to affiliates and insiders, internal controls, information systems, risk management, internal audit systems, loan documentation, credit underwriting, asset growth and impaired assets, among other things. Such laws and regulations are intended primarily for the protection of depositors, other customers and the federal deposit insurance funds, as well as to minimize systemic risk, and not for the protection of our shareholders or creditors. Following the financial crisis of 2008, supervisory efforts to apply these laws, regulations and policies have become more intense, and new laws and regulations have been promulgated.

American Express Company and TRS are bank holding companies under the Bank Holding Company Act of 1956 and have elected to be treated as financial holding companies under the BHC Act. As a bank holding company under the BHC Act, the Company is subject to supervision and examination by the Federal Reserve. Under the system of "functional regulation" established under the BHC Act, the Federal Reserve supervises the Company, including all of its non-bank subsidiaries, as an "umbrella regulator" of the consolidated organization and generally defers to the primary U.S. regulators of the Company's U.S. depository institution subsidiaries, as applicable. Bank regulatory agencies have broad examination and enforcement power over bank holding companies and their subsidiaries, including the power to impose substantial fines, limit dividends, restrict operations and acquisitions, and require divestitures. Bank holding companies and banks, as well as subsidiaries of both, are prohibited by law from engaging in practices that the relevant regulatory authority deems unsafe or unsound. The Company and its subsidiaries, including Centurion Bank and AEBFSB, also are subject to supervision, examination and enforcement by the CFPB with respect to marketing and sale of consumer financial products and compliance with certain federal consumer financial laws, including, among other laws, the Consumer Financial Protection Act and the Truth in Lending Act, as discussed further below under "Consumer Financial Protection Act of 2010."

Many aspects of our business also are subject to rigorous regulation by other U.S. federal and state regulatory agencies and securities exchanges and by non-U.S. government agencies or regulatory bodies and securities exchanges. Certain of our public disclosure, internal control environment and corporate governance principles are subject to the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and related regulations and rules of the SEC and the New York Stock Exchange, Inc. As a global financial institution, to the extent that different regulatory systems impose overlapping or inconsistent requirements on the conduct of our business, we face complexity and additional costs in our compliance efforts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

Dodd-Frank, which was enacted in July 2010, significantly restructures the financial regulatory regime in the United States. Dodd-Frank created a new systemic risk oversight body, the Financial Stability Oversight Council (the "FSOC"), which oversees and coordinates the efforts of the primary U.S. financial regulatory agencies (including the Federal Reserve, the SEC, the U.S. Commodity Futures Trading Commission, the OCC and the FDIC) in establishing regulations to address financial stability concerns. Dodd-Frank directs the FSOC to make recommendations to the Federal Reserve as to supervisory requirements and prudential standards applicable to bank holding companies with $50 billion or more in total consolidated assets, which includes the Company, and nonbank financial companies designated by the FSOC for supervision by the Federal Reserve. Dodd-Frank mandates that the requirements applicable to these institutions be more stringent than those applicable to other financial companies.

In addition to the framework for systemic risk oversight implemented through the FSOC, Dodd-Frank broadly affects the financial services industry in numerous respects, including by creating a special resolution authority, by requiring banks to pay increased fees to regulatory agencies, by requiring all publicly traded bank holding companies that have assets of at least $10 billion to establish a dedicated risk committee reporting directly to the company's board of directors (including independent directors) responsible for enterprise-wide risk management oversight and practices, and through numerous other provisions aimed at strengthening the sound operation of the financial services sector. Moreover, Title X of Dodd-Frank, known as the Consumer

Financial Protection Act of 2010 (the "CFPA"), provides for the creation of the Consumer Financial Protection Bureau, a new consumer financial services regulator, discussed below under "Consumer Financial Protection Act of 2010." New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) could materially adversely affect our financial condition or results of operations. As discussed further throughout this section, many aspects of Dodd-Frank are subject to further rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us or across the industry. In addition to the discussion in this section, see " *The Dodd-Frank Wall Street Reform and Consumer Protection Act may have a significant adverse impact on our business, results of operations and financial condition"* and " *Banks, card issuers and card network operators generally are the subject of increasing global regulatory focus, which may impose costly new compliance burdens and lead to decreased transaction volumes and revenues through our network"* in "Risk Factors" below for a further discussion of some of the potential impact legislative and regulatory changes may have on our results of operations and financial condition.

Consumer Financial Protection Act of 2010

As mentioned above, the CFPA provides for the creation of the CFPB, a new consumer financial services regulator. As of July 21, 2011, our marketing and sale of consumer financial products and our compliance with certain federal consumer financial laws, including the CFPA and the TILA, became subject to supervision and examination by the CFPB. On July 21, 2011, the CFPB assumed responsibility from our current banking regulators for supervision, examination and enforcement of Centurion Bank, AEBFSB and their affiliates, including the Company, with respect to such federal consumer financial laws and then-existing regulations implementing those laws. The CFPB has authority to take enforcement actions against us for violation of those laws. See "Legal Proceedings" below.

Dodd-Frank also transferred to the CFPB exclusive rulemaking authority for such federal consumer financial laws and authorized the CFPB to prohibit "unfair, deceptive or abusive" acts and practices and to ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. On January 4, 2012, the President announced the recess appointment of a Director of the CFPB.

Financial Holding Company Status and Activities

The BHC Act limits the nonbanking activities of bank holding companies. Unless a bank holding company has qualified as a "financial holding company," its nonbanking activities are restricted to those that the Federal Reserve has determined are "so closely related to banking as to be a proper incident thereto." An eligible bank holding company may elect to be a financial holding company, which is authorized to engage in a broader range of financial activities. A financial holding company may engage in any activity that has been determined by rule or order to be financial in nature, incidental to such financial activity, or (with prior Federal Reserve approval) complementary to a financial activity and that does not pose a substantial risk to the safety or soundness of a depository institution or to the financial system generally. As a financial holding company, American Express engages in various activities permissible only for a bank holding company that has elected to be treated as a financial holding company including, in particular, providing travel agency services, acting as a finder and engaging in certain insurance underwriting and agency services.

For a bank holding company to be eligible for financial holding company status, the bank holding company and each of its subsidiary U.S. depository institutions must be "well capitalized" and "well managed," and each of its subsidiary U.S. depository institutions must have received at least a satisfactory rating on its most recent assessment under the Community Reinvestment Act of 1977 (the "CRA"). If the bank holding company fails to meet applicable standards for financial holding company status, it could be barred from engaging in new types of financial activities or making certain types of acquisitions or investments in reliance on its status as a financial holding company, and could be required to either discontinue the broader range of activities permitted to financial holding companies or divest its subsidiary U.S. depository institutions.

See " *Our business is subject to significant and extensive government regulation and supervision, which could adversely affect our results of operations and financial condition* " in "Risk Factors" below.

Heightened Prudential Requirements for Large Bank Holding Companies

As discussed above, Dodd-Frank created a new systemic risk oversight body, the FSOC, to identify, monitor and address potential threats to U.S. financial stability. Additionally, Dodd-Frank imposes heightened prudential requirements on bank holding companies with at least $50 billion in total consolidated assets, including the Company, and requires the Federal Reserve to establish prudential standards for such large bank holding companies that are more stringent than those applicable to other bank holding companies, including standards for risk-based capital requirements and leverage limits, liquidity, risk management requirements, resolution plans (referred to as "living wills"), stress tests, early redemption, credit exposure reporting and concentration. The Federal Reserve has discretionary authority to establish additional prudential standards on its own or at the FSOC's recommendation regarding contingent capital, enhanced public disclosures, short-term debt limits and otherwise as it deems appropriate. Because the Federal Reserve may, on its own volition or in response to a recommendation by the FSOC, tailor the application of these enhanced prudential standards to specific companies, including the Company, the ultimate impact of these enhanced standards on the Company is not certain.

In December 2011, the Federal Reserve issued a notice of proposed rulemaking to implement many of the heightened prudential requirements, which would require the following:

- *Stress Testing:* The Federal Reserve must conduct annual analyses of bank holding companies with at least $50 billion in total consolidated assets to evaluate whether the companies have sufficient capital on a total consolidated basis necessary to absorb losses as a result of adverse economic conditions (so-called "stress tests"). Under the proposed rule, the stress tests would use a minimum of three economic and financial scenarios generated by the Federal Reserve (baseline, adverse and severely adverse), and be based on methodologies and data that have not yet been made available. A summary of results of individual stress tests would be made public by the Federal Reserve on a company-specific basis. The Company would also be required to conduct a similar stress test on a semiannual basis, and a summary of the results of these tests also would be subject to public disclosure. The Company also will be required to comply with the capital planning requirements discussed in " *Capital Planning* " below. Dodd-Frank requires the other federal bank regulators to issue regulations that are consistent with the stress test regulations issued by the Federal Reserve, which would ultimately apply to Centurion Bank and AEBFSB. In January 2012, the FDIC and the OCC published proposed rules to implement the stress testing requirements that would be applicable to Centurion Bank and AEBFSB, respectively.
- *Enhanced Capital and Leverage Requirements:* See "Basel III" below.
- *Enhanced Liquidity Standards:* The Federal Reserve's notice of proposed rulemaking states that the enhanced liquidity standards will be addressed in "stages." As the first stage of this undertaking, the proposed rules focus on prudential steps to manage liquidity risk, which comprehensively detail liquidity risk management responsibilities for boards of directors and senior management, and would require:
  - maintenance of a liquidity buffer, consisting of assets meeting certain standards, that is sufficient to meet projected net cash outflows and projected loss or impairment of existing funding sources for 30 days over a range of liquidity stress scenarios;
  - production of comprehensive cash flow projections and identification and quantification of discrete and cumulative cash flow mismatches;
  - regular stress testing of cash flow projections over various time horizons and assuming prescribed assumptions;

- establishment and maintenance of a contingency funding plan that sets out strategies for addressing liquidity needs during liquidity stress events;
- establishment and maintenance of limits on potential sources of liquidity risk, including concentrations of funding, maturity of specified liabilities within various time horizons, and off-balance sheet exposures that could create funding needs during liquidity stress events; and
- a variety of monitoring requirements.

The Federal Reserve noted that it would "implement the second stage" of a regulatory liquidity framework for bank holding companies with at least $50 billion in consolidated assets through future proposals that would require such bank holding companies or a subset thereof to satisfy specific liquidity requirements derived from or consistent with the international liquidity standards incorporated into the Basel III framework (discussed below).

- *Single Party Concentration Limits:* Under the proposed rule, beginning October 1, 2013, bank holding companies with $50 billion or more in consolidated assets generally would be subject to a 25% limit on aggregate net credit exposure with any single unaffiliated counterparty.

- *Enhanced Risk Management Requirements:* Under the proposed rule, bank holding companies with $50 billion or more in consolidated assets would be required to establish a dedicated risk committee reporting directly to the company's board of directors, comprised of members of the bank holding company's board of directors, which would document, review and approve the enterprise-wide risk management practices of the company. The risk committee would be required to oversee the operation of an enterprise-wide risk management framework commensurate with the company's capital structure, risk profile, complexity, activities, size and other appropriate risk-related factors, and would be subject to certain governance provisions set forth in the proposed rule. Such bank holding companies, including the Company, would also be required to appoint a Chief Risk Officer.

Because the proposed rule is not final, the ultimate impact of these measures on us is not certain.

Dodd-Frank also mandates that certain expenses of the Office of Financial Research, which include, among other things, the operating expenses of the FSOC and certain expenses of the FDIC, be funded through assessments on bank holding companies with $50 billion or more in consolidated assets and certain other non-bank financial companies supervised by the Federal Reserve. In December 2011, the U.S. Treasury published a proposed rule setting forth the manner in which these assessments would be made.

Living Wills

As noted above, we will be required to prepare and provide to regulators a resolution plan that must ensure that our depository institution subsidiaries are adequately protected from risks arising from our other subsidiaries. The plan must also include, among other things, a strategic analysis of key assumptions and strategies, and a description of the interconnections and interdependencies among the Company and its material entities. Pursuant to a rule that took effect in November 2011, the first such resolution plan for us is required to be submitted by December 31, 2013 and annual updates will be required thereafter. The establishment and maintenance of this resolution plan may, as a practical matter, present additional constraints on transactions and business arrangements between our bank and non-bank subsidiaries.

Activities and Acquisitions

As a bank holding company with insured depository institution subsidiaries, we are subject to banking laws and regulations that limit our activities, investments and acquisitions. In addition, certain acquisitions and investments are subject to the prior review and approval of certain of our regulators, including the Federal Reserve, the OCC and the FDIC. The banking agencies have broad discretion in evaluating proposed acquisitions

and investments. In deciding whether to approve an acquisition, federal banking agencies may consider, among other factors, effects of the acquisition on competition and financial and managerial resources; future prospects, including current and projected capital ratios and levels; the competence and expertise of management and our record of compliance with laws and regulations; public benefits; the convenience and needs of the community and our depository institution subsidiaries' record of compliance with the CRA; risks to the stability of the U.S. banking or financial system; and our effectiveness in combating money laundering.

Among other things, the BHC Act requires a bank holding company to obtain the prior approval of the Federal Reserve before: (1) it may acquire direct or indirect ownership or control of any voting shares of any bank or savings and loan association, if after such acquisition, the bank holding company will directly or indirectly own or control more than 5% of any class of the voting securities of the institution; (2) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank or savings and loan association; (the Bank Merger Act requires regulatory approval before a bank subsidiary may make such an acquisition); or (3) it may merge or consolidate with any other bank holding company.

The Federal Reserve must approve certain additional capital contributions to an existing non-U.S. investment and certain direct and indirect acquisitions by the Company of an interest in a non-U.S. company, including in a foreign bank. Dodd-Frank requires bank holding companies with total consolidated assets equal to or greater than $50 billion to provide the Federal Reserve with written notice (which is largely tantamount to an approval process) prior to acquiring direct or indirect ownership or control of any voting shares of any company (other than an insured depository institution) that is engaged in financial activities described in section 4(k) of the BHC Act and that has total consolidated assets of $10 billion or more, subject to certain exceptions. Dodd-Frank also requires financial holding companies to obtain Federal Reserve approval prior to acquiring any nonbank company with total consolidated assets in excess of $10 billion.

The Change in Bank Control Act prohibits a person, entity, or group of persons or entities acting in concert, from acquiring "control" of a bank holding company such as the Company unless the Federal Reserve has been given prior notice and has not objected to the transaction. Under Federal Reserve regulations, the acquisition of 10% or more of a class of voting stock of the Company would generally create a rebuttable presumption of acquisition of control of the Company.

In addition, under the BHC Act, any person or company is required to obtain the approval of the Federal Reserve before acquiring control of the Company, which, among other things, includes the acquisition of ownership of or control over 25% or more of any class of voting securities of the Company or the power to exercise a "controlling influence" over the Company. In the case of an acquirer that is a bank or bank holding company, the BHC Act requires approval of the Federal Reserve for the acquisition of ownership or control of any voting securities of the Company, if the acquisition results in the bank or bank holding company controlling more than 5% of the outstanding shares of any class of voting securities of the Company.

Source of Strength

Bank holding companies are required by statute to act as a source of strength to all of their insured depository institution subsidiaries and to commit capital and financial resources to support those subsidiaries. Therefore, the Company is required to act as a source of strength to Centurion Bank and AEBFSB and to commit capital and financial resources to support both institutions. Such support may be required at times when, absent this requirement, we otherwise might determine not to provide it.

Capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulator to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Capital Adequacy

The Company, TRS, Centurion Bank and AEBFSB are required to comply with the applicable capital adequacy guidelines established by the federal banking regulators. There are two risk-based measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve, as well as a leverage measure.

The Company currently calculates its risk-based capital ratios under guidelines adopted by the Federal Reserve, based on the 1998 Capital Accord ("Basel I") of the Basel Committee on Banking Supervision (the "Basel Committee"). The U.S. bank regulatory agencies have adopted new risk-based capital guidelines for "core" institutions and their bank subsidiaries, including the Company and its bank subsidiaries, based upon the Revised Framework for the International Convergence of Capital Measurement and Capital Standards ("Basel II") issued by the Basel Committee in June 2004 and updated in November 2005. The Company, Centurion Bank and AEBFSB are required to commence calculating their risk-based capital ratios under the Basel II-based guidelines, while continuing to calculate risk-based capital ratios under the Basel I-based guidelines as a floor, no later than January 1, 2015, unless further extended by their respective regulators. In December 2010, the Basel Committee released its final framework for strengthening international capital and liquidity regulation, known as "Basel III." Basel III, when implemented by the U.S. banking agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital than prior requirements, with a greater emphasis on common equity. Several provisions of Dodd-Frank also impact the Company's regulatory capital. Each Basel framework is discussed below.

The risk-based capital guidelines are designed to make regulatory capital requirements sensitive to differences in credit and market risk profiles among banks and financial holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items. As a supervisory matter, federal bank regulatory agencies expect most bank holding companies, and in particular larger bank holding companies such as the Company, to maintain regulatory capital ratios that, at a minimum, qualify a bank holding company and its depository institution subsidiaries as "well capitalized." The required ratios to qualify as well capitalized are a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 6% and, for depository institutions, a leverage ratio of at least 5%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Following the recent financial crisis, the federal bank regulatory agencies have encouraged larger bank holding companies to maintain capital ratios appreciably above the "well capitalized" standard. Moreover, the Federal Reserve is focusing more on the regulatory requirement that common equity be the "predominant" element of Tier 1 capital. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 capital leverage ratio" (deducting all intangibles) and other indicators of capital strength in evaluating proposals for expansion or new activities.

For additional information regarding our capital ratios, see "Consolidated Capital Resources and Liquidity" on pages 27-29 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

Basel I

The Company, Centurion Bank and AEBFSB currently calculate regulatory capital ratios under Basel I, as adopted by the applicable federal bank regulatory agencies. Under Basel I, as adopted, the minimum guideline for the ratio of total capital to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8%. At least half of the total capital must be composed of Tier 1 capital, which includes common equity, undivided profits, minority interests in the equity accounts of consolidated subsidiaries, and non-cumulative perpetual preferred stock (and, under existing standards, a limited amount of qualifying trust

preferred securities and qualifying cumulative perpetual preferred stock at the holding company level), less goodwill and certain other intangible assets. Tier 2 capital may consist of, among other things, qualifying subordinated debt, mandatorily convertible debt securities, other preferred stock and trust preferred securities and a limited amount of the allowance for loan losses. Dodd-Frank applies to bank holding companies such as the Company the same risk-based capital and leverage requirements that apply to insured depository institutions. Going forward this will preclude a bank holding company from including in Tier 1 capital trust preferred securities or cumulative preferred stock, if any, issued on or after May 19, 2010 and, over a three-year period beginning January 1, 2013, to phase out all trust preferred securities and cumulative preferred stock from inclusion in the Company's Tier 1 capital. The minimum guideline for the ratio of Tier 1 capital to risk-weighted assets is 4%.

The risk-based capital rules state that the capital guidelines are minimum standards based primarily on broad credit-risk considerations and do not take into account the other types of risk a banking organization may be exposed to (e.g., interest rate, market, liquidity and operational risks). The Federal Reserve may, therefore, set higher capital requirements for categories of banks (e.g., systemically important firms), or for an individual bank, as situations warrant. As discussed above, the Federal Reserve in fact expects large bank holding companies, such as the Company, and their depository institution subsidiaries to maintain regulatory capital ratios well in excess of these minimums.

Basel II

The U.S. Basel II final rule became effective on April 1, 2008. The Company, Centurion Bank and AEBFSB are required to commence calculating their risk-based capital ratios under the Basel II-based guidelines, while continuing to calculate risk-based capital ratios under the Basel I-based guidelines as a floor, by January 1, 2015, unless further extended by their respective regulators. The U.S. Basel II-based rules initially provided that "core" institutions like the Company would calculate their capital requirements only under the new Basel II-based requirements after completion of three transitional floor periods, which themselves commence after a satisfactory parallel-run period of no less than four consecutive calendar quarters during which the institution is required to confidentially report regulatory capital under both the Basel I- and Basel II-based regulations. We are required to commence the first transitional period no later than January 1, 2014, unless this time is further extended by the Federal Reserve, the FDIC and the OCC.

In response to a Dodd-Frank requirement, the U.S. banking agencies have amended their capital rules to provide that minimum capital as required under the Basel I-based rules will act as a floor for minimum capital requirements calculated in accordance with the U.S. Basel II-based rules. Accordingly, the transition for "core" institutions to calculations only under the U.S. Basel II-based rules is being eliminated.

Leverage Requirement

Basel I and Basel II do not include a leverage requirement as an international standard. However, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies (and, as further discussed below, Basel III will impose a leverage requirement as an international standard). The Federal Reserve's existing guidelines provide for a minimum ratio of Tier 1 capital to average total assets, less goodwill and certain other intangible assets (the "Leverage Ratio"), of 3% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage Ratio of at least 4%.

Basel III

The Basel III final capital framework, among other things:

- Introduces as a new capital measure "Common Equity Tier 1" ("CET1"), specifies that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, defines

CET1 narrowly by requiring that most adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and expands the scope of the adjustments as compared to existing regulations

- When fully phased in on January 1, 2019, requires banks to maintain:
  - as a newly adopted international standard, a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer," which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% (there is no comparable CET1 requirement under Basel I or II)
  - a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer, which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation (the current requirement is 6.00% for a well capitalized bank)
  - a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to risk-weighted assets of at least 8.0%, plus the capital conservation buffer, which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation (the current requirement is 10% for a well capitalized bank)
  - as a newly adopted international standard, a minimum leverage ratio of 3%, calculated as the ratio of Tier 1 capital to balance sheet exposures plus certain off-balance sheet exposures (as the average for each quarter of the month-end ratios for the quarter)
- Provides for a "countercyclical capital buffer," generally to be imposed when national regulators determine that excess aggregate credit growth becomes associated with a buildup of systemic risk, which would be a CET1 add-on to the capital conservation buffer in the range of 0% to 2.5% when fully implemented (potentially resulting in total buffers of between 2.5% and 5%)

The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The implementation of the Basel III final framework will commence January 1, 2013. On that date, banking institutions will be required to meet the following minimum capital ratios:

- 3.5% CET1 to risk-weighted assets
- 4.5% Tier 1 capital to risk-weighted assets
- 8.0% Total capital to risk-weighted assets

The Basel III final framework provides for a number of new deductions from and adjustments to CET1. These include the requirement that deferred tax assets dependent upon future taxable income, among others, be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. The amount of these assets that is not deducted from CET1 will be risk weighted at 250%.

Implementation of the deductions and other adjustments to CET1 will begin on January 1, 2014 and will be phased in over a five-year period (20% per year). The implementation of the capital conservation buffer will begin on January 1, 2016 at 0.625% and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

In November 2011, the Basel Committee supplemented Basel III by issuing final provisions applying a new CET1 surcharge to certain global systemically important banks ("G-SIBs"). In a companion release addressing progress on a variety of financial regulatory reforms relating to global systemically important financial institutions, the Financial Stability Board released a list of 29 such institutions and indicated that it used the G-SIB surcharge methodology in creating the list. The Company was not included on the list and does not believe it would be considered a G-SIB.

As noted above, Dodd-Frank requires the federal banking agencies to adopt regulations affecting U.S. banking institutions' capital requirements in a number of respects and mandates that the Federal Reserve adopt prudential requirements applicable to bank holding companies with $50 billion or more in consolidated assets that are more stringent than those applicable to other financial companies. As mentioned above, the Federal Reserve issued a notice of proposed rulemaking to implement many of the enhanced prudential standards for large bank holding companies, including those regarding risk-based capital requirements and leverage requirements. This notice indicated the Federal Reserve intends to address the enhanced risk-based capital and leverage standards through a "two-part" effort, the first part of which would require compliance with the capital plan provisions applicable to bank holding companies with $50 billion or more in consolidated assets discussed below under " *Capital Planning.* " The release noted that the second part will involve a quantitative risk-based capital surcharge for such large bank holding companies, or a subset thereof, and that the final capital surcharge will be consistent with the Basel Committee's G-SIB surcharge proposal published in November 2011. However, the Federal Reserve has not yet issued a detailed proposal for implementation of a risk-based capital surcharge and has not indicated which banking organizations in the United States will be subject to the Basel III framework. Thus, the implications for the Company's regulatory capital requirements of the amendments to Basel III announced in November 2011 are uncertain at this time. The regulations ultimately applicable to us may be substantially different from the Basel III final framework as published in December 2010.

Liquidity Ratios under Basel III

Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, both in the United States and internationally, without required formulaic measures. The Basel III framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward will be required by regulation. One test, referred to as the liquidity coverage ratio ("LCR"), is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio ("NSFR"), is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will incent banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source.

The Basel III liquidity framework contemplates that the LCR will be subject to an observation period continuing through mid-2013 and, subject to any revisions resulting from the analyses conducted and data collected through the observation period, implemented as a minimum standard on January 1, 2015. Similarly, it contemplates that the NSFR will be subject to an observation period through mid-2016 and, subject to any revisions resulting from the analyses conducted and data collected during the observation period, implemented as a minimum standard by January 1, 2018.

The Federal Reserve's proposed heightened prudential requirements for bank holding companies with $50 billion or more of consolidated total assets also include enhanced liquidity standards, as discussed above under " *Heightened Prudential Requirements for Large Bank Holding Companies* ."

Prompt Corrective Action

The FDIA requires, among other things, that federal banking regulators take prompt corrective action in respect of FDIC-insured depository institutions (such as Centurion Bank and AEBFSB) that do not meet minimum capital requirements. The FDIA specifies five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier depends upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation. A bank may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating. Once an institution becomes "undercapitalized," the FDIA imposes progressively more restrictive constraints on operations, management and capital distributions, depending on the capital category in which an institution is classified. A depository institution that is not well capitalized is also subject to restrictions on the acceptance of brokered deposits including Certificate of Deposit Account Registry Service deposits. The majority of the Company's outstanding U.S. retail deposits has been raised through third-party channels, and such deposits are considered brokered deposits for bank regulatory purposes. As part of our funding strategy, a majority of the deposits raised during 2011 were accepted directly from consumers through American Express Personal Savings, a suite of deposit products offered by AEBFSB. For a description of our deposit programs, see "Deposit Programs" under "U.S. Card Services — Consumer and Small Business Services" above and "Deposit Programs" on page 31 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

The FDIA generally prohibits an FDIC-insured depository institution from making any capital distribution (including payment of dividends) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve and to growth limitations, and are required to submit a capital restoration plan. For a capital restoration plan to be acceptable, any holding company must guarantee the capital plan up to an amount equal to the lesser of 5% of the depository institution's assets at the time it became undercapitalized and the amount of the capital deficiency at the time it fails to comply with the plan. In the event of the holding company's bankruptcy, such guarantee would take priority over claims of its general unsecured creditors. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator.

Early Remediation Regime

Dodd-Frank requires the establishment of an "early remediation" regime for bank holding companies with $50 billion or more in consolidated assets, including the Company. In December 2011, the Federal Reserve issued a notice of proposed rulemaking that included a proposed early remediation system based in part on the prompt corrective action regime that currently applies to insured depository institutions under the FDIA. The proposed rule establishes increasingly severe remediation requirements with "forward-looking" triggers based on capital and leverage, stress test requirements, risk management, liquidity and publicly available market data. Because these rules are not yet final, their ultimate impact on us is not certain.

Capital Planning

Pursuant to a final rule published by the Federal Reserve in November 2011, beginning in 2012, bank holding companies with $50 billion or more in total consolidated assets, including the Company, are required to develop and maintain a so-called "capital plan," and to submit the capital plan to the Federal Reserve for review.

The capital plan must cover a "planning horizon" of at least nine quarters (beginning with the quarter preceding the submission of the plan) and include the following components:

- an assessment of the bank holding company's expected uses and sources of capital over the planning horizon that accounts for the bank holding company's size, complexity, risk profile and scope of operations, and under expected and stressful conditions according to scenarios developed by the bank holding company and the Federal Reserve;
- a detailed description of the bank holding company's process for assessing capital adequacy, including how it will, under expected and stressful conditions, maintain capital commensurate with its risks, above the minimum regulatory ratios, and to serve as a source of strength to its subsidiary depository institutions, and sufficient to continue operations by maintaining steady access to funding, meeting obligations to creditors and other counterparties and continuing to serve as a credit intermediary;
- the bank holding company's capital policy; and
- a discussion of any expected changes to the bank holding company's business.

Each capital plan must consider a minimum of four planning scenarios, including separate baseline and stressed scenarios developed by the bank holding company and the Federal Reserve. The stressed scenario developed by the Federal Reserve for the 2012 process is designed to represent an outcome that, in the opinion of the Federal Reserve, is unlikely, but could occur if the U.S. economy were to experience a deep recession while at the same time economic activity in other major economies were also to contract significantly. This scenario assumes, among other things, unemployment will rise to 13% in 2013, housing prices will decline by a further 20%, and the U.S. equity markets will decline by more than 50% as compared to levels in the third quarter of 2011.

A bank holding company's board of directors, or a designated committee thereof, is required, at least annually, to review the "robustness" of the bank holding company's process for assessing capital adequacy, ensure that any deficiencies are remedied and approve the capital plan.

In its review of the capital plan, the Federal Reserve will consider the plan's comprehensiveness, the reasonableness of its assumptions and analysis, and the bank holding company's methodologies for reviewing the robustness of the capital adequacy process and ability to maintain capital above minimum regulatory ratios under expected and stressful conditions throughout the planning horizon. Based on its review, the Federal Reserve will either object or not object to the capital plan. The Federal Reserve has broad authority to object to capital plans, and to require bank holding companies to revise and resubmit their capital plans for approval. Bank holding companies are also subject to an ongoing requirement to revise and resubmit their capital plans upon the occurrence of certain events specified by rule, or when required by the Federal Reserve.

The Federal Reserve has indicated that it intends to publish the results of its review of the portion of each bank holding company's capital plan that relates to the stress scenario developed by the Federal Reserve. The information to be released will include, among other things, company-specific information about projected post-stress capital ratios and the minimum value of these ratios over the planning horizon.

Dividends

The Company and TRS, as well as Centurion Bank and AEBFSB, are limited by banking statutes, regulations and supervisory policy in their ability to pay dividends. In general, federal and applicable state banking laws prohibit, without first obtaining regulatory approval, insured depository institutions, such as Centurion Bank and AEBFSB, from making dividend distributions if such distributions are not paid out of available recent earnings or would cause the institution to fail to meet capital adequacy standards. In addition to

specific limitations on the dividends that subsidiary banks can pay to their holding companies, federal regulators could prohibit a dividend that would constitute an unsafe or unsound banking practice in light of the financial condition of the banking organization.

Dividend payments by the Company and TRS to shareholders are subject to the oversight of the Federal Reserve. It is Federal Reserve policy that bank holding companies generally should pay dividends on common stock to common shareholders only out of net income available to common shareholders over the past year and only if the prospective rate of earnings retention appears consistent with the organization's current and expected future capital needs, asset quality and overall financial condition. Increasingly, however, the Federal Reserve has limited dividend payments to less than 50% of earnings. Moreover, bank holding companies should not maintain dividend levels that place undue pressure on the capital of depository institution subsidiaries or that may undermine the bank holding company's ability to be a source of strength to its banking subsidiaries. The Federal Reserve could prohibit a dividend by the Company or TRS that would constitute an unsafe or unsound banking practice in light of the financial condition of the banking organization.

Because the Company is a bank holding company with more than $50 billion in consolidated assets, its payment of dividends is subject to heightened regulatory requirements. The Company is required to include projected dividend payments in the capital plan required to be submitted to the Federal Reserve, discussed above under " *Capital Planning* ." In addition, under the Federal Reserve's final rule relating to capital plans released in November 2011, the Company generally is required to obtain prior approval from the Federal Reserve before it can make capital distributions, including dividend payments, under any of the following circumstances (regardless of whether the distribution is part of a capital plan to which the Federal Reserve has not objected):

- the Company will not meet a minimum regulatory capital ratio or a Tier 1 common equity ratio of at least 5% after giving effect to the capital distribution;
- the Federal Reserve has notified the Company that it has determined that either (i) the capital distribution will result in a material adverse change to the Company's capital or liquidity structure, or (ii) the Company's earnings are materially underperforming projections;
- the dollar amount of the capital distribution will exceed the projected distribution described in the Company's approved capital plan; or
- the capital distribution will occur after the occurrence of an event requiring the resubmission (other than pursuant to an objection) of the Company's capital plan and before the Federal Reserve has acted on the resubmitted plan.

Such prior approval is not required for capital distributions made by bank holding companies with $50 billion or more in consolidated assets that are well capitalized, provided the capital distribution does not exceed one percent of such company's Tier 1 capital, the Company provides the Federal Reserve with at least 15 calendar days' notice of the proposed distribution, and the Federal Reserve does not object. The Federal Reserve has indicated that capital plans implying dividend payout ratios above 30% of projected after-tax net income will receive "particularly close scrutiny."

In November 2010, the Federal Reserve issued "temporary" guidance that bank holding companies, such as the Company and TRS, should consult with the Federal Reserve before taking any actions that could result in a diminished capital base, including actions such as increasing dividends. In November 2011, the Federal Reserve announced that certain companies, including the Company, would continue to be subject to this temporary guidance until such time as the Federal Reserve has issued an objection or non-objection notice regarding the capital plan due in January 2012. On January 9, 2012, we submitted our Comprehensive Capital Plan and expect a response from the Federal Reserve by March 15, 2012.

The Federal Reserve will assess the Company's capital adequacy based on capital plans submitted by the Company as discussed above under " *Capital Planning* ." A company that has not achieved Basel III capital requirements on a fully phased-in basis may have difficulty increasing dividends. While final implementation of the rules related to capital ratios will be determined by the Federal Reserve, we estimate that had the new rules (as currently proposed) been in place during the fourth quarter of 2011, the Company's capital ratios under Basel III would have exceeded the minimum requirements. The estimated impact of the Basel III rules will change over time based upon changes in the size and composition of our balance sheet as well as based on the U.S. implementation of the Basel III rules. Although we expect to meet the Basel III capital requirements, inclusive of the capital conservation buffer, as phased in by the Federal Reserve, the regulations ultimately applicable to us may be substantially different from the Basel III final framework as published in December 2010.

Transactions Between Centurion Bank or AEBFSB and Their Respective Affiliates

Certain transactions (including loans and credit extensions from Centurion Bank and AEBFSB) between Centurion Bank and AEBFSB, on the one hand, and their affiliates (including the Company, TRS and their non-bank subsidiaries), on the other hand, are subject to quantitative and qualitative limitations, collateral requirements, and other restrictions imposed by statute and Federal Reserve regulation. Effective July 21, 2012, Dodd-Frank significantly expands the coverage and scope of the limitations on affiliate transactions within a banking organization and changes the procedure for seeking exemptions from these restrictions. Transactions subject to these restrictions are generally required to be made on an arms-length basis. These restrictions generally do not apply to transactions between a depository institution and its subsidiaries.

FDIC Insurance Assessments

Centurion Bank and AEBFSB accept deposits and those deposits are insured by the FDIC up to the applicable limits. The FDIC's deposit insurance fund ("Deposit Insurance Fund") is funded by assessments on insured depository institutions. As part of its efforts to rebuild the Deposit Insurance Fund, the FDIC required insured depository institutions, including Centurion Bank and AEBFSB, to prepay their estimated assessments for all of 2010, 2011 and 2012 on December 30, 2009.

Prior to Dodd-Frank, assessments were based on an institution's risk category and amount of insured deposits. Dodd-Frank required the FDIC to amend its regulations to base insurance assessments on the average consolidated total assets less the average tangible equity of the insured depository institution during the assessment period (the "new assessment base"). The FDIC rule implementing the new assessment base and changing the assessment rate calculation for large insured depository institutions, including Centurion Bank and AEBFSB, became effective April 1, 2011. The new assessment rate calculations are subject to adjustments based upon the insured depository institution's ratio of (1) long-term unsecured debt to the new assessment base, (2) long-term unsecured debt issued by another insured depository institution to the new assessment base and (3) brokered deposits to the new assessment base. The adjustments for brokered deposits to the new assessment base do not apply so long as the institution is well capitalized and has a composite CAMELS rating of 1 or 2. The rules permit the FDIC to impose additional discretionary assessment rate adjustments. These changes, and any future changes to deposit insurance assessments, could have an adverse effect on our results of operations and financial condition.

Dodd-Frank also requires the FDIC to increase the reserve ratio for the Deposit Insurance Fund from 1.15 percent to reach a minimum of 1.35 percent of estimated insured deposits by September 30, 2020. On December 20, 2010, the FDIC issued a final rule setting the increased reserve ratio at 2 percent. This increase will result in increased costs for Centurion Bank and AEBFSB. In addition, Dodd-Frank eliminated the ceiling (1.5 percent of insured deposits) on the size of the Deposit Insurance Fund and made the payment of dividends from the Deposit Insurance Fund by the FDIC discretionary.

Under the FDIA, the FDIC may terminate the insurance of an institution's deposits upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue

operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that might lead to termination of deposit insurance at either of our insured depository institution subsidiaries.

FDIC Powers upon Insolvency of Insured Depository Institutions

If the FDIC is appointed the conservator or receiver of an insured depository institution, such as Centurion Bank or AEBFSB, upon its insolvency or in certain other events, the FDIC has the power: (1) to transfer any of the depository institution's assets and liabilities to a new obligor without the approval of the depository institution's creditors; (2) to enforce the terms of the depository institution's contracts pursuant to their terms; or (3) to repudiate or disaffirm any contract or lease to which the depository institution is a party, the performance of which is determined by the FDIC to be burdensome and the disaffirmation or repudiation of which is determined by the FDIC to promote the orderly administration of the depository institution.

In addition, under federal law, the claims of holders of U.S. deposit liabilities and certain claims for administrative expenses against an insured depository institution would be afforded a priority over other general unsecured claims against the institution, including claims of debt holders of the institution and depositors in non-U.S. offices, in the liquidation or other resolution of the institution by a receiver. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of Centurion Bank or AEBFSB, the debt holders and depositors in non-U.S. offices would be treated differently from, and could receive substantially less, if anything, than the depositors in U.S. offices of the depository institution.

Orderly Liquidation Authority under Dodd-Frank

Dodd-Frank creates Orderly Liquidation Authority ("OLA"), a resolution regime for systemically important non-bank financial companies, including bank holding companies, under which the Treasury Secretary may appoint the FDIC as receiver to liquidate such a company if the company is in danger of default and presents a systemic risk to U.S. financial stability. This determination by the Treasury Secretary must come after supermajority recommendations by the Federal Reserve and the FDIC and consultation by the Treasury Secretary with the President. OLA is similar to the FDIC resolution model for depository institutions (including the very broad powers granted to the FDIC as receiver), with certain modifications to reflect differences between depository institutions and non-bank financial companies and to reduce disparities between the treatment of creditors' claims under the U.S. Bankruptcy Code and in an OLA proceeding as compared to disparities that would exist in the resolution by the FDIC of an insured depository institution.

An Orderly Liquidation Fund will fund OLA liquidation proceedings through borrowings from the U.S. Department of Treasury and risk-based assessments made, first, on entities that receive more in the resolution than they would have received in liquidation to the extent of such excess, and second, if necessary, on bank holding companies with total consolidated assets of $50 billion or more, such as the Company, and on certain other non-bank financial companies. If an orderly liquidation is triggered, the Company could face assessments for the Orderly Liquidation Fund. It is not possible to determine the level of any such future assessments.

Cross-Guarantee Provisions

Under the "cross-guarantee" provision of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), insured depository institutions, such as Centurion Bank and AEBFSB, may be liable to the FDIC with respect to any loss incurred or reasonably anticipated to be incurred by the FDIC in connection with the default of, or FDIC assistance to, any commonly controlled insured depository institution. Centurion Bank and AEBFSB are commonly controlled within the meaning of the FIRREA cross-guarantee provision.

Community Reinvestment Act

Centurion Bank and AEBFSB are subject to the 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. The CRA requires an institution's primary federal regulator, as part of the examination process, to assess the institution's record in meeting its obligations under the CRA, and also to take such assessment into account in evaluating merger and acquisition proposals and applications to open or relocate a branch office. In the case of a bank holding company, such as the Company and TRS, applying for approval to acquire a bank or bank holding company, the Federal Reserve will assess the record of each subsidiary depository institution of the applicant bank holding company in considering the application. In addition, as discussed previously, the failure of the Company's subsidiary depository institutions to maintain satisfactory CRA ratings could result in restrictions on the Company's and TRS' ability to engage in activities in reliance on financial holding company authority.

Privacy, Fair Credit Reporting

We use information about our customers to develop and make available relevant, personalized products and services. Customers are given choices about how we use and disclose their information, and we give them notice regarding the measures we take to safeguard this information. Regulatory and legislative activity in the areas of privacy, data protection and information security continues to increase worldwide, spurred by advancements in technology, broad use of the Internet and related concerns about the rapid and widespread collection, dissemination and use of personal information, and highly publicized security breaches and cybersecurity incidents. Our regulatory examiners are increasingly focused on ensuring that our privacy, data protection and information security/access control policies and practices are adequate to inform our customers of our data collection and use practices and to protect their personal data.

As part of our efforts to enhance payment account data security, in 2006, we and several other payment card networks formed the PCI SSC, an independent standards-setting organization, to manage the evolution of the Payment Card Industry Data Security Standard, which helps organizations that process card payments prevent credit/charge card security breaches and fraud through increased controls around data and its exposure to compromise.

The Gramm-Leach-Bliley Act ("GLBA") became effective on July 1, 2001. The GLBA requires consumer notice of a financial institution's privacy policies and practices and affords customers the right to "opt out" of the institution's disclosure of their personal financial information to nonaffiliated third parties (with limited exceptions). The GLBA does not preempt state laws that afford greater privacy protections to consumers, and several states have adopted such legislation. For example, in 2003 California enacted that state's Financial Information Privacy Act, which requires (with limited exceptions) "opt-in" consent from customers before their data may be disclosed to nonaffiliated third parties. We are also subject to the GLBA's requirements to safeguard customer information, and to a growing number of U.S. state laws (including in Massachusetts and Nevada) that impose broad-ranging data security obligations regarding the protection of customer and employee data.

In 1995, the European Parliament and Council passed European Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data (commonly referred to as the "Data Protection Directive"), which obligates the controller of an individual's personal data to, among other things, take the necessary technical and organizational steps to protect personal data. Compliance with these various laws could result in higher technology, administrative and other costs for the Company. In July 2010, we submitted for review by relevant European data protection authorities our draft binding corporate rules ("BCR") for processing of data within the American Express group and submitted further documentation with regard to the BCR applications during 2011. Our BCR applications remain under review by the relevant authorities, and if and when approved, the BCRs will enable a more efficient basis on which to transfer personal data within our group.

During 2010, the European Commission announced an upcoming reform of the Data Protection Directive. In December 2011, the European Commission circulated preliminary drafts of documents, including a General Data Protection Regulation, that potentially may form the future basis of the European Union's data protection

framework and that, if enacted, may affect parties, such as the Company, that collect and/or process the personal data of residents of Member States and may result in additional compliance requirements and costs. The preliminary draft General Data Protection Regulation proposes, among other things, a requirement for prompt notice of data breaches, in certain circumstances, to data subjects and supervisory authorities, applying uniformly across sectors and across the European Union and proposes significant fines for non-compliance with the proposed regulation's requirements. It is currently expected that the European Commission's proposal will be formally released during 2012.

Various U.S. federal banking regulatory agencies, and as many as 46 states, the District of Columbia, Puerto Rico and the Virgin Islands, have enacted security breach notification laws and regulations, requiring varying levels of consumer, regulator and/or law enforcement notification in certain circumstances in the event of a data security breach. Data breach notification laws are also becoming more prevalent in other parts of the world where we operate, including Japan, South Korea, Taiwan, Mexico and Germany. In many countries that have yet to impose data breach notification requirements, regulators have increasingly used the threat of significant sanctions and penalties by data protection authorities to encourage voluntary breach notification and discourage data breaches.

We continue our efforts to safeguard the data entrusted to us in accordance with applicable laws, rules and regulations and our internal data protection policies, including taking steps to reduce the potential for identity theft or other fraud, while seeking to collect and use data properly to achieve our business objectives. We also have undertaken measures to assess the level of access to customer data by our employees and our partners and service providers and to ensure that such access is limited to the level necessary to perform their job or function for the Company.

The FCRA regulates the disclosure of consumer credit reports by consumer reporting agencies and the use of consumer credit report information by banks and other companies. Among other things, FCRA places restrictions (with limited exceptions) on the sharing and use of certain personal financial and creditworthiness information of our customers with and by our affiliates.

The FCRA was significantly amended by the enactment in December 2003 of the FACT Act. The FACT Act requires any company that receives information concerning a consumer from an affiliate, subject to certain exceptions, to permit the consumer to opt out from having that information used to market the company's products to the consumer. In November 2007, the federal banking agencies issued a final rule implementing the affiliate marketing provisions of the FACT Act. Companies subject to oversight by these agencies were required to comply with the rules by October 1, 2008. We have implemented various mechanisms to allow our customers to opt out of affiliate sharing and of marketing by the Company and our affiliates, and we continue to review and enhance these mechanisms to ensure compliance with applicable law and a favorable customer experience.

The FACT Act further amended the FCRA by adding several new provisions designed to prevent or decrease identity theft and to improve the accuracy of consumer credit information. The federal banking agencies and the Federal Trade Commission ("FTC") published a final rule in November 2007 requiring financial institutions to implement a program containing reasonable policies and procedures to address the risk of identity theft and to identify accounts where identity theft is more likely to occur. Companies subject to oversight by the federal banking agencies originally were required to comply with the rule by November 1, 2008, but the FTC suspended enforcement of its rule through December 31, 2010 pending legislation to clarify the law's scope. On December 18, 2010, the President signed the Red Flag Program Clarification Act of 2010 into law. Our internal policies and standards, as well as our enterprise-wide data security and fraud prevention programs, are designed to comply with the new identity theft requirements.

The FACT Act also imposes duties on both consumer reporting agencies and on businesses that furnish or use information contained in consumer credit reports. For example, a furnisher of information is required to implement procedures to prevent the reporting of any information that it learns is the result of identity theft. Also,

if a consumer disputes the accuracy of information provided to a consumer reporting agency, the furnisher of that information must conduct an investigation and respond to the consumer in a timely fashion. The federal banking regulatory agencies and the FTC have issued rules that specify the circumstances under which furnishers of information would be required to investigate disputes regarding the accuracy of the information provided to a consumer reporting agency. The FACT Act also requires grantors of credit that use consumer credit report information in making a determination to offer a borrower credit on terms that are "materially less favorable" than the terms offered to most of the lender's other customers to notify the borrower that the terms are based on a consumer credit report. In such a case the borrower is entitled to receive a free copy of the report from the consumer reporting agency. The federal bank regulatory agencies and the FTC have issued rules that specify the circumstances under which "risk-based pricing" notices must be provided to customers and the content, format and timing of such notices. Since July 21, 2011, Dodd-Frank requires the addition of certain information about credit scores to "risk-based pricing" notices and to adverse action notices otherwise required by the FCRA. Grantors of credit using prescreened consumer credit report information in credit solicitations are also required to include an enhanced notice to consumers that they have the right to opt out from receiving further prescreened offers of credit. The enactment of the FACT Act and the promulgation of rules implementing it are not expected to have a significant impact on our business or practices.

The CARD Act

We are subject to the provisions of the legislation known as the CARD Act, which was enacted in May 2009. The CARD Act regulates credit card billing practices, pricing, disclosure and other practices. Among other things, the CARD Act and related regulations prohibit issuers from treating a payment as late for any purpose, including imposing a penalty interest rate or late fee, unless a consumer has been provided a "reasonable amount of time" to make the payment. It also requires issuers to apply payment amounts in excess of the minimum payment first to the balance with the highest APR and then to balances with lower APRs. In addition, the CARD Act prohibits an issuer from increasing the APR on outstanding balances, except in limited circumstances such as when a promotional rate expires, a variable rate adjusts, or an account is seriously delinquent or completes a workout arrangement. The CARD Act also requires that penalty fees be reasonable and proportional.

The CARD Act also requires issuers to maintain reasonable written policies to consider a consumer's income or assets and current obligations prior to opening an account or increasing a credit line. In addition, applicants for new accounts who are under the age of 21 must demonstrate an independent ability to make the required minimum periodic payments. On March 18, 2011, the Federal Reserve issued clarifications to its rules implementing the CARD Act, which include a requirement that applicants who are 21 and over must also demonstrate an independent ability to make the required monthly minimum payments. Issuers are not permitted to consider household income or assets, but only the individual income or assets of the applicant. This rule may decrease the number of applications for our Cards that are approved for applicants who do not have sufficient individual income, even though their household income may be sufficient for approval.

The CARD Act requires issuers to periodically reevaluate APR increases to determine if a decrease is appropriate. The obligation to periodically reevaluate APR increases commenced in February 2011 and is ongoing. It is uncertain how these provisions will be interpreted by the CFPB. Therefore, these provisions could have a significant impact on our results of operations.

Certain provisions of the CARD Act also apply to stored value and prepaid products sold on or after August 22, 2010. In March 2010, the Federal Reserve amended its Regulation E to impose new restrictions on the ability to impose dormancy, inactivity or service fees with respect to gift certificates, store gift cards and general-use prepaid cards issued primarily for personal use. Such fees may only be imposed under certain conditions. Additionally, the rules prohibit the sale or issuance of a gift certificate, store gift card or general-use prepaid card that has an expiration date of less than five years after either the date a certificate or card is issued or the date on which funds were last loaded. The rules also require implementation of policies and procedures to give consumers a reasonable opportunity to purchase a certificate or card with at least five years before the

certificate or card expiration date, prohibit any fees for replacing an expired certificate or card or refunding the remaining balance as long as the underlying funds remain valid, and require additional disclosures for any fee other than a dormancy, inactivity or service fee.

We have made changes to Card product terms and practices that are designed to comply with the CARD Act. Although we believe we have taken steps to mitigate the impact of the CARD Act on our revenues, some uncertainty remains regarding the impact of certain provisions (such as the requirement to periodically reevaluate APR increases). The CARD Act may constrain our ability to respond to economic, market and other conditions in the future, which could have a material adverse effect on our results of operations.

Anti-Money Laundering Compliance

American Express is subject to a significant number of AML laws and regulations as a result of being a financial company headquartered in the United States, as well as having a global presence. In the United States, the majority of AML requirements is derived from the Bank Secrecy Act, as it has been amended by the Patriot Act. In Europe, AML requirements are largely the result of countries transposing the 3 rd European Union Money Laundering Directive (and preceding EU Money Laundering Directives) into local laws and regulations. Numerous other countries, such as Australia, Canada and Mexico, have also recently enacted new or enhanced AML legislation and promulgated revised AML regulations applicable to American Express.

The underpinnings of these laws and regulations are the efforts of each government to prevent the financial system from being used by criminals to hide their illicit proceeds and to impede terrorists' ability to access and move funds used in support of terrorist activities. Among other things, these laws and regulations require financial institutions to establish AML programs that meet certain standards, including, in some instances, expanded reporting and enhanced information gathering and recordkeeping requirements.

American Express has established and continues to maintain a Global Anti-Money Laundering Policy, designed to ensure that, at a minimum, American Express and all of its businesses are in compliance with all applicable laws, rules and regulations related to AML and anti-terrorist financing initiatives. The American Express Global Anti-Money Laundering Policy requires that each American Express business maintains a compliance program that provides for a system of internal controls to ensure that appropriate due diligence and, when necessary, enhanced due diligence, including obtaining and maintaining appropriate documentation, is conducted at account opening and updated, as necessary, through the course of the customer relationship. The Global Anti-Money Laundering Policy is also designed to ensure there are appropriate methods of monitoring transactions and account relationships to identify potentially suspicious activity and reporting suspicious activity to governmental authorities in accordance with applicable laws, rules and regulations. In addition, the American Express Global Anti-Money Laundering Policy requires the training of appropriate personnel with regard to AML and anti-terrorist financing issues and provides for independent testing to ensure that the Global Anti-Money Laundering Policy is in compliance with all applicable laws and regulations.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. The United States prohibits U.S. persons from engaging with individuals and entities identified as "Specially Designated Nationals," such as terrorists and narcotics traffickers. These prohibitions are administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and are typically known as the OFAC rules. The OFAC rules prohibit U.S. persons from engaging in financial transactions with or relating to the prohibited individual, entity or country, require the blocking of assets in which the individual, entity or country has an interest, and prohibit transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons) to such individual, entity or country. Blocked assets (e.g., property or bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Compensation Practices

Our compensation practices are subject to oversight by the Federal Reserve. In June 2010, the Federal Reserve, the OCC, the FDIC and the OTS jointly issued final guidance on sound incentive compensation policies that applies to all banking organizations supervised by the Federal Reserve, including bank holding companies, such as the Company, as well as all insured depository institutions, including Centurion Bank and AEBFSB. The final guidance sets forth three key principles for incentive compensation arrangements that are designed to help ensure that incentive compensation plans do not encourage excessive risk-taking and are consistent with the safety and soundness of banking organizations. The three principles provide that a banking organization's incentive compensation arrangements should (1) provide incentives that appropriately balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risks, (2) be compatible with effective internal controls and risk management, and (3) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. Any deficiencies in compensation practices of a banking institution that are identified by the Federal Reserve or other bank regulatory agencies in connection with its review of such organization's compensation practices may be incorporated into the organization's supervisory ratings, which can affect its ability to make acquisitions or perform other actions. The final guidance provides that enforcement actions may be taken against a banking organization if its incentive compensation arrangements or related risk-management control or governance processes pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Additionally, on February 7, 2011, the FDIC approved a notice of proposed rulemaking pursuant to Dodd-Frank on incentive-based compensation practices. The proposed rule is to be a joint rulemaking by the Federal Reserve, the OCC, the FDIC, the OTS, the SEC, the Federal Housing Finance Agency and the National Credit Union Administration, and each must independently approve the proposed rule before it is published for comment. Under the proposed rule, all financial institutions with total consolidated assets of $1 billion or more (such as the Company, Centurion Bank and AEBFSB) would be prohibited from offering incentive-based compensation arrangements that encourage inappropriate risk taking by offering "excessive" compensation or compensation that could lead the company to material financial loss. All covered institutions would be required to provide federal regulators with additional disclosures to determine compliance with the proposed rule and also to maintain policies and procedures to ensure compliance. Additionally, for covered institutions with at least $50 billion in total consolidated assets, such as the Company, the proposed rule requires that at least 50% of certain executive officers' incentive-based compensation be deferred for a minimum of three years and provides for the adjustment of deferred payments to reflect actual losses or other measures of performance that become known during the deferral period. Moreover, the board of directors of a covered institution with at least $50 billion in total consolidated assets must identify employees who have authority to expose an institution to substantial risk, evaluate and document the incentive-based compensation methods used to balance risk and financial rewards for the identified employees, and approve incentive-based compensation arrangements for those employees after appropriately considering other available methods for balancing risk and financial rewards. The form and timing of any final rule cannot be determined at this time.

Our compensation practices are also affected by Dodd-Frank amendments to the Securities Exchange Act of 1934 (the "Exchange Act") requiring a non-binding "say-on-pay" vote to be provided at least once every three years at a shareholders' meeting and a non-binding shareholder vote to be provided at least once every six years to determine the frequency of say-on-pay votes. These votes must be provided at meetings of shareholders occurring after January 21, 2011. At our May 2, 2011 annual meeting, our shareholders approved an annual say-on-pay vote. In addition, Dodd-Frank requires proxy statement disclosure of compensation arrangements requiring payments to named executive officers upon a change in control ("golden parachutes") if shareholders are voting on a merger or similar transaction, as well as a separate non-binding vote to approve golden parachute compensation arrangements that had not previously been subject to a say-on-pay vote.

The scope and content of these policies and regulations on executive compensation are continuing to develop and are likely to continue evolving in the near future. It cannot be determined at this time whether compliance with such policies and regulations will adversely affect the ability of American Express and its subsidiaries to hire, retain and motivate its and their key employees.

Anti-Corruption

We are subject to complex international and U.S. anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act (the "FCPA"), the UK Bribery Act and other laws that prohibit the making or offering of improper payments. The FCPA prohibits improper payments to foreign government officials, political parties or political party officials for the purpose of obtaining or retaining business or an improper advantage. The anti-corruption provisions of the FCPA are enforced by DOJ. The FCPA also requires us to strictly comply with certain accounting and internal controls standards, which are enforced by the SEC. In recent years, DOJ and SEC enforcement of the FCPA has become more intense. The UK Bribery Act, which took effect in July 2011, also prohibits commercial bribery, the receipt of a bribe, and makes it a corporate offense to fail to prevent bribery by an associated person, in addition to prohibiting improper payments to foreign government officials. Failure to comply with the FCPA, the UK Bribery Act and other laws can expose us and/or individual employees to potentially severe criminal and civil penalties. The risk may be greater when we transact business, whether through subsidiaries or joint ventures or other partnerships, in countries with higher perceived levels of corruption. We have risk-based policies and procedures designed to detect and deter prohibited practices, provide specialized training, monitor our operations and payments, and investigate allegations of improprieties relating to transactions and the manner in which transactions are recorded. However, if our employees, contractors or agents fail to comply with applicable laws governing our international operations, the Company, as well as individual employees, may face investigations or prosecutions, which could have a material adverse effect on our financial condition or results of operations.

FOREIGN OPERATIONS

We derive a significant portion of our revenues from the use of our Card products, Travelers Cheques, travel and other financial products and services in countries outside the United States and continue to broaden the use of these products and services outside the United States. (For a discussion of our revenue by geographic region, see Note 25 to our Consolidated Financial Statements, which you can find on pages 101-103 of our 2011 Annual Report to Shareholders and which is incorporated herein by reference.) Our revenues can be affected by political and economic conditions in these countries (including the availability of foreign exchange for the payment by the local Card issuer of obligations arising out of local Cardmembers' spending outside such country, for the payment of Card bills by Cardmembers who are billed in a currency other than their local currency, and for the remittance of the proceeds of Travelers Cheque sales). Substantial and sudden devaluation of local Cardmembers' currency can also affect their ability to make payments to the local issuer of the Card in connection with spending outside the local country.

As a result of our foreign operations, we are exposed to the possibility that, because of foreign exchange rate fluctuations, assets and liabilities denominated in currencies other than the U.S. dollar may be realized in amounts greater or less than the U.S. dollar amounts at which they are currently recorded in our Consolidated Financial Statements. Examples of transactions in which this may occur include the purchase by Cardmembers of goods and services in a currency other than the currency in which they are billed; the sale in one currency of a Travelers Cheque denominated in a second currency; and, in most instances, investments in foreign operations. These risks, unless properly monitored and managed, could have an adverse effect on our operations. For more information on how we manage risk relating to foreign exchange, see "Risk Management — Market Risk Management Process" on pages 36-37 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

SALE OF AMERICAN EXPRESS BANK LTD. / DISCONTINUED OPERATIONS

On September 18, 2007, we entered into an agreement to sell our international banking subsidiary, American Express Bank Ltd. ("AEBL"), to Standard Chartered PLC ("Standard Chartered"), and to sell American Express International Deposit Company ("AEIDC") through a put/call agreement to Standard Chartered 18 months after the close of the AEBL sale. The sale of AEBL was completed on February 29, 2008. In the third quarter of 2008, AEIDC qualified to be reported as a discontinued operation and the sale of AEIDC was completed on September 10, 2009.

For all periods presented, all of the operating results, assets and liabilities, and cash flows of AEBL (except for certain components of AEBL that were not sold) and AEIDC have been removed from the Corporate & Other segment and are presented separately in discontinued operations in the Company's Consolidated Financial Statements. The Notes to the Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

SEGMENT INFORMATION AND CLASSES OF SIMILAR SERVICES

You can find information regarding the Company's reportable operating segments, geographic operations and classes of similar services in Note 25 to our Consolidated Financial Statements, which appears on pages 101-103 of our 2011 Annual Report to Shareholders, which Note is incorporated herein by reference.

EXECUTIVE OFFICERS OF THE COMPANY

Set forth below in alphabetical order is a list of all our executive officers as of February 24, 2012. None of our executive officers has any family relationship with any other executive officer, and none of our executive officers became an officer pursuant to any arrangement or understanding with any other person. Each executive officer has been elected to serve until the next annual election of officers or until his or her successor is elected and qualified. Each officer's age is indicated by the number in parentheses next to his or her name.

DOUGLAS E. BUCKMINSTER — President, International Consumer and Global Network Services

Mr. Buckminster (51) has been President, International Consumer and Global Network Services since February 2012. He has been President, International Consumer and Small Business Services of the Company since November 2009. Prior thereto he had been Executive Vice President, International Consumer Products and Marketing since July 2002.

JAMES BUSH — Executive Vice President, World Service

Mr. Bush (53) has been Executive Vice President, World Service since October 2009. Prior thereto, he served as Executive Vice President, U.S. Service Delivery Network since June 2005. Prior thereto, he served as Regional President for the Japan, Asia/Pacific, Australia (JAPA) region since September 2001.

KENNETH I. CHENAULT — Chairman and Chief Executive Officer

Mr. Chenault (60) has been Chairman since April 2001 and Chief Executive Officer since January 2001.

KEVIN COX — Executive Vice President, Human Resources

Mr. Cox (47) has been Executive Vice President, Human Resources of the Company since April 2005.

EDWARD P. GILLIGAN — Vice Chairman

Mr. Gilligan (52) has been Vice Chairman of the Company and head of the Company's Global Consumer and Small Business Card Issuing, Network and Merchant businesses since October 2009. Prior thereto, he had been Vice Chairman of the Company and head of the Company's Global Business to Business Group since July 2007. Prior thereto, he had been Group President, American Express International & Global Corporate Services since July 2005.

WILLIAM H. GLENN — President, Global Corporate Payments and Business Travel

Mr. Glenn (54) has been President, Global Corporate Payments and Business Travel since November 2011. Prior thereto, he had been President, Global Merchant Services since June 2007. Prior thereto, he had been President of Merchant Services North America and Global Merchant Network Group since September 2002.

ASH GUPTA — Chief Risk Officer and President, Risk and Information Management

Mr. Gupta (58) has been President of Risk and Information Management and Chief Risk Officer since July 2007. Prior thereto, he had been Executive Vice President and Chief Risk Officer of the Company since July 2003.

JOHN D. HAYES — Executive Vice President and Chief Marketing Officer

Mr. Hayes (57) has been Executive Vice President since May 1995 and Chief Marketing Officer of the Company since August 2003.

DANIEL T. HENRY — Executive Vice President and Chief Financial Officer

Mr. Henry (62) has been Executive Vice President and Chief Financial Officer of the Company since October 2007. Since February 2007, Mr. Henry had been serving as Executive Vice President and Acting Chief Financial Officer of the Company. Prior thereto, he had been Executive Vice President and Chief Financial Officer, U.S. Consumer, Small Business and Merchant Services since October 2005 and Executive Vice President and Chief Financial Officer, U.S. Consumer and Small Business Services since August 2000.

LOUISE M. PARENT — Executive Vice President and General Counsel

Ms. Parent (61) has been Executive Vice President and General Counsel since May 1993.

THOMAS SCHICK — Executive Vice President, Corporate and External Affairs

Mr. Schick (65) has been Executive Vice President, Corporate and External Affairs since March 1993.

DANIEL H. SCHULMAN — Group President, Enterprise Growth

Mr. Schulman (54) has been Group President, Enterprise Growth since August 2010. Mr. Schulman joined American Express from Sprint Nextel Corporation, where he served as President of the Prepaid group from 2009 until August 2010. Before joining Sprint, Mr. Schulman was the founding CEO of Virgin Mobile USA, a mobile virtual operator, acquired by Sprint in 2009. Prior to that he was CEO of priceline.com and spent the early part of his career with AT&T, where he ultimately led the company's consumer long distance business.

JOSHUA G. SILVERMAN — President, U.S. Consumer Services

Mr. Silverman (43) has been President, U.S. Consumer Services since July 2011. Before joining American Express, Mr. Silverman served as Executive in Residence for Greylock Ventures, a venture capital firm, from October 2010 until June 2011. Mr. Silverman was the Chief Executive Officer of Skype from 2008 until October 2010. Prior to that he was a senior executive at eBay from 2003 until 2008 and was Chief Executive Officer and co-founder of Evite, the social event planning site, which he ran until it was sold to IAC in 2001.

STEPHEN J. SQUERI — Group President, Global Corporate Services

Mr. Squeri (52) has been Group President, Global Corporate Services since November 2011. Prior thereto, he had been Group President, Global Services, since October 2009. From May 2005 to October 2009, he served as Executive Vice President and Chief Information Officer for the Company. In addition, from July 2008 to September 2010, he was the head of Corporate Development, overseeing mergers and acquisitions for the Company. Prior thereto, he had been President, Global Commercial Card since February 2002.

ANRÉ WILLIAMS — President, Global Merchant Services

Mr. Williams (46) has been President of Global Merchant Services since November 2011. Prior thereto, he had been President of Global Corporate Payments since June 2007. Prior thereto, he had been Executive Vice President of U.S. Commercial Card from January 2004 through May 2007 and Senior Vice President of U.S. Middle Market within the Commercial Card business from February 2002 through December 2003.

EMPLOYEES

We had approximately 62,500 employees on December 31, 2011.

GUIDE 3 – STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

The accompanying supplemental information should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements in the Company's 2011 Annual Report to Shareholders, which information is incorporated herein by reference ("Annual Report"). This information excludes discontinued operations unless otherwise noted.

Upon adoption of new GAAP governing consolidations and variable interest entities ("VIEs"), the Company was required to change its accounting for the American Express Credit Account Master Trust (the "Lending Trust"), a previously unconsolidated VIE, which is now consolidated. As a result, beginning January 1, 2010, the securitized cardmember loans and related debt securities issued to third parties by the Lending Trust are included on the Company's Consolidated Balance Sheet. The Company continues to consolidate the American Express Issuance Trust (the "Charge Trust"). This change in accounting affected the information disclosed in Distribution of Assets, Liabilities, and Shareholders' Equity; Interest Rates and Interest Differentials; Changes in Net Interest Income – Volume and Rate Analysis; Loans and Cardmember Receivable Portfolios; Cardmember Loans and Cardmember Receivable Concentrations; Analysis of the Allowance for Loan Losses; and Allocation of Allowance for Losses. Results for 2009 and prior periods have not been revised for the changes in accounting for the Lending Trust. Refer to Note 1 "Summary of Significant Accounting Policies" on page 59 and Note 7 "Asset Securitizations" on page 74 of the Annual Report for further discussion.

Certain other reclassifications of prior period amounts have been made to conform to the current presentation. These other reclassifications did not have an impact on the Company's financial position or results of operations.

DISTRIBUTION OF ASSETS, LIABILITIES, AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

The following tables provide a summary of the Company's consolidated average balances including major categories of interest-earning assets and interest-bearing liabilities along with an analysis of net interest earnings. Consolidated average balances, interest, and average yields are segregated between U.S. and non-U.S. offices. Assets, liabilities, interest income and interest expense are attributed to U.S. and non-U.S. based on location of the office recording such items.

Years Ended December 31, *(Millions, except percentages)*	2011 Average Balance (a)	2011 Interest Income	2011 Average Yield	2010 Average Balance (a)	2010 Interest Income	2010 Average Yield	2009 Average Balance (a)	2009 Interest Income	2009 Average Yield
Interest-earning assets									
Interest-bearing deposits in other banks (b)									
U.S.	**$ 18,773**	**$ 49**	**0.3%**	$ 16,276	$ 40	0.2%	$ 7,090	$ 13	0.2%
Non-U.S.	**2,242**	**30**	**1.3**	2,203	23	1.0	1,724	28	1.6
Federal funds sold and securities purchased under agreements to resell									
U.S.	-	-	-	-	-	-	-	-	-
Non-U.S.	**436**	**19**	**4.4**	309	12	3.9	123	6	4.9
Short-term investment securities									
U.S.	**406**	**-**	**-**	1,214	2	0.2	10,523	28	0.3
Non-U.S.	**138**	**3**	**2.2**	349	1	0.3	195	1	0.5
Cardmember loans (c) (d) (e)									
U.S.	**50,512**	**5,243**	**10.4**	47,700	5,407	11.3	26,114	2,984	11.4
Non-U.S.	**8,622**	**1,265**	**14.7**	8,419	1,356	16.1	8,696	1,446	16.6
Other loans									
U.S.	**66**	**3**	**4.5**	41	3	7.3	140	3	2.1
Non-U.S.	**341**	**26**	**7.6**	410	18	4.4	527	38	7.2
Taxable investment securities (f) (g)									
U.S.	**4,191**	**50**	**1.2**	11,225	137	1.2	13,198	457	3.5
Non-U.S.	**203**	**11**	**5.6**	247	13	5.3	285	18	6.0
Non-taxable investment securities (g)									
U.S.	**5,225**	**228**	**6.5**	5,999	252	6.3	5,989	286	6.8
Other assets (h)									
Primarily U.S.	**500**	**34**	**n.m.**	523	28	n.m.	485	23	n.m.
Total interest-earning assets (i)	**$ 91,655**	**$ 6,961**	**7.7%**	$ 94,915	$ 7,292	7.8%	$ 75,089	$ 5,331	7.3%
U.S.	**79,673**	**5,607**		82,978	5,869		63,539	3,794	
Non-U.S.	**11,982**	**1,354**		11,937	1,423		11,550	1,537	

Years Ended December 31, *(Millions, except percentages)*	2011 Average Balance (a)	2010 Average Balance (a)	2009 Average Balance (a)
Non-interest-earning assets			
Cash and due from banks (j)			
U.S.	**$ 1,742**	$ 1,778	$ 1,063
Non-U.S.	**717**	640	429
Cardmember receivables, net			
U.S.	**19,741**	18,045	17,056
Non-U.S.	**19,039**	16,253	13,812
Other receivables, net			
U.S.	**1,921**	1,825	2,149
Non-U.S.	**1,541**	1,227	1,249
Reserves for cardmember and other loans losses			
U.S.	**(2,308)**	(3,696)	(2,556)
Non-U.S.	**(366)**	(612)	(564)
Other assets (k)			
U.S.	**11,665**	11,900	12,288
Non-U.S.	**2,828**	1,907	2,131
Total non-interest-earning assets	**56,520**	49,267	47,057
U.S.	**32,761**	29,852	30,000
Non-U.S.	**23,759**	19,415	17,057
Assets of discontinued operations	**-**	-	75
Total assets	**$ 148,175**	$ 144,182	$ 122,221
U.S.	**112,434**	112,830	93,539
Non-U.S.	**35,741**	31,352	28,607
Assets of discontinued operations	**-**	-	75
Percentage of total average assets attributable to non-U.S. activities	**24.1%**	21.7%	23.4%

(a) Averages based on month end balances, except reserves for cardmember and other receivables/loans, which are based on quarter end averages.

(b) Amounts include (i) average interest-bearing restricted cash balances of $851 million, $1,570 million and $417 million for 2011, 2010 and 2009, respectively, which are included in other assets on the Consolidated Balance Sheets, and (ii) the associated interest income.

(c) The increase in U.S. cardmember loans between 2009 and 2010 was due to the adoption of new GAAP, as discussed on page 60.

(d) Card fees related to cardmember loans included in interest income were $158 million, $115 million and $107 million in U.S. and $107 million, $105 million and $79 million in non-U.S. for 2011, 2010 and 2009, respectively.

(e) Average non-accrual loans were included in the average loan balances used to determine the average yield on loans in amounts of $517 million, $839 million and $554 million in U.S. as well as $7 million, $11 million and $15 million in non-U.S. for 2011, 2010 and 2009, respectively.

(f) The decrease in taxable investment securities between 2009 and 2010 was due to the adoption of new GAAP, as discussed on page 60.

(g) Average yields for available-for-sale investment securities have been calculated using total amortized cost balances and do not include changes in fair value recorded in other comprehensive (loss) income. Average yield on non-taxable investment securities is calculated on a tax-equivalent basis using the U.S. federal statutory tax rate of 35 percent.

(h) Amounts include (i) average equity securities balances, which are included in investment securities on the Consolidated Balance Sheets, and (ii) the associated dividend income. The average yield on other assets has not been shown as it would not be meaningful.

(i) The average yield on total interest-earning assets is adjusted for the impacts of items mentioned in (e) above.

(j) In the first quarter of 2011, the Company reclassified $353 million, reducing both cash and cash due from banks, and other liabilities, on the December 31, 2010 Consolidated Balance Sheet from amounts previously reported to correct for the effect of a misclassification, as described in Note 1 “Summary of Significant Accounting Policies” on page 59 of the Annual Report.

(k) Includes premises and equipment, net of accumulated depreciation.

Years Ended December 31, *(Millions, except percentages)*	2011 Average Balance (a)	2011 Interest Expense	2011 Average Rate	2010 Average Balance (a)	2010 Interest Expense	2010 Average Rate	2009 Average Balance (a)	2009 Interest Expense	2009 Average Rate
Interest-bearing liabilities									
Customer deposits									
U.S.	**$ 32,168**	**$ 505**	**1.6%**	$ 27,373	$ 522	1.9%	$ 19,638	$ 393	2.0%
Non-U.S.	**672**	**23**	**3.4**	693	24	3.5	798	32	4.0
Federal funds purchased and securities sold under agreements to repurchase									
U.S.	-	-	-	-	-	-	48	-	-
Non-U.S.	-	-	-	-	-	-	-	-	-
Short-term borrowings (b)									
U.S.	**1,307**	**4**	**0.3**	1,066	4	0.4	2,145	31	1.4
Non-U.S.	**2,087**	**9**	**0.4**	1,066	-	-	801	6	0.7
Long-term debt (b) (c)									
U.S.	**60,113**	**1,768**	**3.0**	66,121	1,811	2.8	54,032	1,658	3.1
Non-U.S.	**2,085**	**(2)**	**4.2**	2,202	40	4.5	1,463	55	5.2
Other liabilities (d)									
Primarily U.S.	**300**	**13**	**n.m.**	292	22	n.m.	284	32	n.m.
Total interest-bearing liabilities	**$ 98,732**	**$ 2,320**	**2.3%**	$ 98,813	$ 2,423	2.5%	$ 79,209	$ 2,207	2.8%
U.S.	**93,888**	**2,290**		94,852	2,359		76,147	2,114	
Non-U.S.	**4,844**	**30**		3,961	64		3,062	93	
Non-interest-bearing liabilities									
Travelers Cheques outstanding									
U.S.	**5,034**			5,272			5,623		
Non-U.S.	**195**			254			330		
Accounts payable									
U.S.	**6,485**			6,666			5,854		
Non-U.S.	**3,866**			3,757			3,146		
Other liabilities (e)									
U.S.	**11,667**			10,935			10,298		
Non-U.S.	**4,352**			3,732			3,130		
Total non-interest-bearing liabilities	**31,599**			30,616			28,381		
U.S.	**23,186**			22,873			21,775		
Non-U.S.	**8,413**			7,743			6,606		
Liabilities of discontinued operations	**-**			-			61		
Total liabilities	**130,331**			129,429			107,651		
U.S.	**117,074**			117,725			97,922		
Non-U.S.	**13,257**			11,704			9,668		
Liabilities of discontinued operations	**-**			-			61		
Total shareholders' equity	**17,844**			14,753			14,570		
Total liabilities and shareholders' equity	**$ 148,175**			$ 144,182			$ 122,221		
Percentage of total average liabilities attributable to non-U.S. activities	**10.2%**			9.0%			9.0%		
Interest rate spread			**5.4%**			5.3%			4.5%
Net interest income and net average yield on interest-earning assets (f)		**$ 4,641**	**5.2%**		$ 4,869	5.3%		$ 3,124	4.3%

(a) Averages based on month end balances.

(b) Interest expense incurred on derivative instruments in qualifying hedging relationships has been reported along with the related interest expense incurred on the hedged debt instrument. For long-term debt, interest expense also includes income earned on forward points related to the Company's foreign exchange swaps. This income was $41 million, $33 million and $14 million in the U.S. and $89 million, $60 million and $21 million for non-U.S. entities during 2011, 2010 and 2009, respectively. The average rates presented exclude the effects of forward points.

(c) The increase in long-term debt between 2009 and 2010 was due to the adoption of new GAAP, as discussed on page 60.

(d) Amounts include (i) average deferred compensation liability balances which are included in other liabilities on the Consolidated Balance Sheets, and (ii) the associated interest expense. The average rate on other liabilities has not been shown as it would not be meaningful.

(e) In the first quarter of 2011, the Company reclassified $353 million, reducing both cash and cash due from banks, and other liabilities, on the December 31, 2010 Consolidated Balance Sheet from amounts previously reported to correct for the effect of a misclassification, as further described in Note 1 "Summary of Significant Accounting Policies" on page 59 of the Annual Report.
(f) Net average yield on interest-earning assets is defined as net interest income divided by average total interest-earning assets as adjusted for the items mentioned in note (g) on page 61.

CHANGES IN NET INTEREST INCOME -VOLUME AND RATE ANALYSIS (a)

The following table presents the amount of changes in interest income and interest expense due to changes in both average volume and average rate. Major categories of interest-earning assets and interest-bearing liabilities have been segregated between U.S. and non-U.S. offices. Average volume/rate changes have been allocated between the average rate and average volume variances on a consistent basis based upon the respective percentage changes in average balances and average rates.

	2011 Versus 2010			2010 Versus 2009		
	Increase (Decrease) due to change in:			Increase (Decrease) due to change in:		
Years Ended December 31, *(Millions)*	**Average Volume**	**Average Rate**	**Net Change**	**Average Volume**	**Average Rate**	**Net Change**
Interest-earning assets						
Interest-bearing deposits in other banks						
U.S.	**$ 6**	**$ 3**	**$ 9**	$ 17	$ 10	$ 27
Non-U.S.	**-**	**7**	**7**	8	(13)	(5)
Securities purchased under agreements to resell						
Non-U.S.	**5**	**2**	**7**	9	(3)	6
Short-term investment securities						
U.S.	**(1)**	**(1)**	**(2)**	(25)	(1)	(26)
Non-U.S.	**(1)**	**3**	**2**	1	(1)	-
Cardmember loans						
U.S.	**319**	**(483)**	**(164)**	2,467	(44)	2,423
Non-U.S.	**33**	**(124)**	**(91)**	(46)	(44)	(90)
Other loans						
U.S.	**2**	**(2)**	**-**	(2)	2	-
Non-U.S.	**(3)**	**11**	**8**	(8)	(12)	(20)
Taxable investment securities						
U.S.	**(86)**	**(1)**	**(87)**	(70)	(250)	(320)
Non-U.S.	**(3)**	**1**	**(2)**	(4)	(1)	(5)
Non-taxable investment securities						
U.S.	**(30)**	**6**	**(24)**	(12)	(22)	(34)
Other assets						
Primarily U.S.	**(1)**	**7**	**6**	2	3	5
Change in interest income	**240**	**(571)**	**(331)**	2,337	(376)	1,961
Interest-bearing liabilities						
Customer deposits						
U.S.	**91**	**(108)**	**(17)**	155	(26)	129
Non-U.S.	**(1)**	**-**	**(1)**	(4)	(4)	(8)
Short-term borrowings						
U.S.	**1**	**(1)**	**-**	(16)	(11)	(27)
Non-U.S.	**-**	**9**	**9**	2	(8)	(6)
Long-term debt(b)						
U.S.	**(168)**	**133**	**(35)**	374	(202)	172
Non-U.S.	**(5)**	**(8)**	**(13)**	38	(14)	24
Other liabilities						
Primarily U.S.	**1**	**(10)**	**(9)**	1	(11)	(10)
Change in interest expense	**(81)**	**15**	**(66)**	550	(276)	274
Change in net interest income	**$ 321**	**$ (586)**	**$ (265)**	$ 1,787	$ (100)	$ 1,687

(a) Refer to the notes on pages 61 and 62 for additional information.

(b) Long-term debt volume and rate analysis does not include the impact of income earned on forward points related to the Company's foreign exchange swaps. Refer to page 62 sub-footnote (b) for further details.

INVESTMENT SECURITIES PORTFOLIO

The following table presents the fair value of the Company's available-for-sale investment securities portfolio. Refer to Note 6 "Investment Securities" on page 72 in the Annual Report for additional information.

December 31, *(Millions)*	**2011**	**2010**	**2009**
State and municipal obligations	**$ 4,999**	$ 5,797	$ 6,250
U.S. Government agency obligations	**354**	3,413	6,745
U.S. Government treasury obligations	**340**	2,456	5,566
Corporate debt securities	**632**	1,445	1,335
Retained subordinated securities (a)	**-**	-	3,599
Mortgage-backed securities	**278**	276	180
Equity securities	**360**	475	530
Foreign government bonds and obligations	**130**	99	92
Other	**54**	49	40
Total available-for-sale securities	**$ 7,147**	$ 14,010	$ 24,337

(a) As a result of the adoption of new GAAP, as discussed on page 60, the Company no longer presents the retained subordinated securities within its Consolidated Financial Statements in periods subsequent to 2009.

The following table presents an analysis of remaining contractual maturities and weighted average yields for available-for-sale investment securities. Yields on tax-exempt obligations have been computed on a tax-equivalent basis as discussed earlier.

December 31, *(Millions, except percentages)*	**2011**				
	Due in 1 year or less	**Due after 1 through 5 years**	**Due after 5 through 10 years**	**Due after 10 years**	**Total**
State and municipal obligations (a)	**$ 6**	**$ 58**	**$ 171**	**$ 4,764**	**$ 4,999**
U.S. Government agency obligations	**352**	**-**	**-**	**2**	**354**
U.S. Government treasury obligations	**4**	**315**	**8**	**13**	**340**
Corporate debt securities	**562**	**30**	**40**	**-**	**632**
Mortgage-backed securities (a)	**-**	**2**	**-**	**276**	**278**
Foreign government bonds and obligations	**59**	**24**	**8**	**39**	**130**
Total fair value (b)	**$ 983**	**$ 429**	**$ 227**	**$ 5,094**	**$ 6,733**
Weighted average yield (c)	**2.39%**	**1.67%**	**6.71%**	**6.51%**	**5.61%**

(a) The expected payments on state and municipal obligations and mortgage-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.
(b) Excludes equity securities and other securities included in the prior table above as these are not debt securities with contractual maturities.
(c) Average yields for available-for-sale investment securities have been calculated using the effective yield on the date of purchase.

As of December 31, 2011, no investments exceeded 10 percent of shareholders' equity.

LOANS AND CARDMEMBER RECEIVABLES PORTFOLIOS

The following table presents gross loans, net of unearned income, and gross cardmember receivables by customer type segregated between U.S. and non-U.S., based on the domicile of the borrowers. Allowance for losses is presented beginning on page 70. Refer to Note 4 "Accounts Receivable and Loans" on page 65 and Note 5 "Reserve for Losses" on page 70 in the Annual Report for additional information.

December 31, *(Millions)*	2011	2010	2009	2008	2007
Loans					
U.S. loans					
Cardmember (a) (b)	**$ 53,850**	$ 51,738	$ 23,699	$ 32,921	$ 43,253
Other (c)	**108**	44	46	144	91
Non-U.S. loans					
Cardmember (b)	**8,771**	9,112	9,073	9,290	11,155
Other (c)	**329**	392	487	913	716
Total loans	**$ 63,058**	$ 61,286	$ 33,305	$ 43,268	$ 55,215
Cardmember receivables					
U.S. cardmember receivables					
Consumer (d)	**20,645**	19,155	17,750	17,822	21,418
Commercial (e)	**7,495**	6,439	5,587	5,269	6,261
Non-U.S. cardmember receivables					
Consumer (d)	**7,412**	6,852	6,149	5,769	7,243
Commercial (e)	**5,338**	4,820	4,257	4,128	5,150
Total cardmember receivables	**$ 40,890**	$ 37,266	$ 33,743	$ 32,988	$ 40,072

(a) The increase in U.S. cardmember loans between 2009 and 2010 was due to the adoption of new GAAP, as discussed on page 60.
(b) Represents loans to individual and small business consumers.
(c) Other loans at December 31, 2011, 2010, 2009 and 2008 primarily represent small business installment loans, a store card portfolio whose billed business is not processed on the Company's network, and small business loans associated with the acquisition of Corporate Payment Services. Other loans at December 31, 2008, also included a loan to an affiliate in discontinued operations. 2007 primarily represents small business installment loans.
(d) Represents receivables from individual and small business charge card consumers.
(e) Represents receivables from corporate charge card clients.

MATURITIES AND SENSITIVITIES TO CHANGES IN INTEREST RATES

The following table presents contractual maturities of loans and cardmember receivables by customer type and segregated between U.S. and non-U.S. borrowers, and distribution between fixed and floating interest rates for loans due after one year based upon the stated terms of the loan agreements.

December 31, *(Millions)*	2011			
	Within 1 year (a) (b)	1-5 years (b) (c)	After 5 years (c)	Total
Loans				
U.S. loans				
Cardmember	$ 53,697	$ 153	$ -	$ 53,850
Other	48	9	51	108
Non-U.S. loans				
Cardmember	8,764	3	4	8,771
Other	301	20	8	329
Total loans	$ 62,810	$ 185	$ 63	$ 63,058
Loans due after one year at fixed interest rates		$ 185	$ 63	$ 248
Loans due after one year at variable interest rates		-	-	-
Total loans		$ 185	$ 63	$ 248
Cardmember receivables				
U.S. cardmember receivables				
Consumer	$ 20,622	$ 23	$ -	$ 20,645
Commercial	7,495	-	-	7,495
Non-U.S. cardmember receivables				
Consumer	7,412	-	-	7,412
Commercial	5,338	-	-	5,338
Total cardmember receivables	$ 40,867	$ 23	$ -	$ 40,890

(a) Cardmember loans have no stated maturity and are therefore included in the due within one year category. However, many of the Company's cardmembers will revolve their balances, which may extend their repayment period beyond one year for balances due at December 31, 2011.

(b) Cardmember receivables are immediately due upon receipt of cardmember statements and have no stated interest rate and are included within the due within one year category. Receivables due after one year represent modification programs classified as Troubled Debt Restructurings (TDRs), wherein the terms of a receivable have been modified for cardmembers that are experiencing financial difficulties and a long-term concession (more than 12 months) has been granted to the borrower.

(c) Cardmember and other loans due after one year primarily represent installment loans and approximately $160 million of TDRs.

CARDMEMBER LOAN AND CARDMEMBER RECEIVABLE CONCENTRATIONS

The following table presents the Company's exposure to any concentration of gross cardmember loans and cardmember receivables which exceeds 10 percent of total cardmember loans and cardmember receivables. Cardmember loan and cardmember receivable concentrations are defined as cardmember loans and cardmember receivables due from multiple borrowers engaged in similar activities that would cause these borrowers to be impacted similarly to certain economic or other related conditions.

December 31, *(Millions)*	2011 (a)
Individuals	$ 90,648
Commercial (b)	$ 12,863
Total on-balance sheet	$ 103,511
Unused lines of credit-individuals (c)	$ 238,355

(a) Refer to Note 22 "Significant Credit Concentrations" on page 97 in the Annual Report for additional information on concentrations, including exposure to the airline industry, and for a discussion of how the Company manages concentration exposures. Certain distinctions between categories require management judgment.

(b) Includes corporate charge card receivables of $725 million from financial institutions, $21 million from U.S. Government agencies and $12 billion from other corporate institutions.
(c) Because charge card products have no preset spending limit, the associated credit limit on cardmember receivables is not quantifiable. Therefore, the quantified unused line-of-credit amounts only include the approximate credit line available on cardmember loans.

RISK ELEMENTS

The following table presents the amounts of non-performing loans and cardmember receivables that are either non-accrual, past due, or restructured, segregated between U.S. and non-U.S. borrowers. Past due loans are loans that are contractually past due 90 days or more as to principal or interest payments. Restructured loans and cardmember receivables are those that meet the definition of TDR.

December 31, *(Millions)*	2011 (a)	2010 (a)	2009	2008	2007
Loans					
Non-accrual loans (b)					
U.S.	**$ 529**	$ 628	$ 480	$ 8	$ 8
Non-U.S.	**9**	12	14	6	5
Total non-accrual loans	**538**	640	494	14	13
Loans contractually 90 days past-due and still accruing interest					
U.S.	**64**	90	102	692	558
Non-U.S.	**70**	99	151	166	149
Total loans contractually 90 days past-due and still accruing interest	**134**	189	253	858	707
Restructured loans (c)					
U.S.	**736**	1,076	706	403	47
Non-U.S.	**8**	11	15	24	41
Total restructured loans	**744**	1,087	721	427	88
Total non-performing loans	**$ 1,416**	$ 1,916	$ 1,468	$ 1,299	$ 808
Cardmember receivables					
Restructured cardmember receivables (c)					
U.S.	**174**	114	94	141	4
Total restructured cardmember receivables	**$ 174**	$ 114	$ 94	$ 141	$ 4

(a) The increase in non-performing loans between 2009 and 2010 was due to the adoption of new GAAP, as discussed on page 60. As a result of these changes, amounts as of December 31, 2011 and 2010 include impaired loans and receivables for both the Charge Trust and Lending Trust; correspondingly, 2009 and prior period amounts only include impaired loans and receivables for the Charge Trust and the seller's interest portion of the Lending Trust.

(b) The Company's policy is generally to cease accruing interest income once a related cardmember loan is 180 days past due at which time the cardmember loan is written off. The Company establishes loan loss reserves for estimated uncollectible interest receivable balances prior to write-off. For the U.S., as of December 31, 2009, these amounts primarily include certain cardmember loans placed with outside collection agencies.

(c) Represents modification programs classified as TDRs, wherein the terms of a loan or receivable have been modified for cardmembers that are experiencing financial difficulties and a concession has been granted to the borrower. Such modifications to the loans and receivables may include (i) reducing the interest rate (as low as zero percent, in which case the loan is characterized as non-accrual in the Company's TDR disclosures), (ii) reducing the outstanding balance (in the event of a settlement), (iii) suspending delinquency fees until the cardmember exits the TDR program, and (iv) placing the cardmember on a fixed payment plan not exceeding 60 months. Upon entering the modification program, the cardmember's ability to make future purchases is either cancelled, or in certain cases suspended until the cardmember successfully exits the TDR program. In accordance with the modification agreement with the cardmember, loans with modified terms will revert back to their original contractual terms (including their contractual interest rate) when they exit the TDR program, either (i) when all payments have been made in accordance with the modification agreement or (ii) in the event that a payment is not made in accordance with the modification agreement and the cardmember defaults out of the program.

IMPACT OF NON-PERFORMING LOANS ON INTEREST INCOME

The following table presents the gross interest income for both non-accrual and restructured loans for 2011 that would have been recognized if such loans had been current in accordance with their original contractual terms, and had been outstanding throughout the period or since origination if held for only part of 2011. The table also presents the interest income related to these loans that was actually recognized for the period. These amounts are segregated between U.S. and non-U.S. borrowers.

	2011		
Year Ended December 31, *(Millions)*	**U.S.**	**Non-U.S.**	**Total**
Gross amount of interest income that would have been recorded in accordance with the original contractual terms (a)	**$ 126**	**$ 2**	**$ 128**
Interest income actually recognized	**17**	**-**	**17**
Total interest revenue foregone	**$ 109**	**$ 2**	**$ 111**

(a) Based on the contractual rate that was being charged at the time the loan was restructured or placed on non-accrual status.

POTENTIAL PROBLEM RECEIVABLES

This disclosure presents outstanding amounts as well as specific reserves for certain receivables where information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present repayment terms. At December 31, 2011, the Company did not identify any potential problem loans or receivables within the cardmember loans and receivables portfolio that were not already included in “Risk Elements” above.

CROSS-BORDER OUTSTANDINGS

Cross-border disclosure is based upon the Federal Financial Institutions Examination Council’s (“FFIEC”) guidelines governing the determination of cross-border risk. The Company has adopted the FFIEC guidelines for its cross-border disclosure starting with 2009 reporting.

The primary differences between the FFIEC and Guide 3 guidelines for reporting cross-border exposure are: i) available-for-sale investment securities are reported based on amortized cost for FFIEC instead of fair value for Guide 3; ii) net local country claims are reduced by local country liabilities (regardless of currency denomination) excluding any debt that is funding the local assets through a foreign domiciled subsidiary for FFIEC compared to Guide 3 where only amounts in the same currencies are offset and such debt noted above is a reduction to local country claims; iii) the FFIEC methodology includes mark-to-market exposures of derivative assets which are excluded under Guide 3; and iv) investments in unconsolidated subsidiaries are included under FFIEC but excluded under Guide 3.

The following table presents the aggregate amount of cross-border outstandings from borrowers or counterparties for each foreign country that exceeds 1 percent of consolidated total assets for any of the periods reported below. Cross-border outstandings include loans, receivables, interest-bearing deposits with other banks, other interest-bearing investments and other monetary assets that are denominated in either dollars or other non-local currency.

The table separately presents the amounts of cross-border outstandings by type of borrower including governments and official institutions, banks and other financial institutions and other, along with an analysis of local country assets net of local country liabilities.

Years Ended December 31, *(Millions)*		Governments and official institutions	Banks and other financial institutions	Other	Net local country claims	Total cross-border outstandings	Cross-border commitments(b)	Total exposure
Australia	**2011**	**$ -**	**$ 115**	**$ 3**	**$ 4,297**	**$ 4,415**	**$ -**	**$ 4,415**
	2010	-	37	1	4,225	4,263	-	4,263
	2009	-	1,026	1	3,869	4,896	-	4,896
United Kingdom	**2011**	**$ 1**	**$ 2,040**	**$ 478**	**$ 20**	**$ 2,539**	**$ -**	**$ 2,539**
	2010	2	1,582	345	800	2,729	-	2,729
	2009	-	959	314	1,264	2,537	-	2,537
Canada	**2011**	**$ -**	**$ 320**	**$ 5**	**$ 1,697**	**$ 2,022**	**$ -**	**$ 2,022**
	2010	-	258	3	2,212	2,473	-	2,473
	2009	4	25	3	1,667	1,699	-	1,699
France	**2011**	**$ -**	**$ 69**	**$ 7**	**$ 933**	**$ 1,009**	**$ -**	**$ 1,009**
	2010	-	45	8	824	877	-	877
	2009	-	1,136	7	876	2,019	-	2,019
Other countries(a)	**2011**	**$ 1**	**$ -**	**$ 25**	**$ 2,261**	**$ 2,287**	**$ -**	**$ 2,287**
	2010	1	1	23	2,359	2,384	-	2,384
	2009	1	3	9	2,129	2,142	-	2,142

(a) Cross-border outstandings between 0.75 percent and 1.0 percent of consolidated total assets are included in Other Countries. For comparability, countries that meet the threshold for any year presented are included for all years. For all three periods, the only countries included are Mexico and Italy.

(b) Generally, all charge and credit cards have revocable lines of credit, and therefore, are not disclosed as cross-border commitments. Refer to loan concentrations on page 66 for amount of unused lines of credit.

SUMMARY OF LOAN LOSS EXPERIENCE

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES

The following table summarizes the changes to the Company's allowance for cardmember loan losses. The table segregates such changes between U.S. and non-U.S. borrowers.

Years Ended December 31, ***(Millions, except percentages)***	**2011**	**2010**	**2009**	**2008**	**2007**
Cardmember loans					
Allowance for loan losses at beginning of year – U.S. loans	**$ 3,153**	$ 2,541	$ 2,164	$ 1,457	$ 836
Reserves established for consolidation of variable interest entities	**-**	2,531	-	-	-
U.S. loans – adjusted balance	**3,153**	5,072	2,164	1,457	836
Non-U.S. loans	**493**	727	406	374	335
Total allowance for losses – beginning of year	**3,646**	5,799	2,570	1,831	1,171
Cardmember lending provisions (a)					
U.S. loans	**169**	1,291	3,276	3,490	2,179
Non-U.S. loans	**84**	236	990	741	582
Total cardmember lending provisions	**253**	1,527	4,266	4,231	2,761
Write-offs					
U.S. loans	**(2,105)**	(3,614)	(2,914)	(2,816)	(1,630)
Non-U.S. loans	**(394)**	(573)	(810)	(708)	(655)
Total write-offs	**(2,499)**	(4,187)	(3,724)	(3,524)	(2,285)
Recoveries					
U.S. loans	**477**	468	230	207	198
Non-U.S. loans	**101**	100	97	94	97
Total recoveries	**578**	568	327	301	295
Net write-offs (b)	**(1,921)**	(3,619)	(3,397)	(3,223)	(1,990)
Other (c)					
U.S. loans	**(83)**	(64)	(215)	(174)	(126)
Non-U.S. loans	**(21)**	3	44	(95)	15
Total other	**(104)**	(61)	(171)	(269)	(111)
Allowance for loan losses at end of year					
U.S. loans	**1,611**	3,153	2,541	2,164	1,457
Non-U.S. loans	**263**	493	727	406	374
Total allowance for losses	**$ 1,874**	$ 3,646	$ 3,268	$ 2,570	$ 1,831
Principal only net write-offs / average cardmember loans outstanding (b) (d)	**2.9%**	5.6%	8.5%	5.5%	3.5%
Principal, interest and fees net write-offs / average cardmember loans outstanding (b) (d)	**3.3%**	6.2%	9.8%	6.8%	4.2%

(a) Refer to Note 5 "Reserves for Losses" on page 70 in the Annual Report for a discussion of management's process for evaluating allowance for loan losses.

(b) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and fees) to be consistent with industry convention. In addition, because the Company's practice is to include uncollectible interest and fees as part of its total provision for losses, a net write-off rate including principal, interest and fees is also presented.

(c) These amounts include net write-offs related to unauthorized transactions and foreign currency translation adjustments. The amount for 2009 includes $160 million of reserves, that were removed in the reclassification in connection with securitizations during the year. The offset is in the allocated cost of the associated retained subordinated securities.

(d) Average cardmember loans are based on month end balances.

The following table summarizes the changes to the Company's allowance for other loan losses. The table segregates such changes between U.S. and non-U.S. borrowers.

Years Ended December 31, *(Millions, except percentages)*	2011	2010	2009	2008	2007
Other loans					
Allowance for loan losses at beginning of year					
U.S. loans	**$ 2**	$ 2	$ 15	$ 12	$ 16
Non-U.S. loans	**22**	25	24	33	24
Total allowance for losses	**24**	27	39	45	40
Provisions for other loan losses (a)					
U.S. loans	**-**	3	5	10	4
Non-U.S. loans	**13**	22	45	53	41
Total provisions for other loan losses	**13**	25	50	63	45
Write-offs					
U.S. loans	**(2)**	(4)	(19)	(8)	(9)
Non-U.S. loans	**(24)**	(34)	(50)	(72)	(36)
Total write-offs	**(26)**	(38)	(69)	(80)	(45)
Recoveries					
U.S. loans	**1**	1	1	1	1
Non-U.S. loans	**6**	8	10	7	6
Total recoveries	**7**	9	11	8	7
Net write-offs	**(19)**	(29)	(58)	(72)	(38)
Other (b)					
U.S. loans	-	-	-	-	-
Non-U.S. loans	-	1	(4)	3	(2)
Total other	-	1	(4)	3	(2)
Allowance for loan losses at end of year					
U.S. loans	**1**	2	2	15	12
Non-U.S. loans	**17**	22	25	24	33
Total allowance for losses	**$ 18**	$ 24	$ 27	$ 39	$ 45
Net write-offs/average other loans outstanding (c)	**4.7%**	6.5%	8.7%	8.8%	4.0%

(a) Provisions for other loan losses are determined based on a specific identification methodology and models that analyze specific portfolio statistics.
(b) Includes primarily foreign currency translation adjustments.
(c) The net write-off rate presented is on a worldwide basis and is based on write-offs of principal and fees. Average other loans are based on month end balances.

The following table summarizes the changes to the Company's allowance for losses on cardmember receivables. The table segregates such changes between U.S. and non-U.S. borrowers.

Years Ended December 31, *(Millions, except percentages)*	2011	2010	2009	2008	2007
Cardmember receivables					
Allowance for losses at beginning of year					
U.S. receivables					
Consumer	**$ 193**	$ 256	$ 474	$ 844	$ 666
Commercial	**79**	93	113	104	99
Total U.S. receivables	**272**	349	587	948	765
Non-U.S. receivables					
Consumer	**84**	148	173	167	188
Commercial	**30**	49	50	34	28
Total non-U.S. receivables	**114**	197	223	201	216
Total allowance for losses	**386**	546	810	1,149	981
Provisions for losses (a)					
U.S. receivables					
Consumer	**519**	296	492	899	824
Commercial	**26**	105	106	130	96
Total U.S. provisions	**545**	401	598	1,029	920
Non-U.S. receivables					
Consumer	**182**	148	196	255	170
Commercial	**43**	46	63	79	50
Total non-U.S. provisions	**225**	194	259	334	220
Total provisions for losses	**770**	595	857	1,363	1,140
Write-offs					
U.S. receivables					
Consumer	**(576)**	(528)	(984)	(1,326)	(748)
Commercial	**(90)**	(128)	(154)	(142)	(111)
Total U.S. write-offs	**(666)**	(656)	(1,138)	(1,468)	(859)
Non-U.S. receivables					
Consumer	**(187)**	(222)	(261)	(214)	(208)
Commercial	**(56)**	(77)	(81)	(57)	(43)
Total non-U.S. write-offs	**(243)**	(299)	(342)	(271)	(251)
Total write-offs	**$ (909)**	$ (955)	$ (1,480)	$ (1,739)	$ (1,110)

Years Ended December 31, *(Millions, except percentages)*	2011	2010	2009	2008	2007
Cardmember receivables					
Recoveries					
U.S. receivables					
Consumer	**$ 225**	$ 227	$ 268	$ 115	$ 139
Commercial	**42**	50	29	27	22
Total U.S. recoveries	**267**	277	297	142	161
Non-U.S. receivables					
Consumer	**59**	55	37	34	32
Commercial	**23**	25	15	11	10
Total non-U.S. recoveries	**82**	80	52	45	42
Total recoveries	**349**	357	349	187	203
Net write-offs (b)	**(560)**	(598)	(1,131)	(1,552)	(907)
Other (c)					
U.S. receivables					
Consumer	**(68)**	(58)	6	(58)	(37)
Commercial	**(24)**	(41)	(1)	(6)	(2)
Total U.S. other	**(92)**	(99)	5	(64)	(39)
Non-U.S. receivables					
Consumer	**(52)**	(45)	3	(69)	(15)
Commercial	**(14)**	(13)	2	(17)	(11)
Total non-U.S. other	**(66)**	(58)	5	(86)	(26)
Total other	**(158)**	(157)	10	(150)	(65)
Allowance for losses at end of year					
U.S. receivables					
Consumer	**293**	193	256	474	844
Commercial	**33**	79	93	113	104
Total U.S. receivables	**326**	272	349	587	948
Non-U.S. receivables					
Consumer	**86**	84	148	173	167
Commercial	**26**	30	49	50	34
Total non-U.S. receivables	**112**	114	197	223	201
Total allowance for losses	**$ 438**	$ 386	$ 546	$ 810	$ 1,149
Net write-offs / average cardmember receivables outstanding (d)	**1.4%**	1.7%	3.6%	4.1%	2.4%
Net loss ratio as a percentage of charge volume (e)					0.24%

(a) Refer to Note 5 “Reserves for Losses” on page 70 in the Annual Report for a discussion of management’s process for evaluating allowance for receivable losses.
(b) In the fourth quarter of 2008, the Company revised the time period in which past due cardmember receivables in U.S. Card Services are written off to 180 days past due, consistent with applicable regulatory guidance. Previously, receivables were written off when 360 days past billing. The net write-offs for 2008 include approximately $341 million resulting from this write-off methodology change.
(c) For the years ended December 31, 2011 and 2010, trend amounts include net write-offs related to unauthorized transactions and, for all periods, foreign currency translation adjustments.
(d) The net write-off rate presented is on a worldwide basis and is based on write-offs of principal and fees. Averages are based on month end balances.
(e) The net loss ratio represents the worldwide ratio of charge card write-offs consisting of principal (resulting from authorized and unauthorized transactions) and fee components, less recoveries, on cardmember receivables expressed as a percent of gross amounts billed to customers. As a result of the change discussed in (b) above, the Company stopped calculating the worldwide net loss ratio beginning in 2008.

ALLOCATION OF ALLOWANCE FOR LOSSES

The following table presents an allocation of the allowance for losses for loans and cardmember receivables and the percent of loans and cardmember receivables in each category of total loans and cardmember receivables, respectively, by customer type. The table segregates loans and cardmember receivables and related allowances for losses between U.S. and non-U.S. borrowers.

December 31, *(Millions, except percentages)*	2011		2010		2009		2008		2007	
Allowance for losses at end of year applicable to	**Amount**	**Percent of loans/ receivables in each category to total loans/ receivables**	**Amount**	**Percent of loans/ receivables in each category to total loans/ receivables**	**Amount**	**Percent of loans/ receivables in each category to total loans/ receivables**	**Amount**	**Percent of loans/ receivables in each category to total loans/ receivables**	**Amount**	**Percent of loans/ receivables in each category to total loans/ receivables**
Loans										
U.S. loans										
Cardmember	**$ 1,611**	**85%**	$ 3,153	84%	$ 2,541	71%	$ 2,164	76%	$ 1,457	79%
Other	**1**	-	2	-	2	-	15	1	12	-
Non-U.S. loans										
Cardmember	**263**	**14**	493	15	727	28	406	22	374	20
Other	**17**	**1**	22	1	25	1	24	1	33	1
	$ 1,892	**100%**	$ 3,670	100%	$ 3,295	100%	$ 2,609	100%	$ 1,876	100%
Cardmember receivables										
U.S. cardmember receivables										
Consumer	**$ 293**	**67%**	$ 193	52%	$ 256	53%	$ 474	54%	$ 844	53%
Commercial	**33**	**7**	79	17	93	17	113	16	104	16
Non-U.S. cardmember receivables										
Consumer	**86**	**20**	84	18	148	18	173	17	167	18
Commercial	**26**	**6**	30	13	49	12	50	13	34	13
	$ 438	**100%**	$ 386	100%	$ 546	100%	$ 810	100%	$ 1,149	100%

CUSTOMER DEPOSITS

The following table presents the average balances and average interest rates paid for types of customer deposits segregated between U.S. and non-U.S. offices. Refer to Note 9 “Customer Deposits” on page 76 in the Annual Report for additional information.

Years Ended December 31, *(Millions, except percentages)*	2011		2010		2009	
	Average Balance(a)	**Average Rate**	**Average Balance(a)**	**Average Rate**	**Average Balance(a)**	**Average Rate**
U.S. customer deposits						
Savings	**$ 21,179**	**1.0%**	$ 12,657	1.1%	$ 7,977	0.8%
Time	**10,740**	**2.7**	14,462	2.7	11,412	2.9
Other (b)	**249**	**0.8**	254	0.6	249	0.5
Total U.S. customer deposits	**32,168**	**1.6**	27,373	1.9	19,638	2.0
Non-U.S. customer deposits (c)						
Other foreign time & savings	**502**	**4.2**	502	4.5	612	4.8
Other foreign demand	**170**	**1.2**	191	1.0	186	1.3
Total Non-U.S. customer deposits	**672**	**3.4**	693	3.5	798	4.0
Total customer deposits	**$ 32,840**	**1.6%**	$ 28,066	1.9%	$ 20,436	2.1%

(a) Averages are based on month end balances.
(b) Other U.S. customer deposits include primarily non-interest-bearing and interest-bearing demand deposits.
(c) None of these customer deposit categories exceeded 10 percent of average total customer deposits for any of the periods presented.

TIME CERTIFICATES OF DEPOSIT OF $100,000 OR MORE

The following table presents the amount of time certificates of deposit of $100,000 or more issued by the Company in its U.S. offices, further segregated by time remaining until maturity.

	By remaining maturity as of December 31, 2011				
(Millions)	**3 months or less**	**Over 3 months but within 6 months**	**Over 6 months but within 12 months**	**Over 12 months**	**Total**
U.S. time certificates of deposit ($100,000 or more)	**$ 111**	**$ 131**	**$ 92**	**$ 246**	**$ 580**

As of December 31, 2011, time certificates of deposit and other time deposits in amounts of $100,000 or more issued by non-U.S. offices was $304 million.

RETURN ON EQUITY AND ASSETS

The following table presents the Company's return on average total assets, return on average shareholders' equity, dividend payout ratio, and average shareholders' equity to average total assets ratio.

Years Ended December 31, ***(Millions, except percentages and per share amounts)***	**2011**	**2010**	**2009**
Net income	**$ 4,935**	$ 4,057	$ 2,130
Net income per share – basic (a)	**$ 4.14**	$ 3.37	$ 1.54
Dividends declared per share	**$ 0.72**	$ 0.72	$ 0.72
Return on average total assets (b)	**3.3%**	2.8%	1.8%
Return on average shareholders' equity (c)	**27.7%**	27.5%	14.6%
Dividend payout ratio (d)	**17.4%**	21.4%	46.8%
Average shareholders' equity to average total assets ratio	**12.0%**	10.2%	12.0%

(a) Effective January 1, 2009, guidance for determining whether instruments granted in share-based payment transactions are participating securities requires that restricted stock awards be included in the computation of basic and diluted earnings per share pursuant to the two-class method. Accordingly, the Company has retrospectively adjusted EPS for 2008.
(b) Based on the year's net income as a percentage of average total assets calculated using month end average balances.
(c) Based on the year's net income as a percentage of average shareholders' equity calculated using month end average balances.
(d) Calculated on the year's dividends declared per share as a percentage of the year's net income per basic share.

SHORT-TERM BORROWINGS

The following table presents amounts and weighted average rates for categories of short-term borrowings. Refer to Note 10 “Debt” on page 77 in the Annual Report for additional information.

Years Ended December 31, ***(Millions, except percentages)***	**2011**	**2010**	**2009**
Commercial paper			
Balance at the end of the year	**$ 608**	$ 645	$ 975
Monthly average balance outstanding during the year	**$ 675**	$ 900	$ 1,990
Maximum month-end balance during the year	**$ 792**	$ 1,398	$ 5,201
Stated rate at December 31 (a)	**0.03%**	0.16%	0.19%
Weighted average rate during the year	**0.11%**	0.22%	1.50%
Federal funds purchased and securities sold under repurchase agreements (b)			
Balance at the end of the year	**$ -**	$ -	$ -
Monthly average balance outstanding during the year	**$ -**	$ -	$ 48
Maximum month-end balance during the year	**$ -**	$ -	$ 86
Stated rate at December 31	**-%**	-%	-%
Weighted average rate during the year	**-%**	-%	0.76%
Other short-term borrowings			
Balance at the end of the year	**$ 2,816**	$ 2,769	$ 1,369
Monthly average balance outstanding during the year	**$ 2,719**	$ 1,231	$ 956
Maximum month-end balance during the year	**$ 2,973**	$ 2,769	$ 1,369
Stated rate at December 31 (a)	**1.73%**	1.23%	0.85%
Weighted average rate during the year (c)	**0.43%**	0.19%	0.70%

(a) For floating rate debt issuances, the stated interest rates are based on the floating rates in effect as of December 31, 2011, 2010 and 2009, respectively.
(b) Includes term federal funds purchased and overnight federal funds purchased.
(c) Does not include non-interest-bearing short-term borrowings (i.e., book overdrafts).

Short-term borrowings, including commercial paper and federal funds purchased, are defined as any debt instrument with an original maturity of 12 months or less. Federal funds purchased represent overnight and term funds as well as Federal Home Loan Bank advances. Commercial paper generally is issued in amounts not less than $100,000 and with maturities of 270 days or less. Other short-term borrowings include certain book overdrafts (i.e., primarily timing differences arising in the ordinary course of business), short-term borrowings from banks, as well as interest bearing amounts due to merchants in accordance with merchant service agreements.

ITEM 1A. RISK FACTORS

This section highlights specific risks that could affect our Company and its businesses. You should carefully consider each of the following risks and all of the other information set forth in this Annual Report on Form 10-K. Based on the information currently known to us, we believe the following information identifies the most significant risk factors affecting our Company. However, the risks and uncertainties our Company faces are not limited to those described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

If any of the following risks and uncertainties develops into actual events or if the circumstances described in the risks and uncertainties occur or continue to occur, these events or circumstances could have a material adverse effect on our business, financial condition or results of operations. These events could also have a negative effect on the trading price of our securities.

Current Economic and Political Risks

Difficult conditions in the global capital markets and economy generally, as well as political conditions in the United States and elsewhere, may materially adversely affect our business and results of operations.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the United States and elsewhere around the world.

Ongoing concerns over the availability and cost of credit, the mortgage and real estate markets, elevated levels of unemployment and geopolitical issues continue to impact global economies and markets. In addition, the impact of the perceived creditworthiness of the U.S. government and the current crisis in Europe with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations could adversely affect the U.S. and global financial markets and economic conditions. This environment and the uncertain expectations for an economic recovery have had, and may continue to have, an adverse effect on us, in part because we are very dependent upon consumer and business behavior. A prolonged period of slow economic growth or a deterioration in economic conditions could change customer behaviors further. For example, Cardmembers could decide to redeem Membership Rewards points at abnormally high levels to replace cash expenditures.

Factors such as consumer spending, business investment, government spending, interest rates, tax rates, fuel and other energy costs, the volatility and strength of the capital markets and inflation all affect the business and economic environment and, ultimately, our profitability. An economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending is likely to materially and adversely affect our business, results of operations and financial condition. Furthermore, the factors discussed above may cause our earnings, credit metrics and margins to fluctuate and diverge from expectations of analysts and investors, who may have differing assumptions regarding their impact on our business, and may impact the trading price of our common shares.

Political or economic instability in certain regions or countries could also affect our commercial or other lending activities, among other businesses, or result in restrictions on convertibility of certain currencies. In addition, our travel network may be adversely affected by world geopolitical and other conditions. Travel expenditures are sensitive to business and personal discretionary spending levels and tend to decline during general economic downturns.

Terrorist attacks, intrusion into our infrastructure by hackers or other catastrophic events may have a negative effect on our business. Because of our proximity to the World Trade Center, our headquarters were damaged as a result of the terrorist attacks of September 11, 2001. Similar events or other disasters or catastrophic events in the future could have a negative effect on our businesses and infrastructure, including our information technology systems. Because we derive a portion of our revenues from travel-related spending, our business will be sensitive to safety concerns, and thus is likely to decline during periods in which travelers become concerned about safety issues or when travel might involve health-related risks.

We held approximately $5.0 billion of investment securities of state and municipal obligations as of December 31, 2011. In the event that actual default rates of these investment securities were to significantly change from historical patterns due to challenges in the economy or otherwise, it could have a material adverse impact on the value of our investment portfolio. While we do not have any material exposure to European sovereign debt as of December 31, 2011, economic disruptions in other countries, even in countries in which we do not conduct business or have operations, could adversely affect us.

If the conditions described above (or similar ones) were to persist or worsen, we could experience continuing or increased adverse effects on our results of operations and financial condition.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital.

The global money and capital markets, while demonstrating generally improved conditions, remain susceptible to volatility and disruption, which could negatively impact market liquidity conditions.

We need liquidity to pay merchants, operating expenses, interest on debt and dividends on capital stock and to repay maturing liabilities. Without sufficient liquidity, we could be forced to limit our investments in growth opportunities or curtail operations. The principal sources of our liquidity are payments from Cardmembers and merchants, cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are readily convertible into cash, direct and third-party sourced deposits, debt instruments such as unsecured medium- and long-term notes and asset securitizations, securitized borrowings through our conduit facility, the Federal Reserve discount window and long-term committed bank borrowing facilities in certain countries outside the United States. Policies of the United States and other governments regarding banking, monetary and fiscal policies intended to promote or maintain liquidity and/or stabilize financial markets may not be effective.

Our ability to obtain financing in the debt capital markets for unsecured term debt and asset securitizations is dependent on investor demand. Notwithstanding our solid financial position, we are not immune from pressures experienced broadly across the financial markets. The fragility of the credit markets and the current economic and regulatory environment have impacted financial services companies. Although the market for our unsecured term debt and asset securitizations has improved, there is no assurance that the markets will be open to us in the future. For example, recent concerns regarding U.S. debt and budget matters and the sovereign debt crisis in Europe have caused uncertainty in financial markets. Although the U.S. debt limit was increased, a failure to raise the U.S. debt limit and/or a further downgrade of U.S. debt ratings in the future could, in addition to causing economic and financial market disruptions, materially adversely affect our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition. The impact of the sovereign debt crisis in Europe on financial institutions in Europe and globally could also have an adverse impact on the capital markets generally. In addition, our liquidity position will be impacted by our ability to meet our objectives with respect to the maintenance and growth of our direct and third-party sourced deposit programs. We also would have less flexibility in accessing the commercial paper market as a short-term funding vehicle in the event of a downgrade in Credco’s short-term debt rating and volatility in the commercial paper market generally.

In the event that current sources of liquidity, including internal sources, do not satisfy our needs, we would be required to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit and consumer deposits, the overall availability of credit to the financial services industry, new regulatory restrictions and requirements, our credit ratings (which were downgraded in April 2009 by two of the major ratings agencies) and credit capacity, as well as the possibility that lenders or depositors could develop a negative perception of our long- or short-term financial prospects if we incur large credit losses or if the level of our business activity decreases due to an economic downturn.

Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. While we have experienced positive credit trends since the latter half of 2009, if the performance of our charge Card and credit Card portfolios were to weaken through increasing delinquencies and write-offs, our long-term and short-term debt ratings could be downgraded and our access to capital could be materially adversely affected and our cost of capital could increase. Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities, satisfy regulatory capital requirements and access the capital necessary to grow our business. As such, we may be forced to delay raising capital or bear an unattractive cost to raise capital, which could decrease profitability and significantly reduce financial flexibility. If levels of market disruption and volatility worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

For a further discussion of our liquidity and funding needs, see "Financial Review — Funding Programs and Activities" on pages 30-33 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

We can be adversely affected by the impairment of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial services institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We routinely execute transactions with counterparties in the financial services industry, including commercial banks, investment banks and insurance companies. Defaults or non-performance by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by one or more of our counterparties, which, in turn, could have a material adverse effect on our results of operations and financial condition.

Any reduction in the Company's and its subsidiaries' credit ratings could increase the cost of our funding from, and restrict our access to, the capital markets and have a material adverse effect on our results of operations and financial condition.

Although the Company's and its subsidiaries' long-term debt is currently rated investment grade by the major rating agencies, the ratings of that debt were downgraded during the second quarter of 2009 by Moody's Investors Services ("Moody's") and Standard & Poor's ("S&P"), two of the major rating agencies. The rating agencies regularly evaluate the Company and its subsidiaries, and their ratings of the Company's and its subsidiaries' long-term and short-term debt are based on a number of factors, including their financial strength as well as factors not entirely within their control, including conditions affecting the financial services industry generally, and the wider state of the economy. There can be no assurance that the Company and its subsidiaries will maintain their current respective ratings. Failure to maintain those ratings could, among other things, adversely limit our access to the capital markets and adversely affect the cost and other terms upon which the Company and its subsidiaries are able to obtain funding.

The ability of issuers of asset-backed securities to obtain necessary credit ratings for their issuances has historically been based, in part, on qualification under the FDIC's safe harbor rule for assets transferred in securitizations. In 2009 and 2010, the FDIC issued a series of changes to its safe harbor rule, with its new final rule for its securitization safe harbor, issued in 2010, requiring issuers to comply with a new set of requirements in order to qualify for the safe harbor. Issuances out of our American Express Credit Account Master Trust are "grandfathered" under the new FDIC final rule. The trust for the Company's Cardmember charge receivable securitization (the "Charge Trust") does not satisfy the criteria required to be covered by the FDIC's new safe harbor rule, nor did it meet the requirements to be covered by the safe harbor rule existing prior to 2009. It was structured and continues to be structured such that the financial assets transferred to the Charge Trust would not be

deemed to be property of the originating banks in the event the FDIC is appointed as a receiver or conservator of the originating banks. The Company has received confirmation from Moody's, S&P and Fitch Ratings, which rate issuances from the Charge Trust, that they will continue to rate issuances from the Charge Trust in the same manner as they have historically, even though they do not satisfy the requirements to be covered by the FDIC's safe harbor rule. Nevertheless, one or more of the rating agencies may ultimately conclude that in the absence of compliance with the safe harbor rule, the highest rating a Charge Trust security could receive would be based on the originating bank's unsecured debt rating. If one or more rating agencies come to this conclusion, it could adversely impact the Company's capacity and cost of using its Charge Trust as a source of funding for its business.

We cannot predict what actions rating agencies may take. As with other companies in the financial services industry, the Company's and its subsidiaries' ratings could be downgraded at any time and without any notice by any of the rating agencies.

Adverse currency fluctuations, foreign exchange controls and continued concerns regarding the European debt crisis could decrease earnings we receive from our international operations and impact our capital.

During 2011, approximately 30% of our total revenues net of interest expense were generated from activities outside the United States. We are exposed to foreign exchange risk from our international operations, and some of the revenue we generate outside the United States is subject to unpredictable and indeterminate fluctuations if the values of other currencies change relative to the U.S. dollar. Resulting exchange gains and losses are included in our net income. Furthermore, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our other revenue currencies into U.S. dollars. The occurrence of any of these events or circumstances could decrease the revenues we receive from our international operations and have a material adverse effect on our results of operations.

Concerns persist regarding the ability of certain European countries to continue to service their sovereign debt obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns may cause the value of the euro to fluctuate more widely than in the past and could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. If there is a significant devaluation of the euro and we are unable to hedge our foreign exchange exposure to the euro, the value of our euro-denominated net monetary assets and liabilities would be correspondingly reduced when translated into U.S. dollars for inclusion in our financial statements. Similarly, the re-introduction of certain individual country currencies or the complete dissolution of the euro could adversely affect the value of our euro-denominated net monetary assets and liabilities. The re-introduction of individual country currencies would require us to reconfigure our billing and other systems to reflect individual country currencies in place of the euro. Implementing such changes could be costly and failures in the currency reconfiguration could cause disruptions in our normal business operations. In addition, foreign currency derivative instruments to hedge our market exposure to re-introduced currencies may not be immediately available or may not be available on terms that are acceptable to us.

The potential developments regarding Europe and the euro, or market perceptions concerning these and related issues, could continue to have an adverse impact on consumer and business behavior in Europe and globally, which could have a material adverse effect on our business, financial condition and results of operations. As discussed above, concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse impact on the capital markets generally.

Legal and Regulatory Risks

Ongoing legal proceedings regarding the Company's non-discrimination contractual provisions could require changes to those provisions that could result in a material loss of revenue or increased expenses, substantial monetary judgments and/or damage to the Company's global reputation and brand.

The DOJ and certain states attorneys general have brought an action against the Company alleging that the provisions in the Company's card acceptance agreements with merchants that prohibit merchants from

discriminating against the Company's Card products at the point of sale violate the U.S. antitrust laws. Visa and MasterCard, which were also defendants in the DOJ and state action, entered into a settlement and have been dismissed as parties pursuant to that agreement, which was approved by the Court. The settlement enjoins Visa and MasterCard from entering into contracts that prohibit merchants from engaging in various actions to steer cardholders to other cards products or payment forms at the point of sale. In addition, the Company is a defendant in a number of actions, including proposed class actions, filed by merchants that challenge the Company's non-discrimination provisions. Visa and MasterCard have been named as defendants in lawsuits that include similar allegations relating to their "anti-steering" and/or surcharging-related policies and rules. A description of these legal proceedings is contained in "Legal Proceedings" below. An adverse outcome in any of these proceedings against the Company could materially and adversely impact the profitability of the Company, require it to change its merchant agreements in a way that could expose the Company's card products to steering or other forms of discrimination at the point of sale that would impair our Cardmembers' experience, threaten the imposition of substantial monetary damages, and/or damage the Company's global reputation and brand. Even if the Company were not required to change its merchant agreements, changes in Visa's and MasterCard's policies or practices as a result of any such legal proceedings or regulatory actions could materially and adversely impact the Company's profitability.

The Dodd-Frank Wall Street Reform and Consumer Protection Act may have a significant adverse impact on our business, results of operations and financial condition.

In July 2010, President Obama signed into law Dodd-Frank. Dodd-Frank, as well as regulations promulgated thereunder, could have a significant adverse impact on the Company's business, results of operations and financial condition by, for example, requiring the Company to change its business practices, requiring the Company to comply with more stringent capital, liquidity and leverage ratio requirements, limiting the Company's ability to pursue business opportunities, imposing additional costs on the Company (including increased compliance costs and increased costs of funding raised through the issuance of asset-backed securities), limiting the fees the Company can charge for services and impacting the value of the Company's assets. A description of certain provisions of Dodd-Frank and other legislative and regulatory developments is contained in "Supervision and Regulation — General" above.

Dodd-Frank has resulted in increased scrutiny and oversight of consumer financial services and products, primarily through the establishment of the CFPB within the Federal Reserve. The CFPB has broad rulemaking and enforcement authority over providers of credit, savings and payment services and products and authority to prevent "unfair, deceptive or abusive" practices. The CFPB has the authority to write regulations under federal consumer financial protection laws, and to enforce those laws against and examine for compliance large financial institutions like the Company, Centurion Bank and AEBFSB. It is also authorized to collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. Following a review by the FDIC and the Utah Department of Financial Institutions of Centurion Bank's card practices for compliance with certain consumer protection laws and regulations, and the FDIC's providing the CFPB with information the FDIC considered relevant and obtained by it in the course of its review, the FDIC notified Centurion Bank that it plans to take formal enforcement action against it, and it appears likely the CFPB and the DFI will take some type of action against Centurion Bank as well. See "Legal Proceedings" below.

Depending on how the CFPB functions and its areas of focus, it could have a material adverse impact on our businesses. In addition to increasing our compliance costs and potentially delaying our ability to respond to marketplace changes, CFPB oversight could result in requirements to alter our products and services that would make our products less attractive to consumers and impair our ability to offer them profitably. The impact this new regulatory regime will have on the Company's business is uncertain at this time.

Dodd-Frank mandates the Federal Reserve to establish heightened capital, leverage and liquidity standards, risk management requirements, concentration limits on credit exposures, "living wills" and stress tests for,

among others, bank holding companies that have greater than $50 billion in total consolidated assets, such as the Company. In addition, most interest rate and currency swaps will be required to be exchange-traded, which may increase collateral posting requirements for the Company.

Pursuant to Dodd-Frank, the responsibility and authority of the OTS to supervise federal savings associations, including AEBFSB, was transferred to the OCC on July 21, 2011. As AEBFSB develops a relationship with its new regulator, there could be additional compliance costs associated with aligning AEBFSB's current compliance structure with the OCC's expectations. Additionally, the transfer of responsibility from the OTS to the OCC could result in new regulatory standards as the OCC has indicated that certain OTS policy guidance documents may be subject to substantive revision as part of the transition process. Any shifts in current regulatory positions could adversely affect our results of operations.

Many provisions of Dodd-Frank, including numerous provisions not described above, require the adoption of rules to implement. In addition, Dodd-Frank mandates multiple studies, which could result in additional legislative or regulatory action. Therefore, the ultimate consequences of Dodd-Frank and its implementing regulations on the Company's business, results of operations and financial condition remain uncertain.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 will significantly impact our business practices and could have a material adverse effect on our results of operations.

The CARD Act required the Company to make fundamental changes to many of our business practices, including marketing, underwriting, pricing and billing. Among other things, the CARD Act prohibits an issuer from increasing the APR on outstanding balances (with limited exceptions), requires additional account disclosures, provides consumers with the right to opt out of significant changes to account terms, and restricts penalty fees and charges that may be imposed by an issuer. In addition, the CARD Act requires issuers to periodically reevaluate APR increases to determine if a decrease is appropriate. The obligation to periodically reevaluate APR increases commenced in February 2011 and is ongoing, and it is uncertain how these provisions will be interpreted by the CFPB.

We have made changes to Card product terms and practices that are designed to comply with, and mitigate the impact of the changes required by, the CARD Act; however, there is no assurance that such changes will continue to be successful. The long-term impact of the CARD Act on our business practices and revenues will depend upon a number of factors, including our ability to successfully implement our business strategies, consumer behavior and the actions of our competitors, which are difficult to predict at this time. In the event the CARD Act constrains our ability to respond to economic, market and other conditions, it could have a material adverse effect on our results of operations, including our revenue and net income.

Our business is subject to significant and extensive government regulation and supervision, which could adversely affect our results of operations and financial condition.

On November 14, 2008, American Express Company and TRS each became bank holding companies under the BHC Act and elected to be treated as financial holding companies under the BHC Act. As a result of becoming a bank holding company, we are subject to regulation by the Federal Reserve, including, without limitation, consolidated capital regulation at the holding company level, maintenance of certain capital and management standards in connection with our two U.S. depository institutions and restrictions on our non-banking activities, investments and acquisitions under the Federal Reserve's regulations.

If we fail to satisfy regulatory requirements applicable to bank holding companies, our financial condition and results of operations could be adversely affected.

We are also subject to extensive government regulation and supervision in jurisdictions around the world, both as a participant in the financial services industry and otherwise. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, and not for the

protection of our shareholders or creditors. Among other things, as a result of regulators enforcing existing laws and regulations, we could be fined, prohibited from engaging in some of our business activities, subject to limitations or conditions on our business activities or subjected to new or substantially higher taxes or other governmental charges in connection with the conduct of our business or with respect to our employees. There is also the risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to our businesses may be imposed which could impact the profitability of the Company's business activities, limit our ability to pursue business opportunities, require the Company to change certain of its business practices or alter its relationships with customers, affect retention of key Company personnel, or expose the Company to additional costs (including increased compliance costs). Such changes also may require us to invest significant management attention and resources to make any necessary changes and could adversely affect our results of operations and financial condition.

Laws in some jurisdictions differ in significant respects from those in the United States, and these differences can affect our ability to react to changes in our business and our rights or ability to enforce rights may be different than would be expected under U.S. law. Moreover, enforcement of laws in some overseas jurisdictions can be inconsistent and unpredictable, which can affect both our ability to enforce our rights and to undertake activities that we believe are beneficial to our business. As a result, the profitability of our operations outside the United States may be adversely affected.

In addition to proposed legislation affecting the financial services industry, our results of operations could be adversely impacted by other legislative action or inaction, including the failure of the U.S. Congress to renew the active financing exception to Subpart F of the Internal Revenue Code, which could increase our effective tax rate and have an adverse impact on our net income.

See "Supervision and Regulation — General" above for more information about the regulation to which we are subject.

We are subject to capital adequacy guidelines, and if we fail to meet these guidelines, our financial condition would be adversely affected.

Under regulatory capital adequacy guidelines and other regulatory requirements, the Company, TRS and our U.S. subsidiary depository institutions, Centurion Bank and AEBFSB, must meet guidelines for capital adequacy and leverage ratios that include quantitative measures of assets, liabilities and certain off-balance sheet items, subject to qualitative judgments by regulators about components, risk weightings and other factors. As discussed above under "Supervision and Regulation — General — Financial Holding Company Status and Activities — Capital Adequacy," the capital requirements applicable to the Company and TRS as bank holding companies and our U.S. subsidiary depository institutions are in the process of being substantially revised, including in connection with our transition to Basel II and as a result of Basel III and the requirements of Dodd-Frank. If the Company, TRS or our U.S. subsidiary depository institutions fail to meet current or future minimum capital, leverage or other financial requirements, their respective financial conditions would be materially adversely affected. In light of recent market events, Dodd-Frank and Basel III, the Company, TRS and our U.S. subsidiary depository institutions will be required to satisfy additional, more stringent capital adequacy standards than in the past. We cannot fully predict the final form of, or the effects of, these regulations. Failure by any of the Company, TRS or a U.S. subsidiary depository institution to maintain its respective status as "well capitalized" and "well managed," if unremedied over a period of time, would cause us to lose our status as a financial holding company and could compromise our competitive position, including limiting our ability to pay common stock dividends, repurchase our common stock or invest in our business. For more information on capital adequacy requirements, see "Supervision and Regulation — General — Financial Holding Company Status and Activities — Capital Adequacy" above.

We are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock.

We are limited in our ability to pay dividends by our regulators who could prohibit a dividend that would be considered an unsafe or unsound banking practice. For example, it is the policy of the Federal Reserve that bank holding companies should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the organization's expected future needs, asset quality and financial condition. We are also subject to a requirement to submit capital plans that include, among other things, projected dividend payments, to the Federal Reserve for review. Guidance from the Federal Reserve states that our dividend policies will be assessed against, among other things, our ability to achieve Basel III capital ratio requirements. A company that has not achieved Basel III capital requirements on a fully phased-in basis may have difficulty increasing dividends.

While the regulations ultimately applicable to the Company will be determined by the Federal Reserve, the Company estimates that, had regulations implementing Basel III been in place during the fourth quarter of 2011, the Company's capital ratios under Basel III would have exceeded the minimum requirements. This estimate could change in the future. While we expect to meet the Basel III capital requirements, inclusive of the capital conservation buffer, as phased in by the Federal Reserve, the regulations ultimately applicable to us may be substantially different from the Basel III final framework as published in December 2010. Moreover, the Federal Reserve has stated that it will closely scrutinize any dividend payout ratios exceeding 30% of after-tax net income.

During 2011, we repurchased 48 million shares of our common stock through our share repurchase program. On January 9, 2012, we submitted our Comprehensive Capital Plan ("CCP") to the Federal Reserve requesting approval to proceed with additional share repurchases in 2012. The CCP includes an analysis of performance and capital availability under certain adverse economic assumptions. We expect a response from the Federal Reserve by March 15, 2012. No additional shares are expected to be repurchased prior to its response. We cannot predict whether the Federal Reserve will approve additional share purchases.

As a bank holding company, American Express Company, the parent holding company, also relies on dividends from its subsidiaries for liquidity, and federal and state law limit the amount of dividends that our subsidiaries may pay to the parent company. Limitations in the payments of dividends that American Express Company receives from its subsidiaries could also reduce our liquidity position.

For more information on bank holding company dividend restrictions, see "Supervision and Regulation — General — Dividends" above, as well as "Consolidated Capital Resources and Liquidity — Share Repurchases and Dividends" on page 29 and Note 23 on pages 98-99 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference.

Banks, card issuers and card network operators generally are the subject of increasing global regulatory focus, which may impose costly new compliance burdens and lead to decreased transaction volumes and revenues through our network.

We are subject to regulations that affect banks and the payments industry in the United States and many other countries in which our charge and credit Cards are used and where we conduct banking and Card activities. In particular, we are subject to numerous regulations applicable to financial institutions in the United States and abroad. We are also subject to regulations as a provider of services to financial institutions. Regulation of the payments industry has increased significantly in recent years. For example, we are subject to certain provisions of the Bank Secrecy Act as amended by the Patriot Act, with regard to maintaining effective AML programs. Increased regulatory focus in this area could result in additional obligations or restrictions with respect to the types of products and services we may offer to consumers, the countries in which our charge and credit Cards may be used, and the types of cardholders and merchants who can obtain or accept our charge and credit Cards. In addition, Member States of the European Economic Area have implemented the Payment Services Directive for electronic payment services, including cards, that put in place a common legal framework for licensing and supervision of payment services providers, including card issuers and merchant acquirers, and for their conduct of business.

Various regulatory agencies and legislatures are also considering regulations and legislation covering identity theft, account management guidelines, disclosure rules, security and marketing that would impact us directly, in part due to increased scrutiny of our underwriting standards. These new requirements may restrict our ability to issue charge and credit cards or partner with other financial institutions, which could decrease our transaction volumes. In some circumstances, new regulations and legislation could have the effect of limiting our ability to offer new types of charge or credit cards or restricting our ability to offer existing Cards, such as stored-value cards, which could materially and adversely reduce our revenues and revenue growth.

In recent years, regulators in several countries outside the United States have focused on the fees involved in the operation of card networks, including interchange fees paid to card issuers and the fees merchants are charged to accept cards. Regulators in the United Kingdom, Canada, New Zealand, Poland, Italy, Switzerland, Hungary, the European Union, Australia, Brazil, Mexico and Venezuela, among others, have conducted investigations that are either ongoing, concluded or on appeal.

The interchange fee, which is the collectively set fee paid by the bankcard merchant acquirer to the card issuing bank in “four party” payment networks, like Visa and MasterCard, is generally the largest component of the merchant service charge charged to merchants for debit and credit card acceptance in these systems. By contrast, the American Express network does not have such interchange fees. Although the regulators’ focus has primarily been on Visa and MasterCard as the dominant card networks, antitrust actions and government regulation relating to merchant pricing could ultimately affect all networks. Lower interchange and/or merchant discount revenue may lead card issuers to look for other sources of revenue such as higher annual card fees or interest charges, as well as to reduce costs by scaling back or eliminating rewards programs.

Dodd-Frank prohibits payment card networks from restricting merchants from offering discounts or incentives to encourage customers to pay with particular forms of payment such as cash, check, credit or debit card, provided that such offers do not discriminate on the basis of the network or issuer. Further, to the extent required by federal law or applicable state law, the discount or incentive must be offered to all prospective buyers and must be clearly and conspicuously disclosed. Dodd-Frank also permits U.S. merchants to establish minimum purchase amounts of no more than $10 for credit card purchases, provided that the merchants do not discriminate between networks or issuers. Federal government agencies and institutions of higher learning are also permitted to establish maximum amounts for credit card purchases provided they do not discriminate between networks or issuers. As a result of this law, customers may be incentivized by merchants to move away from the use of charge and credit card products to other forms of payment, such as debit, which could adversely affect our revenues and profitability.

During the last five years, a number of bills were proposed in individual state legislatures seeking to impose caps on credit card interchange fees or to prohibit credit card companies from charging a merchant discount on the sales tax portion of credit card purchases. Other proposals were aimed at increasing the transparency of card network rules for merchants. In addition, a number of bills were proposed to establish merchant liability for the costs of a data security breach of a merchant’s system or require merchants to adopt technical safeguards to protect sensitive cardholder payment information. In 2010, Vermont enacted legislation that permits merchants to set a minimum dollar value of no more than $10 for acceptance of any form of payment; permits merchants to provide discounts or other benefits based on the form of payment (i.e., card, cash, check, debit card, stored-value card, charge card or credit card); and permits merchants to accept the cards of a payment system at one or more of its locations but not at others. In the event that additional legislative or regulatory activity to limit interchange or merchant fees continues or increases, or state privacy or data security-related legislation is adopted, our revenues and profitability could be adversely affected.

Increased regulatory focus on the Company, such as in connection with the matters discussed above, may increase our compliance costs or result in a reduction of transactions processed on our networks or merchant discount revenues from such transactions, which could materially and adversely impact our results of operations.

If we are not able to protect our intellectual property, and invest successfully in, and compete at the leading edge of, technological developments across all our businesses, our revenue and profitability could be negatively affected.

Our industry is subject to rapid and significant technological changes. In order to compete in our industry, we need to continue to invest in business process and technology advances across all areas of our business, including in transaction processing, data management, customer interactions and communications, travel reservations systems, prepaid products, alternative payment mechanisms and risk management and compliance systems. We rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies. We expect that new technologies applicable to the payments industry will continue to emerge, and these new technologies may be superior to, or render obsolete, the technologies we currently use in our Cards, networks and other services. Because of evolving payments technologies and the competitive landscape, we may not, among other things, be successful in increasing or maintaining our share of online spending and enhancing our Cardmembers' digital experience, which could have an adverse effect on our revenues and profitability. Our ability to develop, acquire or access competitive technologies or business processes on acceptable terms may be limited by patent rights that third parties, including competitors and potential competitors, may assert. In addition, our ability to adopt new technologies may be inhibited by a need for industry-wide standards, by resistance to change from Cardmembers or merchants, by the complexity of our systems or by intellectual property rights of third parties.

We rely on a variety of measures to protect our intellectual property and proprietary information, including copyrights, trademarks, patents and controls on access and distribution. These measures may not prevent misappropriation or infringement of our intellectual property or proprietary information and a resulting loss of competitive advantage. In addition, competitors or other third parties may allege that our systems, processes or technologies infringe on their intellectual property rights. Given the complex, rapidly changing and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, we cannot assure you that a future assertion of an infringement claim against us will not cause us to lose significant revenues, incur significant license, royalty or technology development expenses, or pay significant monetary damages.

Regulation in the areas of privacy, information security and data protection could increase our costs and decrease the number of charge and credit Cards issued.

We are subject to various laws, rules and regulations related to privacy, information security and data protection, including requirements concerning security breach notification, and we could be negatively impacted by these laws, rules and regulations. For example, in the United States, we are subject to the guidelines under the Gramm-Leach-Bliley Act. The GLBA guidelines require, among other things, that each financial institution develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate to the financial institution's size and complexity, the nature and scope of the financial institution's activities and the sensitivity of any customer information at issue. Broad-ranging data security laws that affect our business have also been adopted by various states, such as Massachusetts and Nevada. In recent years there also has been increasing enforcement activity in the areas of privacy, information security and data protection in the United States, including at the federal level.

Compliance with these laws, rules and regulations regarding the privacy, security and protection of customer and employee data could result in higher compliance and technology costs for the Company, as well as potentially significant fines, penalties and damage to our global reputation and our brand for non-compliance. Many foreign jurisdictions in which we operate are also expanding the scope of their data protection requirements and standards, as well as increasing enforcement activity in this area. In 1995, the European Parliament and Council passed the Data Protection Directive, which obligates the controller of an individual's personal data to, among other things, take the necessary technical and organizational measures to protect personal data. The Data Protection Directive has been implemented through local laws regulating data protection

in Member States. As these laws are interpreted throughout the European Union where we have a significant commercial presence, compliance costs are increasing, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

In addition to the foregoing enhanced data security requirements, various U.S. federal banking regulatory agencies, and as many as 46 states, the District of Columbia, Puerto Rico and the Virgin Islands, have enacted data breach notification regulations and laws requiring varying levels of consumer, regulatory and/or law enforcement notification in certain circumstances in the event of a security breach. Data breach notification laws are also becoming more prevalent in other parts of the world where we operate, including Japan, South Korea, Taiwan, Mexico and Germany. In many countries that have yet to impose data breach notification requirements, regulators have increasingly used the threat of significant sanctions and penalties by data protection authorities to encourage voluntary notification and discourage data breaches. Many of these regulations also apply broadly to retailers/merchants that accept our Cards and our business partners; thus, to the extent they experience data security breaches, this presents additional risks for American Express and our Cardmembers.

In addition, federal legislators and regulators are increasingly pursuing new guidelines, laws and regulations that, if adopted, could further restrict how the Company collects, uses, shares and secures customer and employee information, which could impact some of the Company's current or planned business initiatives. For example, an FTC draft report issued in 2010, which applies to a company's collection and use of customer information both online and offline, would, among other things, impose greater transparency, use, disclosure and consumer choice obligations on the Company, and may ultimately result in the creation of an online mechanism through which consumers could opt out of all online tracking for online behavioral advertising purposes. A companion draft report by the United States Department of Commerce ("DOC") issued in 2010 would require companies to be more transparent in their online privacy practices, and recommends the creation of a national data security/data breach standard. Both the FTC and the DOC are expected to release final reports during 2012. Additionally, various draft privacy, data breach notification, cybersecurity and information security-related bills were introduced in the U.S. House of Representatives and in the Senate during 2011 and various committee hearings were held on related subjects, including concerning highly publicized data security breaches. A number of federal legislators have either expressed their support for these draft bills or have indicated their intent to introduce new bills during 2012. If adopted, any such privacy, data breach notification, cybersecurity and/or information security-related bill could have a significant impact on the Company's current and planned data privacy and security practices and uses of personal data. This could also increase our costs of compliance and business operations and could reduce revenues from certain business initiatives.

We continue to seek ways to minimize these risks and costs internally by improving our own data privacy and security policies and practices, and externally through regular improvements to the Payment Card Industry Data Security Standard and by placing strong contractual obligations on retailers/merchants that accept our Cards, as well as on our service providers and business partners, relating to data security and data breach. We also have undertaken measures to assess the level of access to customer data by employees and our partners and service providers, and to ensure that such access is limited to the least privileged level necessary to perform their job or function for the Company. Still, increased regulation and enforcement activity throughout the world in the areas of data privacy, information security and data protection, including regarding security breach notification, may materially increase our costs and may decrease the number of our Cards that we issue, restrict our ability to fully exploit our closed-loop capability, or other products and services that we provide, which could materially and adversely affect our profitability. Our failure to comply with privacy, information security and data protection-related laws and regulations, including those regarding security breach notification to which we are subject, could also result in fines, sanctions and damage to our global reputation and our brand.

Our success is dependent, in part, upon our executive officers and other key personnel, and the loss of key personnel could materially adversely affect our business.

Our success depends, in part, on our executive officers and other key personnel. Our senior management team has significant industry experience and would be difficult to replace. Our senior management team is

relatively small and we believe we are in a critical period of competition in the financial services and payments industry. The market for qualified individuals is highly competitive, and we may not be able to attract and retain qualified personnel or candidates to replace or succeed members of our senior management team or other key personnel. As further described in "Supervision and Regulation — General — Compensation Practices" above, our compensation practices are subject to review and oversight by the Federal Reserve and the compensation practices of our U.S. depository institution subsidiaries are subject to review and oversight by the FDIC and the OCC. As a large financial and banking institution, we may be subject to limitations on compensation practices, which may or may not affect our competitors, by the Federal Reserve, the FDIC or other regulators worldwide. These limitations, including limitations on any incentive compensation policies pursuant to Dodd-Frank, could further affect our ability to attract and retain our executive officers and other key personnel. The loss of key personnel could materially adversely affect our business.

Litigation and regulatory actions could subject us to significant fines, penalties, judgments and/or requirements resulting in increased expenses.

Businesses in the credit card industry have historically been subject to significant legal actions, including class action lawsuits and patent claims. Many of these actions have included claims for substantial compensatory or punitive damages. In addition, we may be involved in various actions or proceedings brought by governmental regulatory agencies in the event of noncompliance with laws or regulations, which could subject us to significant fines, penalties or other requirements resulting in increased expenses and damage to our global reputation and our brand.

Business Risks

Our operating results may suffer because of substantial and increasingly intense competition worldwide in the payments industry.

The payments industry is highly competitive and includes, in addition to charge, credit and debit card networks and issuers, cash, credit and ACH, as well as evolving alternative payment mechanisms, systems and products, such as aggregators (e.g., PayPal), wireless payment technologies (including using mobile telephone networks to carry out transactions), prepaid systems and systems linked to payment cards, and bank transfer models. We are the third largest general-purpose charge and credit card network on a global basis based on charge volume, behind Visa and MasterCard, which we believe are larger than we are in most countries. As a result, other card issuers may be able to benefit from the strong position and marketing and pricing of Visa and MasterCard.

Because of continuing consolidations among banking and financial services companies and credit card portfolio acquisitions by major card issuers, there are now a smaller number of significant issuers. Continuing consolidation in the banking industry may result in a financial institution with a strong relationship with us being acquired by an institution that has a strong relationship with a competitor, resulting in a potential loss of business for us. The largest competing issuers have continued to grow, in several cases by acquiring card portfolios, and also by cross-selling through their retail branch networks, and competition among all issuers remains intense. We are also subject to increasing pricing pressure from our competitors.

In addition, some of our competitors have developed, or may develop, substantially greater financial and other resources than we have, may offer a wider range of programs and services than we offer or may use more effective advertising and marketing strategies to achieve broader brand recognition or merchant acceptance than we have. We may not continue to be able to compete effectively against these threats or respond or adapt to changes in consumer spending habits as effectively as our competitors. Our competitors may also be more efficient in introducing innovative products, programs and services than we are. Spending on our charge and credit Cards could be impacted by increasing consumer usage of debit cards issued on competitive networks.

Internationally, competition remains fierce, and as a result, we may not be successful in accelerating our growth outside of the United States through proprietary consumer, small business and corporate products, GNS partners and alternative payment vehicles.

New technologies, together with the portability provided by smartphones and tablets and evolving consumer behavior with social networking, are rapidly changing the way people interact with each other and transact business all around the world. In this connection, traditional and non-traditional competitors such as mobile telecommunications companies are working to deliver digital and mobile payment services for both consumers and merchants.

In the United States, alternative payment vehicles that seek to redirect customers to payment systems based on ACH continue to emerge and grow, and existing debit networks also continue to expand both on- and off-line and are making efforts to develop online PIN functionality, which could further reduce the relative use of charge and credit cards online.

To the extent alternative payment mechanisms, systems and products continue to successfully expand in the online payments space, our discount revenues and our ability to access transaction data through our closed-loop network could be negatively impacted. The Company's Enterprise Growth Group focuses on this strategic challenge by generating alternative sources of revenue on a global basis, both organically and through acquisitions, in areas such as online and mobile payments and fee-based services. While expanding the Enterprise Growth Group is a top priority for the Company, many of the growth initiatives will involve new areas for the Company and we may not be successful in executing our strategy. Our failure to expand Enterprise Growth and drive adoption of new products and services, including new technology and payment options that we offer, would negatively impact our future growth. Further, to the extent we expand into new business areas and new geographic regions, we may face competitors with more experience and more established relationships with relevant customers, regulators and industry participants, which could adversely affect our ability to compete. Laws and business practices that favor local competitors or prohibit or limit foreign ownership of certain businesses could slow our growth in international regions.

Regulators have recently put forward various proposals that may impact our businesses, including proposals relating to restrictions on the type of activities in which financial institutions are permitted to engage and the size of financial institutions, and proposals to impose taxes or fees on certain financial institutions. These or similar proposals, which may not apply to all of our competitors, could impact our ability to compete effectively.

We face increasingly intense competitive pressure that may impact the prices we charge merchants that accept our Cards for payment for goods and services.

Unlike our competitors in the payments industry that rely on high revolving credit balances to drive profits, our business model is focused on Cardmember spending. Discount revenue, which represents fees charged to merchants when Cardmembers use their Cards to purchase goods and services on our network, is primarily driven by billed business volumes and is our largest single revenue source. In recent years, we have been under market pressure to reduce merchant discount rates and undertake other repricing initiatives. In addition, differentiated payment models from non-traditional players in the alternative payments space and the regulatory and litigation environment could pose challenges to our traditional payment model and adversely impact our average discount rate. A continuing priority of ours is to drive greater value to our merchants, which if not successful could negatively impact our discount revenue and financial results. If we continue to experience a decline in the average merchant discount rate or are unable to sustain merchant discount rates on our Cards and have overall volume growth or an increase in merchant coverage and activation, our revenues and profitability, and therefore our ability to invest in innovation and in value-added services to merchants and Cardmembers, could be materially and adversely affected.

We may not be successful in our efforts to promote Card usage through our marketing, promotion and rewards programs, or to effectively control the costs of such programs, both of which may impact our profitability.

Our business is characterized by the high level of spending by our Cardmembers. Increasing consumer and business spending and borrowing on our payment services products, particularly credit and charge Cards and

Travelers Cheques and other prepaid products, and growth in Card lending balances, depend in part on our ability to develop and issue new or enhanced Card and prepaid products and increase revenues from such products. One of the ways in which we attract new Cardmembers, reduce Cardmember attrition and seek to capture a greater share of customers' total spending on Cards issued on our network, both in the United States and in our international operations, is through our Membership Rewards program, as well as other Cardmember benefits. We may not be able to cost effectively manage and expand Cardmember benefits, including containing the growth of marketing, promotion and rewards expenses and Cardmember services expenses. For example, Cardmembers' increased engagement with our Membership Rewards program drove an increase in the ultimate redemption rate to 92 percent in 2011 from 91 percent in 2010, which resulted in higher rewards expenses in 2011. In addition, many credit card issuers have instituted rewards and co-brand programs that are similar to ours, and issuers may in the future institute programs that are more attractive to Cardmembers than our programs.

During the last several years, we have received quarterly payments from each of Visa and MasterCard under the agreements that we entered into with each company to settle claims made against them in separate antitrust actions. We recognized $186 million and $172 million of after-tax income from MasterCard and Visa, respectively, in 2011 and $372 million and $172 million of after-tax income from MasterCard and Visa, respectively, in 2010. Our ability to continue to invest in marketing, promotion and rewards programs, as well as our overall profitability, may be negatively impacted if we are unable to replace the payments provided to us under our settlements with MasterCard and Visa, which have been paid in full through the second and fourth quarters of 2011, respectively.

Our brand and reputation are key assets of our Company, and our business may be affected by how we are perceived in the marketplace.

Our brand and its attributes are key assets of the Company, and we believe our continued success depends on our ability to preserve, grow and leverage the value of our brand. Our ability to attract and retain consumer Cardmembers and corporate clients is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, financial condition and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents — could erode trust and confidence and damage our reputation among existing and potential Cardmembers and corporate clients, which could make it difficult for us to attract new Cardmembers and maintain existing ones.

Our brand and reputation may also be harmed by actions taken by third parties that are outside our control. For example, any shortcoming of a GNS partner that issues Cards and acquires merchants on the American Express network may be attributed by Cardmembers and merchants to us, thus damaging our reputation and brand value. Adverse developments with respect to our industry may also, by association, negatively impact our reputation, or result in greater regulatory or legislative scrutiny or litigation against us. Furthermore, as a corporation with headquarters and operations located in the United States, a negative perception of the United States arising from its political or other positions could harm the perception of our company and our brand. Although we monitor developments for areas of potential risk to our reputation and brand, negative perceptions or publicity could materially and adversely affect our revenues and profitability.

We may not be successful in realizing the benefits associated with our investments, acquisitions, strategic alliances, joint ventures and investment activity.

We have recently acquired a number of businesses, including our acquisitions of Serve, Accertify and Loyalty Partner, and made a number of strategic investments. We expect to continue to evaluate and enter into discussions regarding a wide array of potential transactions. These transactions could be material to our financial condition and results of operations. There is no assurance that we will be able to successfully identify suitable candidates, value potential investment or acquisition opportunities accurately and negotiate acceptable terms for those opportunities, complete proposed acquisitions and investments, and successfully integrate acquired companies, businesses or technologies into our existing operations or expand into new markets.

The process of integrating an acquired company, business or technology has created, and will continue to create, unforeseen operating difficulties and expenditures. The areas where we face risks include: implementation

or remediation of controls, procedures and policies at the acquired company; diversion of management time and focus from operating our business to acquisition integration challenges; coordination of product, engineering, and sales and marketing functions; transition of operations, users and customers onto our existing platforms; cultural challenges associated with integrating employees from the acquired company into our organization; retention of employees from the businesses we acquire; integration of the acquired company's accounting, management information, human resource and other administrative systems; liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties; in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; and failure to successfully further develop the acquired company, business or technology.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally.

A significant disruption in our information technology systems or an increase in data breaches and fraudulent activity using our Cards could lead to reputational damage to our brand and significant legal, regulatory and financial exposure and could reduce the use and acceptance of our charge and credit Cards.

We and other third parties process and store Cardmember account information in connection with our charge and credit Cards. Criminals are using increasingly sophisticated methods, including cyber attacks, to capture various types of information relating to Cardmembers' accounts, including Membership Rewards accounts, to engage in illegal activities such as fraud and identity theft, and to expose and exploit potential security and privacy vulnerabilities in corporate systems and Web sites. As outsourcing and specialization of functions within the payments industry increase, there are more third parties involved in processing transactions using our Cards and there is a risk the confidentiality, privacy and/or security of data held by third parties may be compromised.

We develop and maintain systems and processes to detect and prevent data breaches and fraudulent activity, but the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies and regulatory requirements change and efforts to overcome security measures become more sophisticated. Despite our efforts, the possibility of data breaches and fraudulent activities cannot be eliminated entirely, and risks associated with each of these remain. Furthermore, our information technology systems may experience service interruptions or degradation because of technology malfunction, natural disasters, accidents, power outages, telecommunications failures, fraud, terrorism, computer viruses, physical or electronic break-ins, or similar events or disruptions. Such failures or disruptions could lead to an interruption in service, prevent access to our online services and account information, compromise Company or customer data, and impede transaction processing and financial reporting. See *" If our global network systems are disrupted or we are unable to process transactions efficiently or at all, our revenue and profitability would be materially reduced "* below.

If our information technology systems experience a significant disruption or if actual or perceived data breaches or fraud levels involving our Cards were to rise due to the actions of third parties, employee error, malfeasance or otherwise, it could lead to regulatory intervention (such as mandatory card reissuance), increased litigation and remediation costs, greater concerns of customers and/or business partners relating to the privacy and security of their data, and reputational and financial damage to our brand, which could reduce the use and acceptance of our Cards, and have a material adverse impact on our business.

We have agreements with business partners in a variety of industries, including the airline industry, that represent a significant portion of our business. We are exposed to risks associated with these industries, including bankruptcies, liquidations, restructurings, consolidations and alliances of our partners, and the possible obligation to make payments to our partners.

In the ordinary course of our business we enter into different types of contractual arrangements with business partners in a variety of industries. For example, we have partnered with Costco and Delta Air Lines to offer co-branded cards for consumers and small businesses, and through our Membership Rewards program we have partnered with businesses in many industries, including the airline industry, to offer benefits to Cardmember participants. Under some types of these contractual arrangements, upon the occurrence of certain triggering events, we may be obligated to make payments to certain co-brand partners, merchants, vendors and customers. If we are not able to effectively manage the triggering events, we could unexpectedly have to make payments to these partners, which could have a negative effect on our financial condition and results of operations. Similarly, we have credit risk to certain co-brand partners relating to our prepayments for loyalty program points that will not be fully redeemed. We are also exposed to risk from bankruptcies, liquidations, insolvencies, financial distress, restructurings, consolidations and other similar events that may occur in any industry representing a significant portion of our billed business, which could negatively impact particular card products and services (and billed business generally) and our financial condition and results of operations. For example, we could be materially impacted if we were obligated to or elected to reimburse Cardmembers for products and services purchased from merchants that have ceased operations or stopped accepting our Cards.

The airline industry represents a significant portion of our billed business and in recent years has undergone bankruptcies, restructurings, consolidations and other similar events. During 2011, there continued to be significant consolidation in the airline industry, particularly in the United States (e.g., United Airlines/Continental Airlines and Southwest Airlines/AirTran), through mergers and/or grants of antitrust immunity to airline alliances and joint ventures, and this trend could continue. In particular, the United States Department of Transportation has granted antitrust immunity to members of the Skyteam, Star and Oneworld Alliances, enabling the covered airlines to closely coordinate their cross-regional operations and to launch highly integrated joint ventures in transatlantic and other markets, including jointly pricing and managing capacity on covered routes, sharing revenues and costs, and coordinating sales and corporate contracts, all outside the scope of the U.S. antitrust laws. The European Commission has similarly approved the Oneworld Alliance, and its review of the other alliances is continuing. Increasing consolidation and expanded antitrust immunity could create challenges for our relationships with the airlines including reducing our profitability on our airline business. Further consolidation may also result from airline bankruptcies, which could be an outcome of American Airline's pending case under Chapter 11 of the Bankruptcy Code.

Airlines are also some of the most important and valuable partners in our Membership Rewards program. If a participating airline merged with an airline that did not participate in Membership Rewards, the combined airline would have to determine whether or not to continue participation. Similarly, if one of our co-brand airline partners merged with an airline that had a competing co-brand card, the combined airline would have to determine which co-brand cards it would offer. If an airline determined to withdraw from Membership Rewards or to cease offering an American Express co-brand Card, whether as the result of a merger or otherwise, such as our previous announcement that Continental Airlines will no longer participate in the Airport Club Access program for Centurion and Platinum Cardmembers or the Membership Rewards points transfer program as of October 1, 2011, our business could be adversely affected. For additional information relating to the general risks related to the airline industry, see "Risk Management — Exposure to Airline Industry" on page 36 of our 2011 Annual Report to Shareholders, which is incorporated herein by reference.

Our reengineering and other cost control initiatives may not prove successful, and we may not realize all or a significant portion of the benefits we intended.

Many factors can influence the amount of our expenses, as well as how quickly they may increase. Our ongoing investments, which may be necessary to maintain a competitive business, may increase our expenses.

We have regularly undertaken, and are currently undertaking, a variety of efforts to reengineer our business operations in order to achieve cost savings and other benefits (including the reinvestment of such savings in key areas such as marketing, promotion, rewards and infrastructure), enhance revenue-generating opportunities and improve our operating expense to revenue ratio both in the short-term and over time. These efforts include cost management, structural and strategic measures such as vendor, process, facilities and operations consolidation, outsourcing functions (including, among others, technologies operations), relocating certain functions to lower-cost overseas locations, moving internal and external functions to the Internet to save costs and planned staff reductions relating to certain of these reengineering actions. If we do not successfully achieve these efforts in a timely manner or if we are not able to capitalize on these efforts, or if the actions taken ultimately come at the expense of operational efficiency, we may not realize all or a significant portion of the benefits we intended. Failure to achieve these benefits or successfully manage our expenses could have a negative effect on our financial condition, results of operations and ability to achieve our previously announced financial targets.

Our risk management policies and procedures may not be effective.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established policies and procedures intended to identify, monitor and manage the types of risk to which we are subject, including credit risk, market risk, liquidity risk, operational risk and reputational risk. See “Risk Management” on pages 35-38 of our 2011 Annual Report to Shareholders for a discussion of the policies and procedures we use to identify, monitor and manage the risks we assume in conducting our businesses. Although we have devoted significant resources to develop our risk management policies and procedures and expect to continue to do so in the future, these policies and procedures, as well as our risk management techniques such as our hedging strategies, may not be fully effective. In addition, as regulations and markets in which we operate continue to evolve, our risk management framework may not always keep sufficient pace with those changes. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated.

We must effectively manage credit risk related to consumer debt, business loans and settlement risk with regard to GNS partners, merchant bankruptcies, the rate of bankruptcies, and other credit trends that can affect spending on Card products, debt payments by individual and corporate customers and businesses that accept our Card products.

Credit risk is the risk of loss from obligor or counterparty default. We are exposed to both consumer credit risk, principally from Cardmember receivables and our other consumer lending activities, and institutional credit risk from merchants, GNS partners and GCP clients. Third parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Country, regional and political risks are components of credit risk. Our ability to assess creditworthiness may be impaired if the criteria or models we use to manage our credit risk become less predictive of future losses, which could cause our losses to rise and have a negative impact on our results of operations. Rising delinquencies and rising rates of bankruptcy are often precursors of future write-offs and may require us to increase our reserve for loan losses. Although delinquencies and charge-offs declined significantly in 2011, we believe we are experiencing historical lows in these rates and they are likely to increase. In addition, if economic conditions do not improve, these rates may increase more than expected. Higher write-off rates and an increase in our reserve for loan losses adversely affect our profitability and the performance of our securitizations, and may increase our cost of funds. In addition, our ability to recover amounts that we have previously written off may be limited, which could have a negative impact on our revenues.

Although we make estimates to provide for credit losses in our outstanding portfolio of loans and receivables, these estimates may not be accurate. In addition, the information we use in managing our credit risk may be inaccurate or incomplete. Although we regularly review our credit exposure to specific clients and

counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. We may also fail to receive full information with respect to the credit risks of our customers. Increased credit risk, whether resulting from underestimating the credit losses inherent in our portfolio of loans and receivables, deteriorating economic conditions or otherwise, could require us to increase our provision for losses and could have a material adverse effect on our results of operations and financial condition.

We must also effectively manage market risk to which we are exposed. Market risk represents the loss in value of portfolios and financial instruments due to adverse changes in market variables. We are exposed to market risk from interest rates in our Card business and in our investment portfolios. Changes in the interest rates at which we borrow and lend money affect the value of our assets and liabilities. If the rate of interest we pay on our borrowings increases more than the rate of interest we earn on our loans, our net interest yield, and consequently our net income, could fall.

We must also accurately estimate the fair value of certain of our assets and our liabilities and, in particular, those investments that are not readily marketable, including our investment portfolio and derivative instruments.

Additionally, we must effectively manage liquidity risk to which we are exposed. Liquidity risk is defined as the inability to access cash and equivalents needed to meet business requirements and satisfy our obligations. If we are unsuccessful in managing our liquidity risk, we may maintain too much liquidity, which can be costly and limit financial flexibility; or we may be too illiquid, which could result in financial distress during a liquidity event. For additional information regarding our management of liquidity risk, see " *Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs, access to capital and cost of capital "* above.

Finally, we must also manage the operational risks to which we are exposed. We consider operational risk to be the risk of not achieving business objectives due to inadequate or failed processes or information systems, human error or the external environment (i.e., natural disasters) including losses due to failures to comply with laws and regulations. Operational risks include the risk that we may not comply with specific regulatory or legal requirements, exposing us to fines and/or penalties and possibly brand damage; employee error or intentional misconduct that results in a material financial misstatement; a failure to monitor an outsource partner's compliance with a service level agreement; or a failure to adequately monitor and control access to data in our systems we grant to third-party service providers, resulting in economic and reputational harm to us.

An inability to accept or maintain deposits due to market demand or regulatory constraints could materially adversely affect our liquidity position and our ability to fund our business.

As a source of funding, our U.S. banking subsidiaries accept deposits from individuals through third-party brokerage networks as well as directly from consumers through Personal Savings from American Express. As of December 31, 2011, we had approximately $37.3 billion in total U.S. retail deposits. The majority of the Company's outstanding U.S. retail deposits has been raised through third-party brokerage networks, and such deposits are considered brokered deposits for bank regulatory purposes. As part of our funding strategy, a majority of the deposits raised during 2011 were accepted directly from consumers through Personal Savings from American Express. Many other financial services firms are increasing their use of deposit funding, and as such we may experience increased competition in the deposit markets, particularly as to brokerage networks. We cannot predict how this increased competition will affect deposit renewal rates, costs or availability. If we are required to offer higher interest rates to attract or maintain deposits, our funding costs will be adversely impacted.

Our ability to obtain deposit funding and offer competitive interest rates on deposits also is dependent on capital levels of our U.S. banking subsidiaries. The FDIA generally prohibits a bank, including Centurion Bank and AEBFSB, from accepting brokered deposits or offering interest rates on any deposits significantly higher

than the prevailing rate in its normal market area or nationally (depending upon where the deposits are solicited), unless (1) it is well capitalized or (2) it is adequately capitalized and receives a waiver from the FDIC. A bank that is less than well capitalized generally may not pay an interest rate on any deposit, including direct-to-consumer deposits, in excess of 75 basis points over the national rate published by the FDIC unless the FDIC determines that the bank is operating in a high-rate area. An adequately capitalized insured depository institution may not accept, renew or roll over any brokered deposit unless it has applied for and been granted a waiver of this prohibition by the FDIC. Undercapitalized depository institutions may not solicit deposits by offering interest rates that are significantly higher than the prevailing rates of interest on insured deposits in such institution's normal market areas or in the market area in which such deposits would otherwise be accepted. There are no such restrictions on a bank that is well capitalized (provided such bank is not subject to a capital maintenance provision within a written agreement, consent order, order to cease and desist, capital directive, or prompt corrective action directive issued by its federal regulator). If a depository institution's federal regulator determines that it is in an unsafe or unsound condition or is engaging in unsafe or unsound banking practices, the regulator may reclassify a well capitalized institution as adequately capitalized, require an adequately capitalized institution to comply with certain restrictions as if it were undercapitalized, and require an undercapitalized institution take certain actions applicable to significantly undercapitalized institutions.

While Centurion Bank and AEBFSB were considered "well capitalized" for these purposes as of December 31, 2010 and December 31, 2011, there can be no assurance that they will continue to meet this definition. Basel III, when implemented by the U.S. banking agencies and fully phased in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital, with a greater emphasis on common equity. Additionally, our regulators can adjust the requirements to be well capitalized at any time and have authority to place limitations on our deposit businesses, including the interest rate we pay on deposits. An inability to attract or maintain deposits in the future could materially adversely affect our liquidity position and our ability to fund our business.

If our global network systems are disrupted or we are unable to process transactions efficiently or at all, our revenue and profitability would be materially reduced.

Our transaction authorization, clearing and settlement systems may experience service interruptions as a result of technology malfunction, fire, natural disasters, power loss, disruptions in long distance or local telecommunications access, fraud, terrorism, climate change or accident. A disaster or other problem at our facilities could interrupt our services. Terrorists, activists or hackers may also attack our facilities or systems, leading to service interruptions, increased costs or data security compromises. Additionally, we rely on third-party service providers for the timely transmission of information across our global network. Inadequate infrastructure in lesser developed countries could also result in service disruptions, which could impact our ability to do business in those countries. If a service provider fails to provide the communications capacity or services we require, as a result of natural disaster, operational disruptions, terrorism, hacking or other cybersecurity incidents or any other reason, the failure could interrupt our services, adversely affect the perception of our brand's reliability and materially reduce our revenue and profitability.

We rely on third-party providers of various computer systems and other services integral to the operations of our businesses. These third parties may act in ways that could harm our business.

We operate a service network around the world. In order to achieve cost and operational efficiencies, we outsource to third-party vendors many of the computer systems and other services that are integral to the operations of our global businesses. A significant amount of this outsourcing occurs in developing countries. We are subject to the risk that certain decisions are subject to the control of our third-party service providers and that these decisions may adversely affect our activities. In addition, the management of multiple third-party vendors increases our operational complexity and decreases our control. It is also possible that the cost efficiencies of certain outsourcings will decrease as the demand for these services increases around the world.

Our business is subject to the effects of geopolitical events, weather, natural disasters and other conditions.

Geopolitical events, natural disasters, severe weather conditions, health pandemics and other catastrophic events can have a negative effect on the Company's business. Because the Company derives a portion of its revenues from travel-related spending, its business is sensitive to disruptions in air travel and other forms of travel caused by such events. Such disruptions can result in the payment of claims under travel interruption insurance policies that the Company offers and, if such disruptions to travel are prolonged, they can materially adversely affect overall travel-related spending. If the conditions described above (or similar ones) result in widespread or lengthy disruptions to travel, they could have a material adverse effect on our results of operations.

Special Note About Forward-Looking Statements

We have made various statements in this Report that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be made in our other reports filed with or furnished to the SEC, in our press releases and in other documents. In addition, from time to time, we, through our management, may make oral forward-looking statements. Forward-looking statements are subject to risks and uncertainties, including those identified above, which could cause actual results to differ materially from such statements. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely" and similar expressions are intended to identify forward-looking statements. We caution you that the risk factors described above are not exclusive. There may also be other risks that we are unable to predict at this time that may cause actual results to differ materially from those in forward-looking statements. 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 publicly or revise any forward-looking statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal executive offices are in a 51-story, 2.2 million square foot building located in lower Manhattan. This building, which is on land leased from the Battery Park City Authority for a term expiring in 2069, is one of four office buildings in a complex known as the World Financial Center. We have a 49% ownership interest in the building and Brookfield Financial Properties owns the remaining 51% interest in the building. We also lease space in the building from Brookfield.

Other owned or leased principal locations currently include the American Express Service Centers in Fort Lauderdale, Florida; Phoenix, Arizona; and Salt Lake City, Utah; the American Express Data Centers in Phoenix, Arizona, in Minneapolis, Minnesota, and in Greensboro, North Carolina; a multi-building campus housing the American Express Finance Center in Phoenix, Arizona; the headquarters for American Express Services Europe Limited in London, England; the Amex Canada Inc. headquarters in Markham, Ontario, Canada; and service centers located in Mexico City, Mexico; Sydney, Australia; Gurgaon, India and Brighton, England.

As part of the Company's decision during 2010 to consolidate locations within the Company's global servicing network, a facility in Greensboro, North Carolina, was closed, with work previously handled there being transferred to other locations in the United States. Subject to local consultations, the Company is currently transferring work that has been previously handled at a Madrid, Spain service center to facilities in Brighton, England, Buenos Aires, Argentina, Frankfurt, Germany, Mexico City, Mexico, and Rome, Italy; and service support for the Japanese card business is being transferred from Sydney, Australia to Sapporo, Japan and Dalian, China.

During 2004 and 2005, we engaged in several sale-leaseback transactions pursuant to which we sold various owned properties to third parties and leased back the properties under long-term net leases whereby each American

Express entity that leases back the property is responsible for all costs and expenses relating to the property (including maintenance, repair, utilities, operating expenses and insurance costs) in addition to annual rent. The sale-leaseback transactions have not materially impacted our financial results in any year. Gains resulting from completed sale and leaseback transactions are amortized over the initial ten-year lease periods. We continue to consider whether sale-leaseback transactions are appropriate for other properties that we currently own.

Generally, we lease the premises we occupy in other locations. We believe that the facilities we own or occupy suit our needs and are well maintained.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are involved in a number of legal and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of their respective business activities. The Company believes it has meritorious defenses to each of these actions and intends to defend them vigorously. In the course of its business, the Company and its subsidiaries are also subject to governmental examinations, information gathering requests, subpoenas, inquiries and investigations. The Company believes that it is not a party to, nor are any of its properties the subject of, any pending legal, arbitration, regulatory or investigative proceedings that would have a material adverse effect on the Company's consolidated financial condition or liquidity. However, it is possible that the outcome of any such proceeding could have a material impact on results of operations in any particular reporting period as the proceedings are resolved. Certain legal proceedings involving the Company are described below.

For those legal proceedings and governmental examinations disclosed below as to which a loss is reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to $510 million in excess of the accrued liability (if any) related to those matters. This aggregate range represents management's estimate of possible loss with respect to these matters and is based on currently available information. This estimated range of possible loss does not represent the Company's maximum loss exposure. The legal proceedings and governmental examinations underlying the estimated range will change from time to time and actual results may vary significantly from the current estimate. For additional information, see Note 24 to our Consolidated Financial Statements, which can be found on pages 100-101 of our 2011 Annual Report to Shareholders.

Corporate Matters

During the last few years as regulatory interest in credit card network pricing to merchants and related issues has increased, the Company has responded to many inquiries from banking and competition authorities throughout the world.

On October 4, 2010, the DOJ, along with Attorneys General from Connecticut, Iowa, Maryland, Michigan, Missouri, Ohio and Texas, filed a complaint in the U.S. District Court for the Eastern District of New York against the Company, MasterCard International Incorporated and Visa, Inc., alleging a violation of Section 1 of the Sherman Antitrust Act. The complaint alleges that the defendants' policies prohibiting merchants from steering a customer to use another network's card, another type of card or another method of payment ("anti-steering" and "non-discrimination" rules and contractual provisions) violate the antitrust laws. The complaint alleges that the defendants participate in two distinct markets, a "General Purpose Card network services market" and a "General Purpose Card network services market for merchants in travel and entertainment ("T&E") businesses." The complaint contends that each of the defendants has market power in the alleged two markets. The complaint seeks a judgment permanently enjoining the defendants from enforcing their anti-steering and non-discrimination rules and contractual provisions. The complaint does not seek monetary damages. Concurrent with the filing of the complaint, Visa and MasterCard announced they had reached an agreement settling the allegations in the complaint against them by agreeing to modifications in their rules prohibiting merchants that

accept their cards from steering customers to use another network's card, another type of card or another method of payment. In December 2010, the complaint filed by the DOJ and certain state attorneys general was amended to add as plaintiffs the Attorneys General from Arizona, Hawaii (Hawaii has since withdrawn its claim), Idaho, Illinois, Montana, Nebraska, New Hampshire, Rhode Island, Tennessee, Utah and Vermont. American Express' response to the amended complaint was filed in early January 2011. This matter is being coordinated with other cases pending in the Eastern District of New York against American Express relating to the non-discrimination provisions in its merchant agreements, which cases are described below in the section entitled "U.S. Card Services and Global Merchant Services Matters."

In December 2008, a putative class action captioned Obester v. American Express Company, et al . was filed in the United States District Court for the Southern District of New York. The complaint alleges that the defendants violated certain ERISA obligations by: allowing the investment of American Express Retirement Savings Plan ("Plan") assets in American Express common stock when American Express common stock was not a prudent investment; misrepresenting and failing to disclose material facts to Plan participants in connection with the administration of the Plan; and breaching certain fiduciary obligations. Thereafter, three other putative class actions making allegations similar to those made in the Obester matter were filed against the defendants: Tang v. American Express Company, et al . , filed on December 29, 2008 in the United States District Court for the Southern District of New York, Miner v. American Express Company, et al . , filed on February 4, 2009 in the United States District Court for the Southern District of New York, and DiLorenzo v. American Express Company, et al . , filed on February 10, 2009 in the United States District Court for the Southern District of New York. American Express filed a motion to dismiss these actions. In April 2009, these actions were consolidated into a Consolidated Amended Complaint, captioned In re American Express ERISA Litigation . Following argument on American Express' motion to dismiss this action, the Court permitted plaintiffs to file a Second Amended Complaint. In April 2010, American Express filed a motion to dismiss the Second Amended Complaint. On November 2, 2010, the District Court dismissed the Second Amended Complaint in its entirety. On December 2, 2010, plaintiffs filed a Notice of Appeal, appealing the case to the United States Court of Appeals for the Second Circuit. On September 29, 2011, the parties stipulated, and the Court subsequently ordered, that the Appeal be considered withdrawn but subject to appellants' right to reinstate their appeal by January 31, 2012. On January 20, 2012, the Court further stayed through May 2012 appellants' right to reinstate their appeal.

The Company is a defendant in a putative class action captioned Kaufman v. American Express Travel Related Services , which was filed on February 14, 2007, and is pending in the United States District Court for the Northern District of Illinois. The allegations in Kaufman relate primarily to monthly service fee charges assessed on the Company's gift card products, with the principal claim being that the Company's gift cards violate consumer protection statutes because consumers allegedly have difficulty spending small residual amounts on the gift cards prior to the imposition of monthly service fees. On or about September 12, 2011, the parties entered into a settlement agreement that was submitted to the Court for preliminary approval. The Court granted preliminary approval on September 21, 2011 and preliminarily certified a settlement class consisting of (with some exceptions) "all purchasers, recipients and holders of all gift cards issued by American Express from January 1, 2002 through the date of preliminary approval of the settlement, including without limitation, gift cards sold at physical retail locations, via the Internet, or through mall co-branded programs." Under the terms of the proposed settlement, an approximate $6.8 million total settlement fund will be created and class members will be entitled to submit claims against the settlement fund to receive refunds of certain gift card fees. Any monies remaining in the settlement fund after payment of claims to class members, costs of notice and administration and class counsel attorneys' fees and expenses would be paid to charity. In addition, the Company would make available to the settlement class for a period of time the opportunity to buy gift cards without paying a purchase fee or any shipping fees and would allow certain cardholders to obtain refunds of unused funds on gift cards without paying a check issuance fee. The final settlement approval hearing is scheduled for February 29, 2012. The Company is also a defendant in Goodman v. American Express Travel Related Services , a putative class action pending in the United States District Court for the Eastern District of New York that involves allegations similar to those made in Kaufman . Plaintiffs in Goodman have intervened in the Kaufman

proceedings and are objecting to the Kaufman settlement. If the Court approves the final settlement in Kaufman , all related gift card claims and actions would also be released. In similar gift card litigation filed in San Diego County (California) Superior Court, Kazemi v. Westfield America, Inc. , the matter settled on a class basis in 2011, with total payments required to be made (to class members, plaintiffs' attorneys' fees, costs and plaintiffs' incentive awards) of less than $550,000.

The FDIC and the Utah Department of Financial Institutions have been reviewing Centurion Bank's card practices for compliance with certain consumer protection laws and regulations, including the way late fees are assessed on charge cards with a lending feature. The FDIC has also provided information it considered relevant, including information obtained in the course of its review, to the CFPB. In February 2012, the FDIC notified Centurion Bank that it plans to take formal enforcement action against it, and it appears likely the CFPB and the DFI will take some type of action against Centurion Bank as well. Centurion Bank has made changes to certain of its card practices (and, as previously disclosed, established an accrual for late fees it expects to refund) and could be required to make further changes to its card practices to respond to regulatory concerns. Changes by Centurion Bank to its card practices in response to regulatory concerns and enforcement or other action by the FDIC, the CFPB or the DFI, which may include civil money penalties and require additional refund obligations to Cardmembers, could adversely affect the Company's operations and results.

U.S. Card Services and Global Merchant Services Matters

Merchant Cases

Since July 2003 the Company has been named in a number of putative class actions in which the plaintiffs allege an unlawful antitrust tying arrangement between certain of the Company's charge cards and credit cards in violation of various state and federal laws. These cases have all been consolidated in the United States District Court for the Southern District of New York under the caption: In re American Express Merchants' Litigation . A case making similar allegations was also filed in the Southern District of New York in July 2004 captioned: The Marcus Corporation v. American Express Company, et al. The Marcus case is not consolidated. The plaintiffs in these actions seek injunctive relief and an unspecified amount of damages. In April 2004, the Company filed a motion to dismiss all the actions filed prior to the date of its motion. In March 2006, that motion was granted, with the Court finding the claims of the plaintiffs to be subject to arbitration. The plaintiffs appealed the District Court's arbitration ruling and in January 2009, the United States Court of Appeals for the Second Circuit reversed the District Court. The Company filed with the United States Supreme Court a petition for a writ of certiorari from the Second Circuit's arbitration ruling. In May 2010, the Supreme Court granted the Company's petition, vacated the judgment of the Second Circuit and remanded the case back to the Second Circuit for further consideration. On March 8, 2011, the Second Circuit again reversed the District Court, and reaffirmed its prior reasoning in doing so notwithstanding the Supreme Court's vacatur and remand of the decision. The Company thereafter filed a motion with the Second Circuit requesting that the Court stay issuance of the mandate remanding the matter to the District Court pending a petition for writ of certiorari to the United States Supreme Court. On April 4, 2011, the Second Circuit granted the Company's motion to stay the issuance of the mandate. On May 9, 2011, the Second Circuit requested additional briefing from the parties concerning how the decision by the United States Supreme Court in AT&T Mobility LLC v. Concepcion applies to this case. That briefing was submitted on June 3, 2011. On August 1, 2011, the Second Circuit issued an order stating that it was *sua sponte* considering rehearing. On February 1, 2012, the Second Circuit again reversed the District Court, and reaffirmed its prior reasoning in doing so notwithstanding the decision by the United States Supreme Court in AT&T Mobility LLC v. Concepcion . On February 14, 2012, the Company petitioned the Second Circuit for rehearing *en banc.*

In October 2007, The Marcus Corporation filed a motion seeking certification of a class. In September 2008, American Express moved for summary judgment seeking dismissal of The Marcus Corporation's complaint, and The Marcus Corporation cross-moved for partial summary judgment on the issue of liability. In March 2009, the Court denied the plaintiffs' motion for class certification, without prejudicing their right to remake such a motion upon resolution of the pending summary judgment motions. A case captioned Hayama Inc. v. American Express

Company, et al. , which makes similar allegations as those in the actions described above, was filed and remains in the Superior Court of California, Los Angeles County (filed December 2003). The Company continues to request that the California Superior Court stay such action. To date the Hayama action has been stayed.

In February 2009, an amended complaint was filed in In re American Express Merchants' Litigation . The amended complaint contains a single count alleging a violation of federal antitrust laws through an alleged unlawful tying of: (a) corporate, small business and/or personal charge card services; and (b) Blue, Costco and standard GNS credit card services. In addition, in February 2009, a new complaint making the same allegations as made in the amended complaint filed in In re American Express Merchants' Litigation was also filed in the United States District Court for the Southern District of New York. That new case is captioned Greenporter LLC and Bar Hama LLC, on behalf of themselves and all others similarly situated v. American Express Company and American Express Travel Related Services Company, Inc. Proceedings in the Greenporter action and on the amended complaint filed in In re American Express Merchants' Litigation have been held in abeyance pending the disposition of the motions for summary judgment in the Marcus case.

Since August 2005, the Company has been named in a number of putative class actions alleging that the Company's "anti-steering" policies and contractual provisions violate United States antitrust laws. Those cases were consolidated in the United States District Court for the Southern District of New York under the caption In re American Express Anti-Steering Rules Antitrust Litigation . The plaintiffs' complaint in that consolidated action seeks injunctive relief and unspecified damages. These plaintiffs agreed that a stay would be imposed with regard to their respective actions pending the appeal of the Court's arbitration ruling discussed above. Given the 2009 ruling of the Second Circuit (described above in connection with In re American Express Merchants' Litigation), the stay was lifted, and American Express' response to the complaint was filed in April 2009. In July 2010 the Court entered an order partially staying the case pending the Second Circuit's arbitration ruling (following the 2010 remand by the Supreme Court described above in connection with In re American Express Merchants' Litigation). In June 2010, the attorneys representing the plaintiffs in In re American Express Anti-Steering Rules Antitrust Litigation filed an action making similar allegations captioned National Supermarkets Association v. American Express and American Express Travel Related Services . Upon filing, the plaintiffs designated that case as "related" to In re American Express Anti-Steering Rules Antitrust Litigation . That case had been partially stayed pending the Second Circuit's arbitration ruling referenced above.

In June 2008, five separate lawsuits were filed against American Express Company in the United States District Court for the Eastern District of New York alleging that the Company's "anti-steering" provisions in its merchant acceptance agreements with the merchant plaintiffs violate federal antitrust laws. As alleged by the plaintiffs, these provisions prevent merchants from offering consumers incentives to use alternative forms of payments when consumers wish to use an American Express-branded card. The five suits were filed by each of Rite-Aid Corp., CVS Pharmacy Inc., Walgreen Co., Bi-Lo LLC, and H.E. Butt Grocery Company. The plaintiff in each action seeks damages and injunctive relief. American Express filed its answer to these complaints and also filed a motion to dismiss these complaints as time barred. The Court denied the Company's motion to dismiss the complaints in March 2010. On October 1, 2010, the parties to these actions agreed to stay all proceedings pending related mediations, and Magistrate Judge Ramon E. Reyes entered an order staying these actions on October 18, 2010. The parties have since notified the Court that those mediations have reached impasses. On January 21, 2011, the following parties filed lawsuits making similar allegations that the Company's "anti-steering" provisions violate antitrust laws: Meijer, Inc., Publix Super Markets, Inc., Raley's Inc., Supervalu, Inc., The Kroger Co., Safeway, Inc., Ahold U.S.A., Inc., Albertson's LLC, Hy-Vee, Inc., and The Great Atlantic & Pacific Tea Company, Inc.

In November 2010, two putative class action complaints making allegations similar to those in In re American Express Anti-Steering Rules Antitrust Litigation were filed in the United States District Court for the Eastern District of New York by Firefly Air Solutions, LLC d/b/a 128 Café and Plymouth Oil Corp. d/b/a Liberty Gas Station. In addition, in December 2010, a putative class action complaint making similar allegations, and seeking certification of a Wisconsin-only class, was filed by Treehouse Inc. d/b/a Treehouse Gift & Home in the United States District Court for the Western District of Wisconsin. In January 2011, a putative class complaint,

captioned Il Forno v. American Express Centurion Bank , seeking certification of a California-only class and making allegations similar to those in In re American Express Anti-Steering Rules Antitrust Litigation, was filed in United States District Court for the Central District of California. These matters also had been partially stayed pending the Second Circuit's arbitration decision in the action captioned In re American Express Merchants' Litigation . After the partial stay was lifted, plaintiffs filed a Consolidated Class Complaint making similar allegations to the prior class allegations in the various class complaints, but dropping certain merchants as plaintiffs. After this complaint was filed, the Court again partially stayed these matters on May 18, 2011 in light of the Second Circuit's stay of the issuance of the mandate in the action captioned In re American Express Merchants' Litigation (described above).

On February 7, 2011, in response to a transfer motion filed by the plaintiffs in the Plymouth Oil action discussed above, the United States Judicial Panel on Multi-District Litigation entered an order centralizing the following actions discussed above in the Eastern District of New York for coordinated or consolidated pretrial proceedings before the Honorable Nicholas G. Garaufis: (a) the putative class action that had been previously pending in the Southern District of New York captioned In re American Express Anti-Steering Rules Antitrust Litigation ; (b) the putative class actions already pending in the Eastern District of New York filed by Firefly Air Solutions, LLC and by Plymouth Oil Corp.; and (c) the individual merchant suits already pending in the Eastern District of New York. On February 15, 2011, the United States Judicial Panel on Multi-District Litigation issued a conditional transfer order centralizing the related putative class actions pending in the Central District of California and Western District of Wisconsin before Judge Garaufis in the Eastern District of New York, and those actions have been centralized before Judge Garaufis for all pre-trial purposes. These consolidated matters are being coordinated with the action brought by DOJ and certain states that is also pending in the Eastern District of New York against American Express relating to the non-discrimination provisions in its merchant agreements, which case is described above in the section entitled "Corporate Matters."

Other Cases

In September 2001, Hoffman, et al. v. American Express Travel Related Services Company, et al. was filed in the Superior Court of the State of California, Alameda County. Plaintiffs in that case claim that American Express erroneously charged Cardmember accounts in connection with its airflight insurance programs because in certain circumstances customers must request refunds, as disclosed in materials for the voluntary program. In January 2006, the Court certified a class of American Express charge Cardmembers asserting claims for breach of contract and conversion under New York law, with a subclass of California residents asserting violations of California Business & Professions Code §§ 17200 and 17500, and a subclass of New York residents asserting violation of New York General Business Law § 349. American Express sought to compel arbitration of the claims of all non-California residents. The motion to compel arbitration was denied by the trial court, which decision was affirmed by the California Court of Appeal in July 2007. The case went to trial in November 2008 and January to February 2009. American Express was granted judgment on all counts. The plaintiffs have appealed the Superior Court's decision; American Express has filed a protective notice of appeal to preserve certain legal issues, and briefing on the appeal is currently in progress.

In addition, a case making the same factual allegations (purportedly on behalf of a different class of Cardmembers) as those in the Hoffman case is pending in the United States District Court for the Eastern District of New York, entitled Law Enforcement Systems v. American Express, et al. That case was stayed pending the trial in the Hoffman action. After judgment was rendered for American Express in Hoffman , the plaintiff in Law Enforcement Systems asked the Court to lift the stay and to allow plaintiff to obtain certain Cardmember information. The Court denied the request. The Company has moved to dismiss the complaint in light of the decision in Hoffman and the failure to substitute an appropriate plaintiff in the case. The plaintiff subsequently filed a motion to add a new plaintiff. Both of these motions are pending. Further, on October 30, 2008, a putative class action on behalf of American Express credit Cardmembers making the same allegations as those raised in the Hoffman and Law Enforcement Systems cases was filed in the United States District Court for the Southern District of Florida, captioned Kass v. American Express Card Services, Inc., American Express Company and

American Express Travel Related Services . On March 11, 2009, the Kass Court entered an order granting the joint motion of the parties to stay the case, and the Court also administratively closed the case.

In July 2004, a purported class action captioned Ross, et al. v. American Express Company, American Express Travel Related Services and American Express Centurion Bank was filed in the United States District Court for the Southern District of New York. The complaint alleges that American Express conspired with Visa, MasterCard and Diners Club in the setting of foreign currency conversion rates and in the inclusion of arbitration clauses in certain of their cardmember agreements. The suit seeks injunctive relief and unspecified damages. The class is defined as "all Visa, MasterCard and Diners Club general-purpose cardholders who used cards issued by any of the MDL Defendant Banks." American Express cardholders are not part of the class. In September 2005, the District Court denied the Company's motion to dismiss the action and preliminarily certified an injunction class of Visa and MasterCard cardholders to determine the validity of Visa's and MasterCard's cardmember arbitration clauses. American Express filed a motion for reconsideration with the District Court, which motion was denied in September 2006. The Company filed an appeal from the District Court's order denying its motion to compel arbitration. In October 2008, the United States Court of Appeals for the Second Circuit denied the Company's appeal and remanded the case to the District Court for further proceedings. In January 2010, the Court (1) certified a damage class of all Visa, MasterCard and Diners Club general purpose cardholders who used cards issued by any of the alleged co-conspiring banks during the period July 22, 2000 to November 8, 2006, who were assessed a foreign exchange transaction fee or surcharge and who have submitted valid claims in In re Currency Conversion Antitrust Litigation , and (2) denied American Express' motion to amend its answer to add the affirmative defense of release. In June 2010, the Company filed a motion for summary judgment with the Court, which sought dismissal of plaintiff's complaint, and on March 29, 2011, the Court denied that motion. Trial has been scheduled to begin on May 7, 2012. The parties have reached an agreement in principle to settle the claims asserted on behalf of the damage class concerning foreign currency conversion rates, under which the Company agreed to pay $49.5 million into a settlement fund. The Court preliminarily approved that settlement on November 18, 2011. A hearing at which the Court will consider entry of an order finally approving the proposed settlement has been scheduled for April 27, 2012. The claims asserted by the injunction class concerning cardmember arbitration clauses are not included in the proposed settlement and will continue to be litigated. On January 6, 2012, the Company filed a motion requesting that the Court certify for immediate appeal that portion of its March 29, 2011, decision that denied American Express' motion for summary judgment with respect to the claims asserted concerning cardmember arbitration clauses. That motion was fully briefed on February 21, 2012.

In June 2006, a putative class action captioned Homa v. American Express Company, et al. was filed in the United States District Court for the District of New Jersey. The case alleges, generally, misleading and fraudulent advertising of the "tiered" "up to 5 percent" cash rebates with the Blue Cash card. The complaint initially sought certification of a nationwide class consisting of "all persons who applied for and received an American Express Blue Cash card during the period from September 30, 2003 to the present and who did not get the rebate or rebates provided for in the offer." On December 1, 2006, however, plaintiff filed a First Amended Complaint dropping the nationwide class claims and asserting claims only on behalf of New Jersey residents who "while so residing in New Jersey, applied for and received an American Express Blue Cash card during the period from September 30, 2003 to the present." The plaintiff seeks unspecified damages and other unspecified relief that the District Court deems appropriate. In May 2007, the District Court granted the Company's motion to compel individual arbitration and dismissed the complaint. Plaintiff appealed that decision to the United States Court of Appeals for the Third Circuit, and in February 2009, the Third Circuit reversed the decision and remanded the case back to the District Court for further proceedings. In October 2009, a putative class action captioned Pagsolingan v. American Express Company, et al. was filed in the United States District Court for the Northern District of California. That case made allegations that were largely similar to those made in Homa , except that Pagsolingan alleged multiple theories of liability and sought to certify a nationwide class of "[a]ll persons who applied for and received an American Express Blue Cash card during the period from September 30, 2003 to the present and who did not get the rebate or rebates provided for in the offer." In May 2010, plaintiffs voluntarily dismissed the Pagsolingan case in its entirety. Subsequently, in response to a request by the Company, the District Court stayed the Homa action pending the outcome of a case captioned AT&T Mobility v. Concepcion ,

which was subsequently decided by the United States Supreme Court in a manner that supports the Company's position that its motion to compel arbitration should have been granted. The Company renewed its motion to compel individual arbitration, and on August 30, 2011, the District Court granted the motion and reinstated its earlier Order compelling individual arbitration. On September 22, 2011, plaintiff appealed to the Third Circuit. Briefing regarding that appeal is presently on-going.

In June 2009, a putative class action, captioned Mesi v. American Express Centurion Bank , was filed in the United States District Court for the Central District of California. The complaint seeks to certify a class of American Express Cardmembers with billing addresses in 16 different states "whose interest rates on their outstanding balances were retroactively increased" by the Company. The complaint seeks, among other things, damages "in excess of $5,000,000" and unspecified injunctive relief. The complaint has been amended three times by plaintiff. On February 16, 2012, the Company filed a motion to compel arbitration and stay action.

In October 2009, a putative class action, captioned Lopez, et al. v. American Express Bank, FSB and American Express Centurion Bank , was filed in the United States District Court for the Central District of California. The complaint seeks to certify a nationwide class of American Express Cardmembers whose interest rates were changed from fixed to variable in or around August 2009 or otherwise increased. American Express filed a motion to compel arbitration, and plaintiffs amended their complaint to limit the class to California residents only. The Company filed a revised motion to compel arbitration and a motion to dismiss the amended complaint. Both motions were denied by the Court. Subsequently, in response to a request by the Company, the Court stayed the action pending the outcome of the case AT&T Mobility v. Concepcion , which was subsequently decided by the United States Supreme Court in a manner that supports the Company's position that its motion to compel arbitration should have been granted.

In September 2010, a putative class action, captioned Meeks v. American Express Centurion Bank , was filed in Fulton County Superior Court, Georgia, alleging that plaintiff received unilateral interest rate increases despite alleged promises that the rate would remain fixed. In October 2010, the Company removed the matter to federal court. In October 2010, a First Amended Class Action Complaint was filed, which included three additional named plaintiffs. Plaintiffs assert claims for breach of contract, covenant of good faith and fair dealing, unconscionability, unjust enrichment, duress, violation of the New Jersey Consumer Fraud Act, violation of California's Consumer Legal Remedies Act, violation of California's Unfair Competition law, and violation of California's False Advertising Act. Plaintiffs seek to certify a nationwide class of all American Express Cardmembers who received unilateral interest rate increases despite their accounts being in good standing. In November 2010, plaintiffs filed a motion seeking to remand the case from federal court back to state court, which the Court denied in April 2011. In April 2011, American Express filed a Motion to Compel Arbitration. On January 20, 2012, the District Court entered an Order administratively closing the action pending further developments in Ross v. American Express Company pending in the United States District Court for the Southern District of New York.

The Company is a defendant in a putative class action captioned Aneke, et al. v. American Express Travel Related Services, Inc., et al. , filed on May 31, 2011, and pending in the United States District Court for the District of Columbia. The allegations in Aneke relate to the Company's use of overseas call centers, which plaintiffs contend violates the federal Right to Financial Privacy Act. The Company moved to compel arbitration on an individual basis and the motion was granted on January 31, 2011. An appeal was filed on February 10, 2012. Counsel for plaintiffs in Aneke filed a similar claim against the Company, under a District of Columbia statute, titled Stein, et al. v. American Express Company, et al. , pending in the Superior Court for the District of Columbia. The Company has moved to compel arbitration in Stein . Counsel for plaintiffs had also filed a third similar action, Pickman v. American Express Company, et al. , under a California statute, in the California Superior Court for the County of Alameda. The Company moved to dismiss Pickman ; the Court granted that motion and dismissed the Pickman action on January 27, 2012.

The Company is a defendant in the putative class action lawsuit entitled Karin O'Brien v. American Express Company , filed in the United States District Court for the Southern District of California on August 16, 2011. Plaintiff alleges the Company made telephone calls to her cellular phone without her prior express consent in an effort to collect missed payments. Plaintiff purports to assert her TCPA claims on behalf of herself and all persons within the United States who, on or after August 16, 2007, received a non-emergency telephone call from the Company to a cellular telephone through the use of an automatic telephone dialing system or an artificial or prerecorded voice and who did not provide prior express consent for such calls. On October 12, 2011, the Company filed a Motion to Compel Arbitration and Stay Action. Plaintiff seeks discovery in response to the arbitration motion, and the parties are awaiting a ruling on plaintiff's motion to compel discovery.

The Company was named as a defendant in a putative class action captioned Khanna, et al. v. American Express Company, Trilegiant Corporation, Inc., et al. , filed on September 7, 2011, in the United States District Court for the Southern District of New York. Plaintiffs alleged that American Express and other defendants worked with Trilegiant, an Internet-based provider of membership programs, clubs and services, to defraud online consumers by charging their credit or debit card accounts via deceptive and unlawful marketing and sales practices. The suit asserted claims of unjust enrichment and violations of the federal RICO Act, and sought injunctive relief, restitution and/or disgorgement of amounts wrongfully charged, and unspecified damages. The Company filed a motion to compel arbitration, which the Court granted in December 2011, and plaintiffs voluntarily dismissed the action.

International Matters

In April 2011, in a matter captioned 9085-4886 Quebec Inc. and Peter Bakopanos v. Amex Bank of Canada and Amex Canada Inc. , a motion was filed in the Quebec Superior Court seeking to authorize the bringing of a class action lawsuit alleging that the non-discrimination provisions in the Canadian merchant agreement violate Canadian competition law under the price maintenance provision (section 76) of the Canadian Competition Act. The petitioners seek unspecified damages and the elimination of the non-discrimination provisions. In January 2012, the plaintiff sought leave to amend the Motion to authorize the class action to, amongst other things, add a new representative plaintiff, make an additional claim under articles 1411, 1437 and 1457 of the Quebec Civil Code and make an additional claim under section 61 of the Canadian Competition Act which was the provision dealing with price maintenance until it was repealed in 2009. The petitioners' motion for leave to amend the motion for authorization was heard on February 7, 2012 and was taken under advisement by the Court. We have brought a motion to dismiss the class action which will be heard on the same day as the certification hearing scheduled for March 19, 2012.

In November 2006, in a matter captioned Sylvan Adams v. Amex Bank of Canada filed in the Superior Court of Quebec, District of Montreal (originally filed in November 2004), the Superior Court authorized a class action against Amex Bank of Canada. The plaintiff alleges that prior to December 2003, Amex Bank of Canada charged a foreign currency conversion commission on transactions to purchase goods and services in currencies other than Canadian dollars and failed to disclose the commissions in monthly billing statements or solicitations directed to prospective cardmembers. The class, consisting of all Cardmembers in Quebec that purchased goods or services in a foreign currency prior to December 2003, claims reimbursement of all foreign currency conversion commissions, CDN$1,000 in punitive damages per class member, interest and fees and costs. The trial in the Adams action commenced, and was completed, in December 2008 after the conclusion of the trial in the Marcotte action described below. The Superior Court rendered a judgment in favor of the plaintiffs against Amex Bank of Canada on June 11, 2009, and awarded damages in the amount of CDN$11.2 million plus interest on the non-disclosure claims. In addition, the Superior Court awarded punitive damages in the amount of CDN$2.2 million. The judgment has been appealed by Amex Bank of Canada. The appeal was heard by the Quebec Court of Appeal in September 2011 and the case is currently under advisement.

In May 2006, in a matter captioned Marcotte v. Bank of Montreal, et al. , filed in the Superior Court of Quebec, District of Montreal (originally filed in April 2003), the Superior Court authorized a class action against

Amex Bank of Canada, Bank of Montreal, Toronto-Dominion Bank, Royal Bank of Canada, Canadian Imperial Bank of Commerce, Scotiabank, National Bank of Canada, Laurentian Bank of Canada and Citibank Canada. The action alleges that conversion commissions made on foreign currency transactions are credit charges under the Quebec Consumer Protection Act (the "QCPA") and cannot be charged prior to the 21-day grace period under the QCPA. The class includes all persons holding a credit card issued by one of the defendants to whom fees were charged since April 17, 2000, for transactions made in foreign currency before expiration of the period of 21 days following the statement of account. The class claims reimbursement of all foreign currency conversions, CDN$400 per class member for trouble, inconvenience and punitive damages, interest and fees and costs. The trial in the Marcotte action commenced in September 2008 and was completed in November. The Superior Court rendered a judgment in favor of the plaintiffs against Amex Bank of Canada on June 11, 2009, and awarded damages in the amount of CDN$7.1 million plus interest on the QCPA claims and individual claims to be made on the non-disclosure claims. In addition, the Superior Court awarded punitive damages in the amount of CDN$21.52 per cardmember. The judgment has been appealed by all banks, including Amex Bank of Canada. The appeal was heard by the Quebec Court of Appeal in September 2011 and the case is currently under advisement.

In November 2010 and December 2010, two motions to authorize class actions were filed in the Superior Court of Quebec, District of Montreal, under the class representative names of Giroux and Marcotte . Both class actions set out the same allegations as the Marcotte class action filed in 2006 except the timeframe for the new class actions starts as of January 1, 2008 wherein the Marcotte case under appeal ends as of December 31, 2007. Both class actions are pending certification as two law firms filed the same class action. A judge will decide which case will be certified and who will represent the class going forward.

In November 2006, in a matter captioned Option Consommateurs and Benoit Fortin v. Amex Bank of Canada filed in the Superior Court of Quebec, District of Montreal (originally filed in July 2003), the Superior Court authorized a class action against Amex Bank of Canada. The plaintiff alleges the defendant violated the QCPA by imposing finance charges on credit card transactions prior to 21 days following the receipt of the statement containing the charge. It is alleged that the QCPA provisions, which require a 21-day grace period prior to imposing finance charges, apply to credit cards issued by Amex Bank of Canada in Quebec and all finance charges imposed within the 21 day grace period are contrary to the QCPA. The class seeks reimbursement of all such finance charges, CDN$200 in punitive damages per class member, interest, fees and costs. A motion was brought in October 2010 to extend the class period from July 18, 2000 to August 31, 2010. No discovery has been scheduled in this matter but one has taken place in a parallel class action against several banks in late 2010. Answers to written questions were due November 15, 2011 in lieu of a deposition and objections were argued on November 21, 2011.

In May 2005, a motion for authorization of a similar class action to Fortin was filed in the Superior Court of Quebec, District of Quebec City captioned Option Consommateurs and Joel-Christian St-Pierre v. Bank of Montreal, et al. alleging that Amex unlawfully charged interest 21 days from the date of the printing of the statement as opposed to the date of the mailing of the statement. The proposed class seeks reimbursement of all finance charges imposed, CDN$100 in punitive damages per class member, interest and fees and costs. The St. Pierre class motion is stayed pending final judgment in Marcotte .

In October 2007, in a matter captioned Option Consommateurs and Marylou Corriveau v. Amex Bank of Canada, et al. , filed in the Superior Court of Quebec, District of Montreal (originally filed in December 2006), the Superior Court authorized a class action against Amex Bank of Canada, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, Bank of Nova Scotia, Banque Laurentienne du Canada, President's Choice Bank, Toronto Dominion Bank, Bank of Montreal, Citibank Canada, Federation de Caisses Desjardins du Quebec and MBNA Canada. The action alleges that cash advance fees for transactions in Canada or abroad cannot be charged under QCPA. The class includes all persons party to a variable credit agreement concluded in Quebec for a purpose other than the operation of a business and who paid the defendants from October 4, 2001. A motion was granted in October 2010 to extend the class period from October 4, 2001 to

September 30, 2010. It is alleged the QCPA provisions apply to credit cards issued by Amex Bank of Canada in Quebec and all cash advance fees imposed are contrary to the QCPA. The class seeks reimbursement of all such cash advance fees, CDN$200 in punitive damages per class member, interest and costs. No discovery has been scheduled in this matter but one has taken place in a parallel class action against several banks in late 2010. Answers to written questions were due November 15, 2011 in lieu of a deposition and objections were argued on November 21, 2011.

In October 2007, in a matter captioned Option Consommateurs and Serge Lamoureux v. Amex Bank of Canada, et al. , filed in the Superior Court of Quebec, District of Montreal (originally filed in December 2006), the Court authorized a class action against Amex Bank of Canada, Banque du Montreal, Banque Royale du Canada, Banque Nationale du Canada, Banque Canadienne Imperiale de Commerce, Citibanque Canada, MBNA Canada and Banque de Nouvelle-Ecosse. The plaintiff alleges the defendants violated the QCPA by unilaterally increasing credit card limits without consent and charging over limit fees from January 12, 2001. There are two distinct areas of the claim. Amex is not part of the first portion of the claim dealing with the unilateral increase without consent under the QCPA. Amex is included in the second portion of the claim permitting Cardmembers to make charges at the point of sale that exceed their credit limit thereby incurring an over-limit fee for these occurrences contrary to the QCPA. The action alleges the QCPA provisions apply to credit cards issued by Amex Bank of Canada in Quebec. A motion was granted in October 2010 to extend the class period from January 12, 2001 to September 30, 2010. The class seeks reimbursement of all over-limit fees imposed, CDN$200 in punitive damages per class member, interest and costs. Discovery of Amex was held in December 2010.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Our common stock trades principally on The New York Stock Exchange under the trading symbol AXP. As of December 31, 2011, we had 35,541 common shareholders of record. You can find price and dividend information concerning our common stock in Note 27 to our Consolidated Financial Statements, which can be found on page 105 of our 2011 Annual Report to Shareholders, which note is incorporated herein by reference. For information on dividend restrictions, see "Consolidated Capital Resources and Liquidity — Share Repurchases and Dividends" on page 29 and Note 23 on pages 98-99 of our 2011 Annual Report to Shareholders, which information is incorporated herein by reference. You can find information on securities authorized for issuance under our equity compensation plans under the captions "Executive Compensation — Equity Compensation Plans" to be contained in the Company's definitive 2012 proxy statement for our Annual Meeting of Shareholders, which is scheduled to be held on April 30, 2012. The information to be found under such captions is incorporated herein by reference. Our definitive 2012 proxy statement for our Annual Meeting of Shareholders is expected to be filed with the SEC in March 2012 (and, in any event, not later than 120 days after the close of our most recently completed fiscal year).

(b) Not applicable.

(c) **Issuer Purchases of Securities**

The table below sets forth the information with respect to purchases of our common stock made by us or on our behalf during the quarter ended December 31, 2011.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2011				
Repurchase program (1)	7,052,763	$ 49.64	7,052,763	38,062,159
Employee transactions (2)	—	$ —	N/A	N/A
November 1-30, 2011				
Repurchase program (1)	—	$ —	—	38,062,159
Employee transactions (2)	31,126	$ 51.72	N/A	N/A
December 1-31, 2011				
Repurchase program (1)	—	$ —	—	38,062,159
Employee transactions (2)	—	$ —	N/A	N/A
Total				
Repurchase program (1)	7,052,763	$ 49.64	7,052,763	38,062,159
Employee transactions (2)	31,126	$ 51.72	N/A	N/A

(1) As of December 31, 2011, there were approximately 38 million shares of common stock remaining under Board authorization. Such authorization does not have an expiration date, and at present, there is no intention to modify or otherwise rescind such authorization. Since September 1994, we have acquired 732 million shares of common stock under various Board authorizations to repurchase up to an aggregate of 770 million shares, including purchases made under agreements with third parties. Future share repurchases are subject to approval by the Federal Reserve.

(2) Includes: (a) shares delivered by or deducted from 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 (b) 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.

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

ITEM 6. SELECTED FINANCIAL DATA

The “Consolidated Five-Year Summary of Selected Financial Data” appearing on page 106 of our 2011 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information set forth under the heading “Financial Review” appearing on pages 14-51 of our 2011 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVEAND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the heading “Risk Management” appearing on pages 35-38 and in Note 12 to our Consolidated Financial Statements on pages 80-83 of our 2011 Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The “Report of Independent Registered Public Accounting Firm” (PricewaterhouseCoopers LLP), the “Consolidated Financial Statements” and the “Notes to Consolidated Financial Statements” appearing on pages 53-105 of our 2011 Annual Report to Shareholders are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under 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, the Company’s 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 principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's 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 Company's fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

"Management's Report on Internal Control over Financial Reporting," which sets forth management's evaluation of internal control over financial reporting, and the "Report of Independent Registered Public Accounting Firm" on the effectiveness of the Company's internal control over financial reporting as of December 31, 2011, appearing on pages 52-53 of our 2011 Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9B. OTHERINFORMATION

Not applicable.

PART III

ITEMS 10, 11, 12 and 13. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE; EXECUTIVE COMPENSATION; SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS; CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We expect to file with the SEC in March 2012 (and, in any event, not later than 120 days after the close of our last fiscal year), a definitive proxy statement, pursuant to SEC Regulation 14A in connection with our Annual Meeting of Shareholders to be held April 30, 2012 **,** which involves the election of directors. The following information to be included in such proxy statement is incorporated herein by reference:

- Information included under the caption "Corporate Governance at American Express — Corporate Governance Principles and Practices — Board Independence"
- Information included in the table under the caption "Corporate Governance at American Express — Board Meetings and Board Committees — Board Committee Membership"
- Information under the captions "Corporate Governance at American Express — Board Meetings and Board Committees — Board Committee Responsibilities — Compensation and Benefits Committee — Compensation and Benefits Committee Interlocks and Insider Participation" and "Executive Compensation — Report of the Compensation and Benefits Committee"
- Information included under the caption "Corporate Governance at American Express — Board Meetings and Board Committees — Board Committee Responsibilities — Audit and Risk Committee"
- Information included under the caption "Compensation of Directors"
- Information included under the caption "Ownership of Our Common Shares"
- Information included under the caption "Item 1 — Election of Directors"
- Information included under the caption "Executive Compensation"
- Information under the caption "Additional Information — Certain Relationships and Transactions"
- Information under the caption "Additional Information — Section 16(a) Beneficial Ownership Reporting Compliance"

In addition, the information regarding executive officers called for by Item 401(b) of Regulation S-K may be found under the caption “Executive Officers of the Company” in this Report.

We have adopted a set of Corporate Governance Principles, which together with the charters of the five standing committees of the Board of Directors (Audit and Risk; Compensation and Benefits; Innovation and Technology; Nominating and Governance; and Public Responsibility), our Code of Conduct (which constitutes the Company’s code of ethics) and the Code of Business Conduct for the Members of the Board of Directors, provide the framework for the governance of the Company. A complete copy of our Corporate Governance Principles, the charters of each of the Board committees, the Code of Conduct (which applies not only to our Chief Executive Officer, Chief Financial Officer and Comptroller, but also to all other employees of the Company) and the Code of Business Conduct for the Members of the Board of Directors may be found by clicking on the “Corporate Governance” link found on our Investor Relations Web site at http://ir.americanexpress.com. You may also access our Investor Relations Web site through the Company’s main Web site at www.americanexpress.com by clicking on the “About American Express” link, which is located at the bottom of the Company’s homepage. (Information from such sites is not incorporated by reference into this Report.) You may also obtain free copies of these materials by writing to our Secretary at the Company’s headquarters.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information set forth under the heading “Item 2 — Ratification of Appointment of Independent Registered Public Accounting Firm — PricewaterhouseCoopers LLP Fees and Services,” which will appear in the Company’s definitive proxy statement in connection with our Annual Meeting of Shareholders to be held April 30, 2012, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

1. *Financial Statements* :

The financial statements filed as a part of this Report are listed on page F-1 hereof under “Index to Financial Statements,” which is incorporated herein by reference.

2. *Financial Statement Schedules* :

All schedules are omitted since the required information is either not applicable, not deemed material, or shown in the respective financial statements or in notes thereto.

3. *Exhibits* :

The list of exhibits required to be filed as exhibits to this Report is listed on pages E-1 through E-4 hereof under “Exhibit Index,” which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN EXPRESS COMPANY

/ s / D ANIEL T. H ENRY
Daniel T. Henry
Executive Vice President and
Chief Financial Officer

February 23, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the date indicated.

/ s / K ENNETH I. C HENAULT
Kenneth I. Chenault
Chairman, Chief Executive Officer and
Director

/ s / J AN L ESCHLY
Jan Leschly
Director

/s/ D ANIEL T. H ENRY
Daniel T. Henry
Executive Vice President and
Chief Financial Officer

/ s / R ICHARD C. L EVIN
Richard C. Levin
Director

/ s / L INDA Z UKAUCKAS
Linda Zukauckas
Executive Vice President and
Comptroller

/ s / R ICHARD A. M C G INN
Richard A. McGinn
Director

/ s / D ANIEL F. A KERSON
Daniel F. Akerson
Director

/ s / E DWARD D. M ILLER
Edward D. Miller
Director

/ s / C HARLENE B ARSHEFSKY
Charlene Barshefsky
Director

/ s / S TEVEN S R EINEMUND
Steven S Reinemund
Director

/ s / U RSULA M. B URNS
Ursula M. Burns
Director

/ s / R OBERT D. W ALTER
Robert D. Walter
Director

/ s / P ETER C HERNIN
Peter Chernin
Director

/ s / R ONALD A. W ILLIAMS
Ronald A. Williams
Director

/s/ T HEODORE J. L EONSIS
Theodore J. Leonsis
Director

February 23, 2012

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AMERICAN EXPRESS COMPANY

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All schedules for American Express Company and subsidiaries have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the respective financial statements or notes thereto. Refer to Notes 5 and 26 to the Consolidated Financial Statements in our 2011 Annual Report to Shareholders for information on accounts receivable reserves, loan reserves and condensed financial information of the Parent Company only, respectively.

* * *

The Consolidated Financial Statements of American Express Company (including the report of independent registered public accounting firm) listed in the above index, which are included in our 2011 Annual Report to Shareholders, are hereby incorporated by reference. With the exception of the pages listed in the above index, unless otherwise incorporated by reference elsewhere in this Report, our 2011 Annual Report to Shareholders is not to be deemed filed as part of this report.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements (Form S-8 No. 2-46918, No. 2-59230, No. 2-64285, No. 2-73954, No. 2-89680, No. 33-01771, No. 33-02980, No. 33-28721, No. 33-33552, No. 33-36442, No. 33-48629, No. 33-62124, No. 33-65008, No. 33-53801, No. 333-12683, No. 333-41779, No. 333-52699, No. 333-73111, No. 333-38238, No. 333-98479 and No. 333-142710; Form S-3 No. 2-89469, No. 333-32525 and No. 333-162791) of American Express Company of our report dated February 24, 2012, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the 2011 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 24, 2012

EXHIBIT INDEX

The following exhibits are filed as part of this Annual Report. The exhibit numbers preceded by an asterisk (*) indicate exhibits electronically filed herewith. All other exhibit numbers indicate exhibits previously filed and are hereby incorporated herein by reference. Exhibits numbered 10.1 through 10.30 and 10.38 through 10.41 are management contracts or compensatory plans or arrangements.

3.1	Company's Restated Certificate of Incorporation (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, dated July 31, 1997 (Commission File No. 333-32525)).
3.2	Company's Certificate of Amendment of the Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2000).
3.3	Company's Certificate of Amendment of the Certificate of Incorporation (incorporated by reference to Exhibit 3.3 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2008).
3.4	Company's Certificate of Amendment of the Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated January 7, 2009 (filed January 9, 2009).
3.5	Company's By-Laws, as amended through February 24, 2011, (incorporated by reference to Exhibit 3.5 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
4.1	The instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries are omitted pursuant to Section(b)(4)(iii)(A) of Item 601 of Regulation S-K. The Company hereby agrees to furnish copies of these instruments to the SEC upon request.
4.2	Form of Global Note for $1,250,000,000 principal amount of 7.25% Notes due May 20, 2014 (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated May 19, 2009).
4.3	Form of Global Note for $1,750,000,000 principal amount of 8.125% Notes due May 20, 2019 (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated May 19, 2009).
10.1	American Express Company 1998 Incentive Compensation Plan, as amended through July 25, 2005 (incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2005).
10.2	American Express Company 1998 Incentive Compensation Plan Master Agreement, dated April 27, 1998 (for awards made prior to January 22, 2007) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 2004).
10.3	Amendment of American Express Company 1998 Incentive Compensation Plan Master Agreement, dated April 27, 1998 (for awards made prior to January 22, 2007) (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2000).
10.4	American Express Company 1998 Incentive Compensation Plan Master Agreement, dated January 22, 2007 (for awards made on or after such date) (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.5	American Express Company 2007 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated April 23, 2007 (filed April 27, 2007)).

10.6	American Express Company 2007 Incentive Compensation Plan Master Agreement (as amended and restated effective January 1, 2011), (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
10.7	Form of award agreement for executive officers in connection with Performance Grant awards (a/k/a Incentive Awards) under the American Express Company 2007 Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.8	American Express Company Deferred Compensation Plan for Directors and Advisors, as amended through January 1, 2009 (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.9	American Express Company 2007 Pay-for-Performance Deferral Program Document (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated November 20, 2006 (filed November 22, 2006)).
10.10	Description of amendments to 1994 – 2006 Pay-for-Performance Deferral Programs (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2006).
10.11	American Express Company 2006 Pay-for-Performance Deferral Program Guide (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated November 21, 2005 (filed November 23, 2005)).
10.12	American Express Company 2005 Pay-for-Performance Deferral Program Guide (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2004).
10.13	Description of American Express Company Pay-for-Performance Deferral Program (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (Commission File No. l-7657), dated November 22, 2004 (filed January 28, 2005)).
10.14	Amendment to the Pre-2008 Nonqualified Deferred Compensation Plans of American Express Company (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.15	American Express Company Retirement Plan for Non-Employee Directors, as amended (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1988).
10.16	Certificate of Amendment of the American Express Company Retirement Plan for Non-Employee Directors dated March 21, 1996 (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1995).
10.17	American Express Key Executive Life Insurance Plan, as amended (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the fiscal year ended December 31, 1991).
10.18	Amendment to American Express Company Key Executive Life Insurance Plan (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 1994).
10.19	Amendment to American Express Company Key Executive Life Insurance Plan, effective as of January 22, 2007 (incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2006).
10.20	Amendment to American Express Company Key Executive Life Insurance Plan, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).

10.21	American Express Key Employee Charitable Award Program for Education (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1990).
10.22	American Express Directors' Charitable Award Program (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1990).
10.23	American Express Company Salary/Bonus Deferral Plan (incorporated by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1988).
10.24	Amendment to American Express Company Salary/Bonus Deferral Plan (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 1994).
10.25	American Express Company 1993 Directors' Stock Option Plan, as amended (incorporated by reference to Exhibit 10.11 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2000).
10.26	American Express Senior Executive Severance Plan, effective January 1, 1994 (as amended and restated through January 1, 2011) (incorporated by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
10.27	Amendments of (i) the American Express Salary/Bonus Deferral Plan and (ii) the American Express Key Executive Life Insurance Plan (incorporated by reference to Exhibit 10.37 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1997).
*10.28	American Express Retirement Restoration Plan (f/k/a Supplemental Retirement Plan) (as amended and restated effective as of January 1, 2012).
10.29	American Express Annual Incentive Award Plan (as amended and restated effective January 1, 2011) (incorporated by reference to Exhibit 10.34 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
10.30	American Express Company 2003 Share Equivalent Unit Plan for Directors, as amended and restated, effective January 1, 2009 (incorporated by reference to Exhibit 10.40 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.31	Agreement dated February 27, 1995 between the Company and Berkshire Hathaway Inc. (incorporated by reference to Exhibit 10.43 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1994).
10.32	Agreement dated July 20, 1995 between the Company and Berkshire Hathaway Inc. and its subsidiaries (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 1995).
10.33	Amendment dated September 8, 2000 to the agreement dated February 27, 1995 between the Company and Berkshire Hathaway Inc. (incorporated by reference to Exhibit 99.3 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated January 22, 2001).
10.34	Tax Allocation Agreement, dated as of September 30, 2005, by and between American Express Company and Ameriprise Financial, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated October 6, 2005).
10.35	Time Sharing Agreement, dated May 27, 2010, by and between National Express Company and Kenneth I. Chenault (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended June 30, 2010).
10.36	Consulting Services Agreement, effective July 19, 2010, by and between American Express Company and Theodore J. Leonsis (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended June 30, 2010).

10.37	Extension of Consulting Services Agreement, dated August 1, 2011, to Consulting Services Agreement, effective July 19, 2010, by and between American Express Company and Theodore J. Leonsis (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended June 30, 2011).
10.38	Description of Compensation Payable to Non-Management Directors (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended June 30, 2010).
10.39	American Express Company 2007 Incentive Compensation Plan Master Agreement (as amended and restated effective January 23, 2012) (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated January 23, 2012 (filed January 27, 2012)).
10.40	Form of award agreement for executive officers in connection with Performance Grant awards (a/k/a Incentive Awards) under the American Express Company 2007 Incentive Compensation Plan (for awards made after January 23, 2012) (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated January 23, 2012 (filed January 27, 2012)).
10.41	Form of award agreement for executive officers in connection with Portfolio Grant awards under the American Express Company 2007 Incentive Compensation Plan (for awards made after January 23, 2012) (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated January 23, 2012 (filed January 27, 2012)).
*12	Computation in Support of Ratio of Earnings to Fixed Charges.
*13	Portions of the Company's 2011 Annual Report to Shareholders that are incorporated herein by reference.
*21	Subsidiaries of the Company.
*23.1	Consent of PricewaterhouseCoopers LLP (contained on page F-2 of this Annual Report on Form 10-K).
*31.1	Certification of Kenneth I. Chenault, Chief Executive Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*31.2	Certification of Daniel T. Henry, Chief Financial Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*32.1	Certification of Kenneth I. Chenault, Chief Executive Officer, 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 Daniel T. Henry, Chief Financial Officer, 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
*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

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2011 **Commission File No. 1-7657**

American Express Company

(Exact name of Company as specified in charter)

EXHIBITS

Exhibit 10.28

SECOND AMENDMENT AND RESTATEMENT
OF THE
AMERICAN EXPRESS
RETIREMENT RESTORATION PLAN
(formerly known as the Supplemental Retirement Plan)

(As amended and restated effective as of January 1, 2012)

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SECOND AMENDMENT AND RESTATEMENT
OF THE
AMERICAN EXPRESS
RETIREMENT RESTORATION PLAN
(formerly known as the Supplemental Retirement Plan)

(As amended and restated effective as of January 1, 2012)

ARTICLE 1
HISTORY AND EFFECTIVE DATES

Section 1.1 History .

(a) On November 26, 1973, the Board of Directors (the "Board") of American Express Company ("Amex") authorized and approved the adoption of the American Express Supplementary Pension Plan (the "Plan") to supplement retirement benefits provided under the American Express Retirement Plan and other retirement and savings plans sponsored by Amex for a select group of management or highly compensated individuals.

(b) On July 1, 1994, the Board authorized and directed the amendment and restatement of the Plan pursuant to the provisions of Section 9 thereof. The Plan was amended and restated generally effective March 1, 1995, and renamed the American Express Company Supplemental Retirement Plan. The Plan was subsequently amended through December 31, 2004.

(c) On July 25, 2005, the Board amended and restated the Plan (immediately prior to such amendment and restatement, the "Prior SRP Plan"), effective January 1, 2005. Except as otherwise expressly provided herein, Participants who were in "pay status" as of January 1, 2005 continue to have the payment of their Supplemental Benefits governed solely by the terms of the Prior SRP Plan; provided, however, that effective with payments made in calendar year 2006 and thereafter, payments other than monthly annuity payments which would have been made on April 1 of any year under the Prior SRP Plan are made on July 1 of such year. Participants who were not in "pay status" as of January 1, 2005 are governed from and after such date by the terms of the Plan, as amended and restated, and as further amended and restated from time to time. For purposes of this section, a Participant was in "pay status" as of January 1, 2005 if he or she was entitled to benefits under the Plan as of January 1, 2005, with payments scheduled to begin on or before April 1, 2005.

(d) Effective as of October 1, 2005, Ameriprise Financial, Inc. ("AFI") ceased to be a participating employer in Amex's tax-qualified retirement plans and the components of such plans covering AFI participants were transferred to new plans established by AFI in a transaction that complied with Section 414(l) of the Internal Revenue Code of 1986, as amended (the "Code"). In connection with that transaction, the component of the Prior SRP Plan and the Plan covering AFI participants were similarly transferred, and active and retired AFI participants and AFI beneficiaries ceased participation in and no longer have any benefits under the Prior SRP Plan or the Plan.

(e) Generally effective July 1, 2007, benefit accruals under the American Express Retirement Plan, as amended (the "RP") were ceased. In addition, generally effective as of July 1, 2007, Amex adopted certain changes to the American Express Incentive Savings Plan, as amended, and renamed such plan the American Express Retirement Savings Plan (the "RSP").

(f) On January 22, 2007, the Board amended and restated the Plan, generally effective July 1, 2007, to reflect the changes made to the RP and the RSP, to allow for the elective deferral of compensation under the Plan, and to rename the Plan the American Express Supplemental Retirement Plan.

(g) On November 19, 2007, the Compensation and Benefits Committee (the "CBC") approved the First Amendment to the American Express Supplemental Retirement Plan (the "First Amendment") to provide for the payment of Plan benefits to employees of American Express Bank who would be transferring to the buyer in the sale transaction.

(h) In November 2007, the Employee Benefits Administration Committee ("EBAC"), pursuant to the authority delegated to it, approved the amendment and restatement of the Plan to reflect certain non-material amendments thereto. On November 19, 2007, the CBC approved an amendment to the Plan to provide for accelerated vesting of ROE interest on Deferral Benefits upon the death or disability of a Participant. Effective December 31, 2007, the Executive Vice President of Human Resources, pursuant to the authority delegated to him, approved the amendment and restatement of the Plan to reflect the amendments approved by EBAC and the CBC.

(i) Effective March 29, 2008, the Senior Vice President of Human Resources, Global Compensation & Benefits, pursuant to the authority delegated to him, added a new Section 4.4(b)(v) and amended Section 4.5(c) to make certain changes related to the acquisition of GE Corporate Payment Services.

(j) On July 15, 2008, the Vice President of Global Benefits, pursuant to the authority delegated to him, amended Section 4.4(c) of the Plan to clarify the calculation of Company Contributions for Additional Years of Service.

(k) The Plan was amended and restated, effective January 1, 2009, by the Vice President of Global Benefits, pursuant to the authority delegated to him, to incorporate the prior amendments made to the Plan during 2008, to make the changes necessary or advisable for compliance with Section 409A of the Code and the treasury regulations and other official guidance issued thereunder, and to make certain other non-material amendments to the Plan.

(l) The Plan was amended and restated, effective March 30, 2009, by the Senior Vice President Global Compensation and Benefits, pursuant to the authority delegated to him, (i) to cease certain Company matching contributions and certain Company conversion contributions for the pay period commencing March 30, 2009 through the pay period ending January 3, 2010, and (ii) to disregard the temporary salary reductions in effect for the pay period commencing March 30, 2009 through the pay period ending on January 3, 2010, for purposes of determining a Participant's "Compensation" with respect to crediting his or her RSP-Related Account.

(m) The Plan was amended and restated, effective December 1, 2009, by the Vice President of Global Benefits, pursuant to the authority delegated to him, (i) to expand the class of employees eligible to receive SRP-RSP benefits, and (ii) to remove PG Awards as compensation eligible for elective deferrals.

(n) The Plan was amended and restated, effective January 1, 2011 except as otherwise stated, by the Senior Vice President Global Compensation & Benefits, pursuant to the authority delegated to him by the CBC, to require Participants to defer salary or bonus in order to receive Company Matching Contributions that cannot be provided under the RSP due to the limitations of Section 401(a)(17) of the Code, to eliminate tax gross-up provisions in connection with a Change in Control, to make changes with respect to the Plan's investment crediting process, to alter certain procedures regarding distributions, and to rename the Plan as the American Express Retirement Restoration Plan.

(o) The Plan was amended and restated, effective January 1, 2012 except as otherwise provided herein, by the Senior Vice President Global Compensation & Benefits, pursuant to the authority delegated to him by the CBC, to change the process for the first year of eligibility payment timing elections for Company Matching Contributions, Company Conversion Contributions and Company Profit-Sharing Contributions and to make certain other administrative clarifications.

(p) The Plan has remained in effect since its adoption and has been construed and operated as a "top-hat plan" under Sections 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 2520.104-23 of the United States Department of Labor Regulations.

Section 1.2 Effective Date . Except as expressly provided otherwise herein, the Plan as amended and restated hereby is generally effective January 1, 2012, provided that provisions which are clarifying in nature reflect the intended interpretation of pre-existing plan terms and are effective as of the date that the relevant original provision was added to the Plan.

Section 1.3 Transition Rules .

(a) Supplemental Benefits . Each Participant's accrued benefit under the Prior SRP Plan as of December 31, 2004 ("Grandfathered Supplemental Benefits") were determined by the Administrator in accordance with Section 409A of the Code and Notice 2005-1. Grandfathered Supplemental Benefits are governed by and administered in accordance with the Prior SRP Plan, provided, however, that any election with respect to Grandfathered Supplemental Benefits may not materially modify the rights, terms or conditions of the Prior SRP Plan.

(b) Deferral Benefits . Deferral Benefits have been provided under the Deferral Plan, which for Plan Years ending on or before December 31, 2007, was the American Express Salary Deferral Plan, the American Express Pay-for-Performance Deferral Programs and any other similar non-qualified plans for the deferral of compensation available in such Plan Years (collectively, the "Prior Deferral Plan"), and for Plan Years beginning on or after January 1, 2008, is this Plan. The Deferral Benefits that were earned and vested prior to January 1, 2005

(the "Grandfathered Deferral Benefits") remained subject to the Prior Deferral Plan. Effective October 27, 2010, earnings credits on Grandfathered Deferral Benefits were administered in accordance with Article 7 of this Plan. Finally, such amendments also provided that in the event of a Change in Control, additional earnings credits due as a result of the Change in Control under the terms of the Prior Deferral Plan shall be credited at the AFR, as defined herein. All other benefits have been governed by and administered solely in accordance with the Plan, as amended and restated from time to time. Effective January 1, 2011, the Formerly Grandfathered Deferral Benefits lost their Grandfathered Benefits status and were distributed in accordance with Section 1.4 below. All other Grandfathered Deferral Benefits (including any remaining Grandfathered Deferral Benefits attributable to Degrandfathered Participants) shall continue to be Grandfathered Deferral Benefits, subject to the Prior Deferral Plan.

(c) For convenience of reference, the details regarding the form and timing of payment of Grandfathered Supplemental Benefits, Grandfathered Deferral Benefits, and/or Formerly Grandfathered Deferral Benefits may be set forth on an Appendix to this Plan document, which may be updated or clarified by the Administrator from time to time (provided that such an Appendix shall not alter the form or timing of payment of such benefits from the form and timing provided for by this Section, the Prior SRP Plan and the Prior Deferral Plan, as applicable).

Section 1.4 Modification of Certain Grandfathered Benefits .

(a) Effective January 1, 2011, the Formerly Grandfathered Deferral Benefits of each Degrandfathered Participant which are not scheduled to be in pay status by December 31, 2016 shall be payable in a lump sum on March 1, 2012 unless otherwise elected pursuant to Section 1.4(b). Formerly Grandfathered Deferral Benefits which are scheduled for payment on March 1, 2012 will be credited with earnings under the Interest Credit Method through December 31, 2011, provided, however, that if a Participant becomes an Executive Officer, earnings credited to such Participant's Formerly Grandfathered Deferral Benefits shall not exceed the AFR (except to the extent earnings in excess of the AFR have been paid out prior to the Participant's becoming an Executive Officer). For the portion of 2012 prior to the date of payment, earnings on Formerly Grandfathered Deferral Benefits shall be credited with earnings at the AFR.

(b) On or before December 31, 2010, each Degrandfathered Participant could elect to have his or her formerly Grandfathered Deferral Benefits paid to him or her in a lump sum or five, 10 or 15 substantially equal annual installments, and (i) on a specified date (which must be a January 1 or July 1) that is no earlier than July 1, 2017 (or as soon thereafter as administratively practicable, but no later than 90 days), or (ii) upon his or her Retirement (but no earlier than July 1, 2017), and in the case of a Participant who elected installment payments, payment will continue as of each subsequent January 1 or July 1, whichever is applicable (or as soon thereafter as administratively feasible, but in no event later than 90 days); provided that a Degrandfathered Participant who elects to be paid at Retirement or who elects a specified date and experiences a Separation from Service prior to the selected specified date shall have Deferral Benefits paid as of the later of (i) July 1, 2017 or (ii) the January 1 or July 1 which is at least six months following his or her Separation from Service (or, in either case, as soon thereafter as administratively practicable, but no later than 90 days), provided that in the case of an election of

installment payments, payment will commence as of the later of July 1, 2017 or the July 1 in the calendar year following the year of Separation from Service and continue each July 1 thereafter (or as soon thereafter as administratively feasible, but in no event later than 90 days). If a Participant dies before payment is completed, payment shall be handled in accordance with Section 8.4 as applicable to Post-2010 Deferral Benefits. In any event, such subsequent election shall not become effective until January 1, 2012. If a Degrandfathered Participant files an election to delay payment, his or her Formerly Grandfathered Deferral Benefits will be credited with earnings under the Interest Credit Method through December 31, 2011, provided, however, that if a Participant becomes an Executive Officer, earnings credited to such Participant's Formerly Grandfathered Deferral Benefits shall not exceed the AFR (except to the extent earnings in excess of the AFR have been paid out prior to the Participant's becoming an Executive Officer). Such Formerly Grandfathered Deferral Benefits shall transition to the Hypothetical Investment Method as of January 1, 2012.

ARTICLE 2
DEFINITIONS

Section 2.1 Definitions . As used in the Plan, the following terms have the meanings indicated below:

(a) " Account " means, with respect to a Participant, his or her Deferral Account and Supplemental Account, collectively.

(b) " Administrator " means the Employee Benefits Administration Committee, including any individual(s) to whom the Employee Benefits Administration Committee delegates authority under the Plan, or such other committee or individual(s) authorized to act as the Administrator by the Committee.

(c) " Affiliate " means any corporation or other trade or business under common control with Amex, as further defined in the Qualified Retirement Plans.

(d) " AFR " means 120% of the applicable federal long-term rate for December of the prior Plan Year, as prescribed under Section 1274(d) of the Code.

(e) " Automatic New Participant Supplemental Election " means the irrevocable Supplemental Election made by the Company immediately prior to the date that an Employee first becomes a Participant with respect to certain Supplemental Benefits pursuant to Section 5.4(a)(iii).

(f) " Band 50 Determination Date " means, for each Plan Year, the date in the prior Plan Year selected by the Administrator during such prior Plan Year as the determination date for determining whether an Employee is in Band 50 or above.

(g) " Base Salary " means the compensation of the Participant for the applicable period from the Company, including amounts which would have been paid to a Participant but which instead are contributed by the Company to an employee benefit plan pursuant to a salary reduction agreement and which are not includible in the gross income of the

Participant under Sections 125, 132(a)(5), 132(f)(4), 402 or 403(b) of the Code (or which are includible in income but considered elective deferrals pursuant to Section 402(A) of the Code). When used herein, the term "Base Salary" includes, but is not limited to, the following: regular earnings, shift differential, holiday earnings, regular earnings adjustments, vacation, company holidays, personal holidays, discretionary holidays, Company-paid health-related time off, Company-paid workers compensation consisting of pay for services provided, purchased vacation, termination vacation, and pay in lieu of notice. "Base Salary" shall not include lump-sum severance pay, imputed income, long-term incentive pay, special awards pay, non-qualified deferred compensation, amounts classified hereunder as Incentive Pay, bonuses other than incentive pay, serial severance pay, and Company contributions to other employee benefit plans or to fringe benefit plans.

(h) " Beneficiary " means the individual or entity designated by a Participant in accordance with procedures established by the Administrator to receive the Participant's Supplemental Account or Deferral Account in the event of the Participant's death.

(i) " Benefits " means, with respect to a Participant, his or her Deferral Benefits and Supplemental Benefits, collectively.

(j) " Code " means the Internal Revenue Code of 1986, as amended.

(k) " Committee " means the Compensation and Benefits Committee of the Board, or such successor committee as may be designated by the Board.

(l) " Company " means Amex, any of its subsidiaries and any Affiliates which have become participating employers in a Qualified Retirement Plan.

(m) " Deferral Account " means, with respect to a Participant for a given Plan Year, the book reserve account established by Amex for the Participant for such Plan Year pursuant to Section 6.6.

(n) " Deferral Benefits " means, with respect to a Participant, the benefits credited under the Plan with respect to amounts withheld at the Participant's election from a Participant's compensation which would otherwise have been paid in cash, as adjusted for earnings and losses pursuant to the terms of the Plan.

(o) " Deferral Benefits Eligibility Date " shall be determined in accordance with the rules set forth in Section 6.2.

(p) " Deferral Election " means, with respect to a given Plan Year, an election made by an eligible Employee with respect to his or her Deferral Benefits for such Plan Year under Article 6.

(q) " Deferral Plan " means:

(i) for Plan Years ending on or before December 31, 2007, the American Express Salary Deferral Plan, the American Express Pay-for-Performance Deferral Programs and any other similar non-qualified plans for the deferral of compensation available in such Plan Years; and

(ii) for Plan Years beginning on or after January 1, 2008, the elective account balance nonqualified deferred compensation component of this Plan and such other non-qualified plans or arrangements for the deferral of compensation as determined by the Administrator, in its sole discretion.

(r) " Degrandfathered Participant " means a Participant who had Grandfathered Deferral Benefits immediately prior to October 27, 2010 which are not scheduled to be in pay status by December 31, 2016 and is (i) a Non-Executive Officer as of October 27, 2010 and (ii) not scheduled to be Retirement Eligible by December 31, 2013. By way of clarification, no person who is a Retiree as of October 27, 2010 shall be a Degrandfathered Participant.

(s) " Disability " has the meaning given such term by Section 409A. Whether a Participant has a Disability shall be determined in accordance with Section 409A and the Section 409A Policy.

(t) " Employee " means an elected or appointed officer of the Company or any other individual whom the Administrator identifies as an employee of the Company, and whose compensation is reported on a Form W-2, regardless of whether the use of such form is subsequently determined to be erroneous.

(u) " Exchange Act " means the Securities Exchange Act of 1934, as amended.

(v) " Executive Officer " means an employee in Band 99 as of October 27, 2010; provided, however, that if a person becomes a Band 99 employee after such date, such person will be considered an Executive Officer for purposes of Section 7.3 as of the date he becomes a Band 99 employee.

(w) " Former GE Employees " means those Participants who were hired directly pursuant to the requirements of the Asset Purchase Agreement dated as of March 26, 2008, among General Electric Capital Corporation, GE Capital Financial Inc., General Electric Company, American Express Travel Related Services Company, Inc. and American Express Bank, FSB.

(x) " Formerly Grandfathered Benefits " means Benefits which were Grandfathered Deferral Benefits as of October 27, 2010, (i) which are not scheduled to be in pay status by December 31, 2016 and (ii) which are attributable to Degrandfathered Participants. As of January 1, 2011, Formerly Grandfathered Deferral Benefits attributable to Degrandfathered Participants shall no longer be Grandfathered Deferral Benefits governed by the Prior Deferral Plan, but rather shall become benefits subject to the terms of this Plan as of such date (as amended from time to time).

(y) " Incentive Pay " means overtime, annual incentive cash awards from the American Express Company 2007 Incentive Compensation Plan and the 1998 Incentive Compensation Plan, and the amounts listed on Schedule B. "Incentive Pay" shall not include lump-sum severance pay, imputed income, long-term incentive pay, special awards pay,

non-qualified deferred compensation, amounts classified hereunder as Base Salary, bonuses other than incentive pay, serial severance pay, and Company contributions to other employee benefit plans or to fringe benefit plans.

(z) " Insiders " means Participants who are or may be required to file reports under Section 16(a) of the Exchange Act with respect to equity securities of Amex.

(aa) " Investment Committee " shall mean the Retirement Savings Plan Investment Committee.

(bb) " Minimum Schedule Rate " means, for a calendar year, the "Below ROE Target Range" rate for such calendar year under the metric set forth in Schedule A, as in effect for that calendar year.

(cc) " Moody's A Rate " means, for a calendar year, the average corporate bond yield rate for such calendar year, as announced by Moody's Investor Services for borrowers rated "A."

(dd) " Non-Executive Officer " means a Participant who is not an Executive Officer or a Retiree.

(ee) " Participant " means an Employee who accrues benefits under the Plan.

(ff) " Plan Year " means,

(i) for Supplemental Benefits under Article 5, the calendar year with reference to which benefits are determined under the Qualified Retirement Plan; and

(ii) for Deferral Benefits under Article 6, the specified calendar year.

(gg) " Policy " means the American Express Company Employment Arbitration Policy and Employment Arbitration Acknowledgment Form.

(hh) " Post-2010 Deferral Benefits " means Deferral Benefits (representing dollars deferred pursuant to a Participant's Deferral Election, adjusted for all earnings and losses under the Plan) which are attributable to compensation earned by the Participant in 2011 and subsequent Plan Years.

(ii) " Pre-2011 Deferral Benefits " means Deferral Benefits (representing dollars deferred pursuant to a Participant's Deferral Election, adjusted for all earnings and losses under the Plan) which are attributable to compensation earned by the Participant in 2010 and prior Plan Years (regardless of when an amount deferred would otherwise have been paid in cash).

(jj) " Qualified Retirement Plan " means the RP and/or the RSP, as the context may imply.

(kk) " Retiree " means a Participant who, as of October 27, 2010, was not an Executive Officer, and (i) who as of October 27, 2010, has had a Retirement, or (ii) who is receiving serial separation pay or has signed a separation agreement as of October 27, 2010 and will be Retirement Eligible on or before the last day of the separation period.

(ll) " Retirement " means a voluntary Separation from Service by a Participant who is Retirement Eligible on the date of such Separation from Service.

(mm) " Retirement Eligible " means, with respect to a Participant, he or she is age 55 or older with ten or more actual or deemed years of service with the Company. By way of clarification, "deemed years of service" shall be honored for this purpose only if granted by the time the Participant becomes a Participant.

(nn) " RP-Related Account " means, with respect to a Participant, the book reserve account established by the Company for the Participant pursuant to Section 5.1.

(oo) " RSP-Related Account " means, with respect to a Participant, the book reserve account established by the Company for the Participant pursuant to Section 5.2.

(pp) " RSP Match Percentage " means, with respect to a Participant for a Plan Year, the maximum Company Matching Contribution percentage that would be utilized for purposes of the RSP for such Participant for the Plan Year if the Participant had made the maximum Elective Contribution/Roth Contribution under the RSP for the Plan Year.

(qq) " Schedule Rate " means, for a calendar year, the applicable rate for such calendar year determined under the metric set forth in Schedule A, as in effect for that calendar year.

(rr) " Section 401(a)(17) Limitation " refers to the limitation on the dollar amount of Compensation which may be taken into account under the Qualified Retirement Plans under Section 401(a)(17) of the Code.

(ss) " Section 409A " means Section 409A of the Code, together with the treasury regulations and other official interpretations or guidance issued thereunder.

(tt) " Section 409A Policy " means the American Express Section 409A Compliance Policy, as amended from time to time, and any successor policy thereto.

(uu) " Section 415 Limitations " refers to the limitations on benefits for defined benefit pension plans and defined contribution plans which are imposed by Section 415 of the Code.

(vv) " Separation from Service " has the meaning given such term by Section 409A. Whether a Participant has a Separation from Service shall be determined in accordance with Section 409A and the Section 409A Policy.

(ww) " Severance Plan " means, collectively, (A) the American Express Senior Executive Severance Plan, effective January 1, 1994, as amended and restated effective

January 1, 2009, and as further amended from time to time, and any successor plan thereto, (B) the American Express Severance Pay Plan, effective January 1, 1987, as amended and restated effective January 1, 2009, and as further amended from time to time, and any successor plan thereto, and (C) the American Express Supplemental Unemployment Benefit Plan effective as of May l, 2009, as amended from time to time, and any successor plan thereto.

(xx) " Stock Fund " means the RSP Stock Fund.

(yy) " Supplemental Account " means, with respect to a Participant, his or her RP-Related Account and RSP-Related Account, collectively.

(zz) " Supplemental Benefits " means, with respect to a Participant, the benefits under his or her Supplemental Account.

(aaa) " Supplemental Distribution " means a distribution to a Participant from his or her Supplemental Account.

(bbb) " Supplemental Election " means the election made by a Participant, or in the case of an Automatic New Participant Supplemental Election, by the Company, with respect to the Participant's Supplemental Account under Section 5.4.

(ccc) " Trust " means the trust established by Amex pursuant to Section 9.2(a), which is intended to be classified for federal income tax purposes as a "grantor trust" within the meaning of Subpart E, Part I, Subchapter J, Chapter 1, Subtitle A of the Code.

(ddd) " Unforeseeable Emergency " means a severe financial hardship of the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or the Participant's dependent (as defined in Section 152 of the Code, without regard to paragraphs (b)(1), (b)(2) and (d)(1)(b) thereof), (ii) a loss of the Participant's property due to casualty, or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined by the Administrator based on the relevant facts and circumstances and in accordance with Section 409A.

Section 2.2 Qualified Plan Definitions . Capitalized terms not otherwise defined in the Plan shall have the same meaning set forth in the related Qualified Retirement Plan, to the extent applicable, as the context may imply.

Section 2.3 Gender and Number . All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. For all purposes of the Plan, where the context admits, the singular shall include the plural, and the plural shall include the singular.

ARTICLE 3
ADMINISTRATION

Section 3.1 Administrator . The Plan shall be administered by the Administrator.

Section 3.2 Authority . Except as otherwise provided by the Committee (subject to the limitation on the Committee's authority under Section 10.7), the Administrator shall have full power, authority and discretion to interpret, construe and administer the Plan, and such interpretation and construction thereof and actions taken thereunder shall be binding on all persons for the purposes so stated by the Administrator. The Administrator may correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Administrator deems necessary or desirable. In the event of a mathematical or accounting error made, or other similar mistake, the Administrator shall have power in its discretion to cause such equitable adjustments to be made to correct for such errors as it considers appropriate in the circumstances. Any decision of the Administrator in the administration of the Plan shall be final and conclusive and binding upon all Participants and Beneficiaries. The Administrator, in its discretion, may delegate its authority and responsibilities, and references to "the Administrator" shall be deemed also to refer to persons to whom such authority and responsibilities are delegated, to the extent of such delegation.

ARTICLE 4
ELIGIBILITY

Section 4.1 Eligibility . Participation in this Plan shall be limited to Employees who meet the requirements of Section 4.2, and shall automatically occur for such Employees, provided that the Administrator may designate, on a case-by-case basis, Employees or categories of Employees who shall not be eligible to participate in all or any portion of this Plan, and provided further, that the determination of eligible Employees shall be made consistent with the requirement that the Plan be a "top-hat" plan for purposes of ERISA.

Section 4.2 Participation . To become a Participant in the Plan, an Employee must satisfy Section 4.1 and:

(a) be a participant under a Qualified Retirement Plan maintained by the Company. Participation by an Employee in a Qualified Retirement Plan shall be determined pursuant to and in accordance with the eligibility criteria applicable under such Qualified Retirement Plan; and

(b) for the relevant Plan Year:

(i) have an Account under the Plan from a prior Plan Year; or

(ii) receive Total Pay (as defined under the RSP, without regard to the Section 401(a)(17) Limitation) in excess of the Section 401(a)(17) Limitation; or

(iii) be employed in Band 50 or above as of the Band 50 Determination Date in the prior Plan Year (provided that an individual newly hired into or promoted to Band 50 or newly eligible while in Band 50 after the Band 50 Determination Date and not already a Participant eligible for open enrollment may be permitted by the Administrator (in its discretion, and in accordance with such administrative policies as the Administrator may establish) to participate in open enrollment for the coming Plan Year); or

(iv) accrue benefits under a Qualified Retirement Plan in excess of the Section 415 Limitation.

ARTICLE 5
SUPPLEMENTAL BENEFITS

Section 5.1 Benefits Under the RP . If a Participant is a participant under the RP, other than a terminated participant, the Company shall establish an RP-Related Account for such Participant, which shall be determined as follows:

(a) "Compensation" for RP Credits . For purposes of RP credits under this Section 5.1, "Compensation" has the meaning given such term in the RP, provided that the Committee may, in its discretion, designate additional or different items as Compensation for purposes of this Section 5.1. Effective with the 2003 performance year (which awards were granted in 2004) and thereafter, "Compensation" for purposes of RP credits under this Section 5.1 shall include the value of restricted stock awards granted to certain Participants in lieu of cash supplemental Annual Incentive Awards.

(b) Contribution Credits . There shall be credited to a Participant's RP-Related Account for each Plan Year, in accordance with Section 5.3, an amount equal to the excess, if any, of: (x) the Contribution Credits that would have been credited to a Participant's Defined Benefit Account Balance under the RP for the Plan Year if the Plan's definition of Compensation was used, the Section 401(a)(17) Limitation was ignored, and the Participant had not elected or been required to defer the receipt of any Compensation pursuant to a Deferral Plan, over (y) the actual Contribution Credits credited to the Participant's Defined Benefit Account Balance under the RP for the Plan Year. No credits shall be made to a Participant's RP-Related Account pursuant to this Section 5.1(b) for any pay period ending on or after July 1, 2007.

(c) Benefits Formula . The formula of the benefits for a Plan Year under this Section 5.1 shall be determined by the Administrator and applied in a uniform manner for all similarly situated Participants.

(d) Additional Years of Service .

(i) Certain Participants, as determined by the Company in its sole discretion, may be deemed to have rendered five additional Years of Service under the Plan. For each such Participant, subject to such terms and conditions as the Company may impose upon such benefits by special agreement with such Participant (in the event of a conflict with this Section 5.1(d), such special agreement shall control), an additional amount shall be credited to the Participant's RP-Related Account equal to the excess, if any of: (x) the total cumulative Contribution Credits that would have been credited to the Participant's RP-Related Account under this Section 5.1 had the Participant rendered such additional Years of Service under the RP, over (y) the actual total cumulative Contribution Credits credited to the Participant's RP-Related Account under this Section 5.1 as of the date the Participant is eligible for such benefits under the Plan. Subject to the terms of the special agreement with each such Participant, such amounts shall be calculated and credited to the RP-Related Account established for the Participant in

accordance with Section 5.3 under procedures to be determined from time to time by the Administrator and consistently applied to similarly situated Participants. Unless otherwise determined by the Administrator or agreed in a special agreement with the Participant, amounts credited under this Section 5.1(d) shall be subject to five-year vesting, and such amounts shall be forfeited by the Participant if the Participant's service with the Company terminates for any reason other than death or disability (as defined in the RP) before five years of actual service have been rendered to the Company by such Participant.

(ii) For each Participant with a special agreement described in Section 5.1(d)(i) who has not accrued five Years of Service as of July 1, 2007, the Participant shall be entitled to received the credit described in Section 5.1(d)(i) for the 2007 Plan Year as if the RP had remained in effect through December 31, 2007, and the Participant were an active participant in the RP through such date. Regardless of any special agreement described in Section 5.1(d)(i), a Participant shall not be entitled to receive any credit under this Section 5.1 for the 2008 Plan Year or later.

Section 5.2 Benefits in Excess of Limits Under the RSP . If a Participant is a participant in the RSP, other than a terminated participant, the Company shall establish an RSP-Related Account for such Participant, which shall be determined as follows:

(a) "Compensation" for RSP Credits .

(i) *Definition* . For purposes of RSP credits under this Section 5.2, "Compensation" has the meaning given the term "Total Pay" in the RSP, provided that the Committee may, in its discretion, designate additional or different items as Compensation for purposes of this Section 5.2. Effective July 1, 2007, "Compensation" for purposes of RSP credits under this Section 5.2 shall include the value of restricted stock awards granted to certain Participants in lieu of cash Annual Incentive Awards, subject to the limitation set forth in Section 5.2(a)(ii).

(ii) *Limitation* . "Compensation" of a Participant who is in Band 50 or above for purposes of RSP credits under this Section 5.2 shall not include any Incentive Pay (including the value of any restricted stock awards granted to certain Participants in lieu of cash Annual Incentive Awards) in excess of one times his or her Base Salary. For purposes of this provision, a Participant's pay band and Base Salary shall be determined as of January 1 of each Plan Year. In addition, Incentive Pay subject to this limitation shall only be those amounts actually paid in the Plan Year, regardless of when such amounts were earned.

(iii) *Temporary Salary Reductions Disregarded* . In determining the Compensation of a Participant for purposes of this Section 5.2, "Total Pay" under the RSP shall be determined by disregarding the temporary salary reductions in effect for the pay period commencing March 30, 2009 through the pay period ending on January 3, 2010.

(b) Contribution Credits . The following amounts shall be credited to the Participant's RSP-Related Account for each Plan Year, in accordance with Section 5.3:

(i) *Company Stock Contribution* . An amount equal to: (a) one percent of the sum of: (i) the Participant's Compensation, calculated without the

Section 401(a)(17) Limitation or Section 415 Limitations, plus (ii) that portion of a Participant's Compensation deferred during such Plan Year pursuant to a Deferral Plan, minus (b) the amount actually allocated as a Company Stock Contribution to the account of the Participant under the RSP. For purposes of this Section 5.2(b)(i), the Section 401(a)(17) Limitation shall be deemed to apply pro ratably to each regularly scheduled pay period for each Plan Year. No credits shall be made to a Participant's RSP-Related Account pursuant to this Section 5.2(b)(i) for any pay period ending on or after July 1, 2007.

(ii) *Company Profit-Sharing Contribution* . An amount equal to: (a) the Company Profit-Sharing Contribution percentage utilized for purposes of the RSP for that Plan Year for such Participant times the sum of: (i) the Participant's Compensation, calculated without the Section 401(a)(17) Limitation or Section 415 Limitations, plus (ii) that portion of a Participant's Compensation deferred during such Plan Year pursuant to a Deferral Plan, minus (b) the amount actually allocated as a Company Profit-Sharing Contribution to the Account of the Participant under the RSP. Unless otherwise expressly provided in the Plan, benefits credited under this Section 5.2(b)(ii) at the time of a Supplemental Distribution shall be restricted to a Participant's vested portion, as determined under the applicable provisions of the RSP. Any non-vested portion of such deferred compensation to be paid shall be forfeited.

(iii) *Company Matching Contribution* .

(A) Before March 15, 2005, an amount equal to that portion of the Company Matching Contribution that would have been contributed and allocated to the account of a Participant by the Company as a Matching Contribution on behalf of a Participant, (a) to the extent such contribution is limited by the Section 401(a)(17) Limitation or Section 415 Limitations, minus such amount allocated as a Matching Contribution to the account of the Participant under the RSP, and (b) with respect to that portion of a Participant's Compensation deferred pursuant to a Deferral Plan, and assuming (i) such portion had not been deferred and (ii) the Participant had elected to make Elective Contributions under the RSP equal to three percent (or such lesser amount if actually elected by the Participant under the RSP) of such Participant's compensation deferred under such Deferral Plan.

(B) Effective March 15, 2005 through December 31, 2010, except as otherwise provided by Section 5.2(b)(iii)(C), a Company matching contribution, whether or not the Participant actually elects to defer Compensation under the RSP, equal to the Participant's RSP Match Percentage for the Plan Year multiplied by the sum of: (i) that portion of the Participant's Compensation which was deferred during the Plan Year pursuant to a Deferral Plan, and (ii) that portion of the Participant's Compensation (not including the amounts deferred as described in clause (i) above) in excess of the Section 401(a)(17) Limitation, shall be contributed and allocated to the Account of a Participant by the Company as a matching contribution on behalf of such Participant; provided, however, for purposes of this Company matching contribution, Compensation shall not be subject to the Section 401(a)(17) Limitation. Unless otherwise expressly provided in the Plan, benefits credited under this Section 5.2(b)(iii) at the time of a Supplemental Distribution shall be restricted to a Participant's vested portion, as determined under the applicable provisions of the RSP. Any non-vested portion of such deferred compensation to be paid shall be forfeited.

(C) No Company matching contributions shall be made for the pay period commencing March 30, 2009 through the pay period ending January 3, 2010 to any Participant; provided, however, the preceding limitation shall not apply to Participants who are Former GE Employees. For the avoidance of doubt, when Company matching contributions resumed after the pay period ending on January 3, 2010, such contributions were resumed in the same amount as in effect immediately prior to the pay period beginning on March 30, 2009; provided, however, that the Company continued to retain the right to modify, amend or terminate the Plan and any contributions thereunder at any time for any reason whatsoever. Effective for Compensation paid on or after January 1, 2011, Matching Contributions will be calculated solely in accordance with Section 5.2(b)(iii)(D).

(D) Effective with Compensation paid on or after January 1, 2011:

(i) Each eligible Participant who meets the eligibility requirements for a Qualified Matching Contribution (or other type of matching contribution) under the RSP (but without regard to whether or not he or she contributes under the RSP) shall receive a Matching Contribution each Plan Year equal to the Participant's salary reduction amount (from Base Salary, Incentive Pay or a combination of both) contributed pursuant to a Deferral Election under Article 6 for such Plan Year (up to a maximum of five percent of the Participant's Compensation which is not counted under the RSP either because it is in excess of the Section 401(a)(17) Limitation for the Plan Year or because it has been deferred under a Deferral Plan). Compensation for this purpose will not include amounts paid prior to a Participant's Entry Date under the RSP with respect to Qualified Matching Contributions (or other type of matching contributions, as applicable). Solely with respect to Incentive Pay paid in 2011, the Matching Contribution will be calculated by applying the formula set forth in this paragraph but assuming that the Participant elected to defer five percent of any such Incentive Pay payment to the extent the Participant's Compensation has exceeded the Section 401(a)(17) Limitation (counting Base Salary first, for this purpose) or been disregarded due to deferral under a Deferral Plan, regardless of the Participant's actual election.

(ii) Separately from any Matching Contribution calculated under (i), a Participant will be provided a Matching Contribution equal to the amount of Qualified Matching Contribution (or other type of matching contribution) that would have been provided to the Participant under the RSP, but was not able to be provided solely on account of the limitations of Section 415 of the Code.

(iii) The vesting of Matching Contributions will parallel the vesting rules applicable under the RSP.

(iv) *Company Conversion Contribution* .

(A) Except as otherwise provided by Section 5.2(b)(iv)(B), an amount equal to: (a) the Company Conversion Contribution percentage utilized for purposes of the RSP for that Plan Year for such Participant times the sum of: (i) the Participant's Compensation, calculated without the Section 401(a)(17) Limitation or Section 415 Limitations, plus (ii) that portion of a Participant's Compensation deferred during such Plan Year pursuant to

a Deferral Plan, minus (b) the amount actually allocated as a Company Conversion Contribution to the Account of the Participant under the RSP. Unless otherwise expressly provided in the Plan, benefits credited under this Section 5.2(b)(iv)(A) at the time of a Supplemental Distribution shall be restricted to a Participant's vested portion, as determined under the applicable provisions of the RSP. Any non-vested portion of such deferred compensation to be paid shall be forfeited.

(B) No Company conversion contributions were made for the pay period commencing March 30, 2009 through the pay period ending January 3, 2010 to any Participant; provided, however, the preceding limitation did not apply to Participants who were Retirement Eligible as of December 31, 2009. For the avoidance of doubt, when Company conversion contributions resumed after the pay period ending on January 3, 2010, such contributions resumed in the same amount as in effect immediately prior to the pay period beginning on March 30, 2009; provided, however, that the Company continued to retain the right to modify, amend or terminate the Plan and any contributions thereunder at any time for any reason whatsoever.

(v) *Transition Contributions for Certain Former GE Capital Employees* . For Former GE Employees, an amount equal to: (a) the Transition Contribution percentage utilized for purposes of the RSP for that Plan Year for such Participant times the sum of: (i) the Participant's Compensation, calculated without the Section 401(a)(17) Limitation or Section 415 Limitations, plus (ii) that portion of a Participant's Compensation deferred during such Plan Year pursuant to a Deferral Plan, minus (b) the amount actually allocated as a Transition Contribution to the Account of the Participant under the RSP. Notwithstanding the foregoing, if an individual would be eligible for both Company Conversion Contributions under Section 5.2 (b)(iv) and Transition Contributions under this Section 5.2(b)(v), such individual shall only receive the greater of the Company Conversion Contributions and the Transition Contributions to which he or she would otherwise be entitled during such period of dual eligibility. Unless otherwise expressly provided in the Plan, benefits credited under this Section 5.2(b)(v) at the time of a Supplemental Distribution shall be restricted to a Participant's vested portion, as determined under the applicable provisions of the RSP. Any non-vested portion of such deferred compensation to be paid shall be forfeited. The right to Transition Contributions under this Section shall expire at the same time as the right to Transition Contributions under the RSP. Pursuant to the terms of the RSP, no Transition Contributions are made for periods after March 31, 2011.

(vi) *No Disability Contributions* . The RSP provides for certain contributions to be made on account of qualifying RSP participants who are "disabled" as defined under the RSP. For the avoidance of doubt, this Plan does not provide for such continuing contributions on account of a disability.

(c) Company Contribution for Additional Years of Service . Certain Participants, as determined by the Company in its sole discretion, may be deemed to have rendered five additional Years of Service under the RSP. For each such Participant, for the period of January 1, 2008 and thereafter, subject to such terms and conditions as the Company may impose upon such benefits by special agreement with such Participant (in the event of a conflict with this Section 5.2(c), such special agreement shall control), an additional amount shall be credited to the Participant's RSP-Related Account equal to 80 percent (or such lower

percentage specified in the special agreement) of the Participant's annual rate of base salary (as of the Participant's date of hire), before any reduction for any amounts deferred by the Participant pursuant to Section 401(k) or Section 125 of the Code, or pursuant to a Deferral Plan or any other non-qualified plan which permits the voluntary deferral of compensation. Subject to the terms of the special agreement with each such Participant, such amounts shall be calculated under procedures to be determined from time to time by the Administrator and consistently applied to similarly situated Participants. Unless otherwise determined by the Administrator or agreed in the special agreement with the Participant, amounts credited under this Section 5.2(c) shall be subject to five-year vesting, and such amounts shall be forfeited by the Participant if the Participant's service with the Company terminates for any reason other than death or disability (as defined in the RSP) before five years of actual service have been rendered to the Company by such Participant. Amounts described in this Section 5.2(c) shall be credited to the RSP-Related Account established for the Participant in accordance with Section 5.3.

Section 5.3 Crediting of Account .

(a) Time and Manner . Amounts described in this Article 5 shall be credited to the Supplemental Account established for a Participant at such times and in such manner as may be determined by the Administrator. In making such credits, the Administrator shall generally attempt to, but shall not be required to, credit accounts at a time and in a manner as similar as possible to the time and manner for the crediting of similar amounts under the Qualified Retirement Plans; provided, however, that:

(i) unless the Administrator determines otherwise, amounts credited to a Supplemental Account with respect to the application of the Section 415 Limitations to the RP shall be estimated by the Administrator at the time of a Participant's Separation from Service, based on such assumptions as the Administrator may reasonably impose and consistently applied to similarly situated Participants, and assuming that the Participant would begin receiving benefits under the RP at the time of the Participant's Separation from Service, or if later, at the earliest possible date that the Participant could start to receive benefits under the RP, and such estimated amount shall be credited immediately preceding the date upon which the Participant will receive (or commence receiving, in the case of installment payments) payment of benefits under the Plan; and

(ii) unless otherwise determined by the Administrator or agreed in a special agreement with a Participant, amounts credited to a Supplemental Account pursuant to Section 5.2(c) shall be determined as of and credited on the one-year anniversary of the later of the date of the special agreement or the first day of the Participant's employment by the Company. The Administrator shall apply such procedures consistently to similarly situated Participants.

(b) Company Stock Contributions . Amounts described in Section 5.2(b)(i) shall be initially credited to the RSP-Related Account established for a Participant, to a subaccount relating to the Stock Fund. For purposes of the Plan, the amount of such credits shall be determined by the Administrator in a manner determined by the Administrator to be reasonably consistent with similar determinations made under the Stock Fund.

(c) Other Contributions . Amounts described in Section 5.2(b)(ii) (profit-sharing contributions), Section 5.2(b)(iii) (matching contributions), Section 5.2(b)(iv) (conversion credits), Section 5.2(b)(v) (GE Capital transition contributions) and Section 5.2(c) (special agreement credits) shall be credited to the RSP-Related Account established for a Participant, which shall contain various subaccounts selected by the Administrator in its sole and exclusive discretion, representing the various investment funds available to a Participant under the RSP as provided for in the Plan; provided that:

(i) if a Participant has directed RSP-Related amounts to the Stock Fund and the credits to the RSP-Related Account of a Participant pursuant to this Section 5.3(c) to the subaccount relating to the Stock Fund would result in the aggregate Company Stock holdings of such Participant under the RSP-Related Account exceeding ten percent of the total value of his or her RSP-Related Account (determined at the time of the transfer), then such Participant shall be deemed to have selected, with respect to any such excess, the default subaccount designated by the Investment Committee for purposes of the RSP for allocations exceeding the applicable ten-percent threshold under RSP, or if none, such other default subaccount designated by the Investment Committee for purposes of the RSP; and

(ii) unless otherwise determined by the Administrator, no subaccount shall be established under the Plan to coincide with any self-directed brokerage account which may be available under the RSP.

(d) Additional Accounts . The Administrator may, in its sole and exclusive discretion, establish additional book reserve accounts from time to time. The procedures to reflect and credit increases, decreases, interest, dividends, and other income, gains and losses shall be determined by the Administrator in its sole and exclusive discretion.

Section 5.4 Supplemental Benefits Payment Election . Any Supplemental Benefits payable under the Plan shall be paid in cash from the general assets of the Company in the form elected by the Participant subject to the following:

(a) In accordance with rules and procedures adopted by the Administrator in compliance with Section 409A, existing Participants, including Participants (other than those in pay status on December 31, 2004) under the Prior SRP Plan, may make Supplemental Elections as follows:

(i) Participants who have not previously made an initial Supplemental Election under Section 5.4(b), whether under the Plan or under the Prior SRP Plan, may make such an initial Supplemental Election on or before the date set by the Administrator, which shall not be later than December 31, 2005.

(ii) Participants who have previously made an initial Supplemental Election under Section 5.4(b), whether under the Plan or under the Prior SRP Plan, but who have not previously modified such election under Section 5.4(d), whether under the Plan or under the Prior SRP Plan, may change such Supplemental Election on or before the date set by the Administrator, which shall not be later than December 31, 2005, to elect any payment form permissible under Section 5.4(b) and Section 409A, regardless of whether such Supplemental

Election lengthens or shortens the period over which payments from the Plan shall be made. For the avoidance of doubt, any such distribution which accelerates payments from the Plan shall not cause any reduction in the amounts otherwise payable hereunder. Notwithstanding Section 5.4(d), if made on or before December 31, 2005 in accordance with this Section 5.4(a)(ii), such subsequent Supplemental Election shall be made in accordance with Section 409A, but, to the extent permitted under Section 409A transition guidance, need not comply with the requirement regarding a minimum additional deferral period of five years. Any such subsequent Supplemental Election made under this Section 5.4(a)(ii) shall constitute a modification for purposes of the one-time limitation contained in Section 5.4(d), and no additional modification will thereafter be permitted under Section 5.4(d).

(iii) Employees who first become Participants after December 31, 2005 may make an initial Supplemental Election in accordance with rules and procedures adopted by the Administrator in compliance with Section 409A, which, with respect to Employees who first become Participants on or after January 1, 2012 and individuals who first become entitled to Supplemental Benefits as a result of Compensation paid during the fourth quarter of 2011, shall be applied as follows:

(A) A Participant's initial Supplemental Election shall not be effective with respect to Company contributions described in the following paragraphs:

(i) In the case of a Participant who first receives Compensation with respect to which Company contributions are credited under this Plan for the first, second or third quarter of the calendar year, or in the case of a new Participant in Band 50 or above, whose 30 day election period under Article 6 expires no later than December 31 st of his first calendar year as a Band 50 Employee eligible to participate in this Plan, or in the case of a new Participant who is not in Band 50 or above, who is identified as an eligible Employee prior to the Band 50 Determination Date of a calendar year and permitted to file an election during open enrollment under Article 6 for the following calendar year, such Participant's initial Supplemental Election shall not be effective with respect to Company contributions calculated based on Compensation paid prior to the end of the first calendar year beginning on or after the date on which the Participant first is paid Compensation with respect to which Company contributions under this Plan are calculated.

(ii) In the case of a Participant who first is paid Compensation with respect to which Company contributions are calculated for the fourth quarter of a calendar year and who in the case of a new Participant in Band 50 or above, has a 30 day election period under Article 6 expiring later than December 31 st of his first calendar year as a Band 50 Employee eligible to participate in this Plan, or in the case of a new Participant who is not in Band 50 or above, who is not identified as an eligible Employee prior to the Band 50 Determination Date of the relevant calendar year or for some other reason not permitted to participate in open enrollment under Article 6 for the following calendar year, such Participant's initial Supplemental Election shall not be effective with respect to Company contributions calculated based on Compensation paid prior to the end of the second calendar year beginning on or after the date the Participant is first paid Compensation with respect to which Company contributions are calculated.

(B) Instead, with respect to Company contributions not covered by the Participant's Supplemental Election, the Company shall be deemed to have made an Automatic New Participant Supplemental Election for the Participant (or his or her beneficiary, in the event of the Participant's death) to receive his or her Supplemental Benefits attributable to such contributions in the form of a single lump sum as of the January 1 or July 1 that is at least six months following the earliest of his or her Separation from Service or the date of Disability or death, as applicable (or as soon as administratively feasible thereafter, but in any event no later than 90 days).

(C) Company contributions that are not subject to the Automatic New Participant Supplemental Election by reason of being calculated with respect to Compensation paid later than the time periods set forth in Section 5.4(a)(iii)(A) above shall be subject to a Participant's initial Supplemental Election.

(D) With respect to an Employee who was a former Participant and again becomes a Participant after being rehired by the Company following his or her Separation from Service, the election rules in this Section shall apply to the Company Matching Contributions, Company Conversion Contributions and Company Profit-Sharing Contributions made to such Participant following his or her rehire date as if the rehire date (or if later, the resumption of eligibility to participate) were the date of initial participation eligibility.

(iv) Participants who have previously made both a Supplemental Election and a modification to such Supplemental Election shall be subject to the rules of Section 5.4(d) prohibiting any further changes to their Supplemental Elections. However, any Participant who was not in pay status (as defined in Section 1.1(c)) on January 1, 2005 and who previously made a modification to an initial Supplemental Election which accelerated the time period for payments from the Plan shall not have any reduction in the amounts otherwise payable hereunder (notwithstanding Section V(D)(1)(b)(ii) of the Prior SRP Plan).

(b) A Participant may elect to receive his or her Supplemental Benefits that are not covered by the Automatic New Participant Supplemental Election in a single lump-sum payment or in annual installments payable over a period of five, ten or 15 consecutive calendar years. Except as provided in Section 5.4(d), a Participant may not modify his or her initial Supplemental Election described in the preceding sentence. Such subsequent Supplemental Election shall apply to the payment of all Supplemental Benefits under the Plan and the Prior SRP Plan that are not covered by the Automatic New Participant Supplemental Election (except for benefits that were in pay status on December 31, 2004). A Participant's reemployment after Separation from Service shall not affect benefits attributable to periods prior to his or her Separation from Service, and he or she shall be subject to a new Automatic New Participant Supplemental Election and initial Supplemental Election with respect to post-reemployment benefits.

(c) If a Participant fails to make a valid, timely Supplemental Election in accordance with Section 5.4(a) and the rules and procedures adopted by the Administrator, such Participant shall be deemed to have made an initial Supplemental Election to receive his or her Supplemental Benefits that are not covered by the Automatic New Participant Supplemental Election in the form of a single lump sum as of the January 1 or July 1 that is at least six months

following the earliest of his or her Separation from Service or the date of Disability or death, as applicable (or as soon as administratively feasible thereafter, but in any event no later than 90 days).

(d) A Participant who has not previously modified an initial Supplemental Election may make a one-time modification to his or her initial Supplemental Election to elect a different form of payment for Supplemental Benefits under the Plan that are not covered by the Automatic New Participant Supplemental Election. To be effective, such a modification shall be made by filing a written notice of modification in such form and manner as the Administrator may prescribe; provided, however, that the modification must comply with Section 409A, including the requirements regarding: (i) a minimum additional deferral period of five years, and (ii) the subsequent Supplemental Election not being effective until 12 months after it is made. A Participant may not change the payment method of his or her Supplemental Benefits after his or her Separation from Service. By way of clarification, the Automatic New Participant Supplemental Election cannot be modified.

ARTICLE 6
ELECTIVE DEFERRALS

Section 6.1 Notification . Employees eligible to participate in the Plan for a Plan Year with respect to Deferral Benefits will be notified by Amex of their eligibility to participate for such Plan Year. If Amex erroneously notifies an individual of his or her eligibility to participate, and such individual does not meet the requirements of Section 4.2 or such individual has been excluded by the Administrator pursuant to Section 4.1, such erroneous notification shall not cause the individual to be eligible, and any Deferral Election made by such ineligible individual shall be null and void and of no effect to the extent permissible under Section 409A.

Section 6.2 Participation . An eligible Employee for a Plan Year who was a Participant in the prior Plan Year as of the Band 50 Determination Date, or who is employed in Band 50 or above as of the Band 50 Determination Date in the prior Plan Year, or who otherwise becomes employed in Band 50 or above or first becomes eligible while in Band 50 or above prior to the end of the prior Plan Year and is authorized by the Administrator to participate in enrollment shall become a Participant in the Plan with respect to Deferral Benefits for such Plan Year by making a Deferral Election in accordance with Section 6.5 for the Plan Year. Such an Employee's Deferral Benefits Eligibility Date for the Plan Year shall be January 1. In addition to the foregoing, the following special rules apply to the extent permitted by Section 6.3:

(a) In the case of an Employee who is not already a Participant in the Plan, the Employee shall be considered eligible to participate as of the date he or she first is employed in Band 50 or above (or, in the case of an employee who was in Band 50 or above but not eligible for a Qualified Retirement Plan, as of the date the Employee (while still in Band 50 or above) becomes eligible for a Qualified Retirement Plan) and shall be permitted to file an election within 30 days of such date. Such Employee's Deferral Benefits Eligibility Date shall be the first payroll period beginning after the expiration of the 30 day period. Notwithstanding the foregoing, the Administrator may establish procedures regarding coordination of special enrollment and open enrollment opportunities for Employees who would otherwise become eligible for Band 50 or above special enrollment at the end of the Plan Year, and/or may otherwise impose limits on the availability of special enrollment in appropriate circumstances.

(b) In the case of an Employee who is not already a Participant in the Plan and is not employed in Band 50 or above, the following rules shall apply:

(i) An Employee who was not otherwise eligible to participate in Deferral Benefits for a Plan Year and first satisfies the requirements for participation during one of the first three quarters of the Plan Year by reason of exceeding the Section 401(a)(17) Limitation will become eligible to participate in Deferral Benefits under the Plan as of the first pay period beginning after the first day of the second month of the calendar quarter immediately following the date such Employee first receives Compensation in excess of the Section 401(a)(17) Limitation (the first day of such pay period being the Deferral Benefits Eligibility Date), and may make an election in advance of such date and in accordance with Section 6.3 by the deadline established by the Administrator.

(ii) An Employee who was not otherwise eligible to participate in Deferral Benefits for a Plan Year and first exceeds the Section 401(a)(17) Limitation in the final calendar quarter of a Plan Year shall become eligible as follows:

(A) If the Employee had exceeded the Section 401(a)(17) Limitation by the Band 50 Determination Date, the Employee will become eligible effective January 1 of the following Plan Year, which shall be such Employee's Deferral Benefits Eligibility Date, and may participate in the Plan's normal election process.

(B) If the Employee had not exceeded the Section 401(a)(17) Limitation by the Band 50 Determination Date, the Employee shall not become eligible on January 1 of the following Plan Year, and will not be entitled to participate in the Plan's Deferral Election process unless he or she otherwise qualifies. However, if the Employee exceeds the Section 401(a)(17) Limitation after the Band 50 Determination Date but prior to January 1 of the following Plan Year, the Employee will become eligible to participate in Deferral Benefits as of the first pay period beginning after the first day of the second month of the first calendar quarter of such following Plan Year (the first day of such pay period being the Deferral Benefits Eligibility Date), and may make an election in advance of such date and in accordance with Section 6.3 by the deadline established by the Administrator.

(iii) By way of clarification, an Employee does not have a special enrollment right merely because he or she exceeds the Section 415 limit under a Qualified Retirement Plan.

(c) Except as expressly permitted under this Section, mid-year elections are not allowed. A mid-year election may not be made, even if otherwise permitted under this Section, unless the Employee also satisfies all the requirements of Section 6.3, and must be filed by the deadline established by the Administrator. All Deferral Elections will become irrevocable as of the day before the Deferral Benefits Eligibility Date, or such earlier date as is established by the Administrator.

Section 6.3 Newly Eligible Employees . To the extent permissible under Section 409A and Section 6.2, Employees who become eligible to participate in the Plan during a Plan Year with respect to Deferral Benefits and who have not previously been eligible to participate in an elective account-balance deferred compensation arrangement (as defined for purposes of Section 409A) of Amex or its subsidiaries may be offered by Amex the opportunity to participate in the Plan for the Plan Year in accordance with Section 6.2. In the case of an Employee who had previously been eligible to participate in an elective account-balance deferred compensation arrangement (as defined for purposes of Section 409A) of Amex or its subsidiaries (regardless of whether he or she chose to do so), that Employee may be treated as newly eligible to participate and entitled to mid-year enrollment to the extent permitted by Section 6.2 if:

(a) The Employee had received payment of all amounts under the Plan's Deferral Account and any other elective account-balance plan and, as of the date of the last payment was not eligible to continue participation in the Plan's Deferral Benefits or any other elective account-balance plan, disregarding for this purpose any right to delay payment; or

(b) The Employee had ceased to be eligible to participate in Deferral Benefits under the Plan and all other elective account-balance plans and had not been eligible to participate in Deferral Benefits under the Plan or any other elective account-balance plan at any time during the 24-month period ending on the date the Employee again became eligible (disregarding for purposes of determining the Employee's eligibility the right to accrue earnings on amounts in the Plan or other elective account-balance plan), regardless of whether the Employee has received payments of amounts previously deferred.

Section 6.4 Deferrable Compensation .

(a) Eligible Compensation .

(i) An eligible Employee for a Plan Year may elect to defer a specified amount from one or more of the following items:

(A) the Employee's Base Salary to be paid during that Plan Year; and

(B) the Employee's Incentive Pay to be paid in the second Plan Year to commence after the election is made (excluding any amounts that would otherwise be Incentive Pay but which are earned prior to the start of the Plan Year following the Plan Year in which the Deferral Election is filed).

(ii) Notwithstanding Section 6.4(a)(i), an Employee who becomes eligible to participate in the Plan with respect to Deferral Benefits during a Plan Year who is offered the opportunity by Amex to participate as described in Section 6.3 may only elect to defer a specified amount from one or more of the following items:

(A) the Employee's Base Salary for the Plan Year of the Deferral Election which is paid for payroll periods beginning on and after the Employee's Deferral Benefits Eligibility Date; and

(B) a portion of the Employee's Incentive Pay to be paid in the following Plan Year, calculated by multiplying the amount of each Incentive Pay payment made in the following Plan Year by a percentage, such percentage to be determined by dividing the number of days remaining in the calendar year as of the Employee's Deferral Benefits Eligibility Date by 365 or, in the case of an Employee hired during the performance period, by the total number of days in the performance period measured from the date of hire.

(b) Maximum Deferral . The Administrator shall impose the following limits on Deferral Benefits, provided that the Administrator (in its sole discretion) may waive an otherwise applicable limit so long as such waiver is approved no later than the day before the date a Deferral Election becomes effective.

(i) The Administrator shall limit the amount that may be deferred from (i) Base Pay to be paid in the following Plan Year and (ii) Incentive Pay to be paid in the second following Plan Year, to 100 percent of the Participant's Base Salary rate in effect as of the December 31st of the Plan Year during which the Deferral Election is filed (or with respect to an Employee who becomes eligible to participate in the Plan with respect to Deferral Benefits during a Plan Year, shall limit the amount that may be deferred from Base Pay paid in such Plan Year and Incentive Pay paid in the following Plan Year (A) if the Employee becomes eligible to participate in the Plan by reason of being hired into or a promotion to Band 50 or above (or a transfer to eligible status while in Band 50), 100 percent of the Employee's Base Salary rate in effect as of the date he or she becomes eligible to so participate; (B) if the Employee becomes eligible to participate in the Plan by reason of exceeding the Section 401(a)(17) Limitation, 100 percent of the Employee's Base Salary rate in effect as of the last day of the calendar quarter preceding the date he or she becomes eligible to so participate pursuant to Section 6.2(b). The Administrator shall calculate this limit by (X) subtracting the percentage of Base Salary elected to be deferred from 100 percent, (Y) multiplying the Base Salary rate times the percentage obtained under clause (X), and (Z) limiting the Incentive Pay Deferral Benefits for the second following (or, in the case, of mid-year enrollment, the following) Plan Year to the dollar amount obtained under clause (Y). By way of clarification, a Participant's actual Base Salary Deferral Benefits will vary in amount, depending on actual Base Salary paid, but shall not affect this maximum limit on Incentive Pay in the second following (or in the case of mid-year enrollment, the following) Plan Year.

(ii) All Deferral Elections shall be limited to the amount of any payment otherwise payable in cash, net of applicable withholdings.

(iii) The Administrator may, in its discretion, impose further limits on the amount or percentage that can be deferred from Base Salary and/or Incentive Pay for a given Plan Year. Any such limit will be imposed no later than the day before the date the Deferral Election takes effect.

(c) Computation of Deferral Amounts . The Administrator may specify that Deferral Elections must be made as a percentage of Base Salary and Incentive Pay, respectively, as a dollar amount of Base Salary and Incentive Pay, respectively, or in some other reasonable fashion. The Administrator may permit the use of multiple methods of calculating Deferral Elections or require use of a single method. The Administrator may permit Employees to specify that a Deferral Election shall apply only to the extent that the Employee is paid amounts in excess of the Section 401(a)(17) Limitation.

Section 6.5 Deferral Benefits Election .

(a) Time of Deferral Election . An eligible Employee for a Plan Year who wants to participate in the Plan with respect to Deferral Benefits for a Plan Year must make an irrevocable Deferral Election for the Plan Year before the beginning of such Plan Year; provided, however, that an Employee permitted under Section 6.2 to make a mid-year Deferral Election for the Plan Year in which he or she becomes eligible to participate may make a Deferral Election by the deadline established under that Section.

(b) Form of Deferral Election . A Deferral Election for a Plan Year shall be made in the manner and by the deadlines prescribed by the Administrator.

(c) Contents of Deferral Election . In his or her Deferral Election for a Plan Year, the Employee shall specify:

(i) the items of his or her compensation eligible for deferral under Section 6.4(a) that the Employee wishes to defer for the Plan Year and the amount of each such item to be deferred, provided that the amount of all items to be deferred complies with Section 6.4(b) and any administrative limits imposed on elections made for such Plan Year;

(ii) in the case of an Employee in Band 50 or above as of the Band 50 Determination Date in the prior Plan Year (or a non-Participant who first becomes an eligible Band 50 Employee after such date and is permitted by the Administrator to participate in open enrollment for the following Plan Year on account of such hire or promotion into Band 50):

(A) the time when his or her Deferral Benefits for such Plan Year shall be paid, which shall be either (A) the Retirement of the Participant, or (B) a specified date at least five years after the last day of the Plan Year at the time of the election; and

(B) the form of payment of his or her Deferral Benefits for the Plan Year, which shall be (A) a lump sum, or (B) five, ten or 15 substantially equal annual installments.

In the event that an Employee's Deferral Election pursuant to Section 6.5(a) and Section 6.5(b), does not specify both a valid time of payment pursuant to Section 6.5(c)(ii)(A) and a valid form of payment pursuant to Section 6.5(c)(ii)(B), such Employee shall be deemed to have elected a lump-sum payment as of the January 1 or July 1 that is at least six months following his or her Separation from Service (or as soon as administratively feasible thereafter, but in any event no later than 90 days).

By way of clarification, an Employee who is not in Band 50 or above as of the Band 50 Determination Deadline for the prior Plan Year may not file a special election regarding time and form of payment for Deferral Benefits for a Plan Year. Instead, the Supplemental Election (without regard to the Automatic New Participant Supplemental Election) made pursuant to Section 5.4 will also apply to such Deferral Benefits. However, as set forth above, in the case of

a new Participant who is enrolled as a result of being hired into or promoted to Band 50 (or transferring to eligible status while in Band 50 or above) after such date, the Administrator may permit such Employee to participate in open enrollment for the following Plan Year as a Band 50 or above Employee.

(d) Withholding of Amounts Deferred . For each Plan Year, the Base Salary portion of a Participant's Deferral Election shall be withheld from each regularly scheduled Base Salary payroll, and the Incentive Pay portion of a Participant's Deferral Election shall be withheld at the time the Incentive Pay is or otherwise would be paid to the Participant.

Section 6.6 Crediting of Deferred Amounts . The Administrator shall establish and maintain a Deferral Account with respect to each Participant's Deferral Benefits. Amounts deferred by a Participant shall be credited to the Deferral Account established for the Participant at such times and in such manner as may be determined by the Administrator. The Administrator may divide the Deferral Account into subaccounts for purposes of tracking earnings and losses in accordance with Article 7.

ARTICLE 7
EARNINGS

Section 7.1 RP-Related Account . For each Participant, the RP-Related Account established pursuant to Section 5.1 shall be increased by the Imputed Earnings Credit (as such term is defined in the RP), not less frequently than annually, under procedures and at times determined by the Administrator and consistently applied for similarly situated Participants. Such earnings shall be credited at the same interest rate and computed in a similar manner (to the extent administratively feasible) as Imputed Earnings Credits are computed under the RP for each Plan Year.

Section 7.2 RSP-Related Account . A Participant's RSP-Related Account shall be credited with earnings under the Hypothetical Investment Method set forth below.

Section 7.3 Deferral Accounts .

(a) For Plan Year 2011 and later, a Participant's Deferral Benefits for such Plan Year shall be credited with earnings under the Hypothetical Investment Method set forth below. For the avoidance of doubt, 2010 Incentive Pay paid in 2011 and deferred pursuant to a Deferral Election will be considered 2010 Deferral Benefits for purposes of this Section.

(b) For Executive Officers, such Participant's Deferral Benefits for Plan Years prior to 2011 shall be credited with earnings under the Hypothetical Investment Method set forth below effective for all earnings credited in any Plan Year beginning on or after January 1, 2011 and under the Interest Method set forth below for earnings credited in 2010 and prior Plan Years; provided, however, that earnings credited in 2010 (to the extent not paid out by October 27, 2010) will not exceed the AFR if Amex's ROE is Below ROE Target Range; and provided further that for those Executive Officers who received payment in the 2010 Plan Year prior to October 27, 2010, earnings on the amounts paid prior to October 27, 2010 were calculated based on the Interest Method without reference to any AFR limitation.

(c) For Non-Executive Officers, such Participant's Deferral Benefits for Plan Years prior to 2011 shall be credited with earnings under the Interest Method set forth below through December 31, 2011; provided, however, that if a Participant becomes an Executive Officer during 2011, earnings for 2011 credited to such Participant's Deferral Benefits for Plan Years prior to 2011 shall not exceed the AFR (except to the extent earnings in excess of the AFR have been paid out prior to the Participant's becoming an Executive Officer). For 2012 and subsequent years, the Hypothetical Investment Method shall apply.

(d) For Retirees, such Participant's Deferral Benefits for Plan Years prior to 2011 shall be credited with earnings under the Interest Method set forth below through December 31, 2012, and under the Hypothetical Investment Method set forth below effective January 1, 2013.

Section 7.4 Hypothetical Investment Method .

(a) For each Participant, credits to his or her RSP-Related and Deferral Account (to the extent subject to the Hypothetical Investment Method) shall be made to such subaccounts thereunder as directed by such Participant, using the subaccounts described in Section 5.3; provided, however, that with respect to Deferral Benefits attributable to Plan Years prior to 2011, the Participant may elect to have all or some of such Deferral Benefits invested in an investment option that credits earnings at the AFR instead of in the Stock Fund or the RSP-based investment options, and provided further that no Participant may direct the investment of amounts in or transfer amounts to the subaccount representing the Stock Fund to the extent that such transfer would result in the aggregate Company Stock holdings of such Participant under the Plan exceeding ten percent of (i) the total value of his or her Deferral Account (determined at the time of the transfer) with respect to the investment of the Deferral Account or (ii) the total value of his or her RSP-Related Account (determined at the time of the transfer) with respect to the investment of the RSP-Related Account. If more than one subaccount is available, a Participant must designate, on a form or other medium acceptable to the Administrator, in one-percent increments, the amounts to be credited to each subaccount. A Participant shall be allowed to amend such designation consistent with the frequency of investment changes offered the Participant under rules governing the RSP for a given Plan Year, subject to any different or additional rules as may be established by the Administrator for this Plan. If a Participant has directed amounts to the Stock Fund and the credits to the relevant Account of a Participant to the subaccount relating to the Stock Fund would result in the aggregate Company Stock holdings of such Participant under the Plan exceeding ten percent of the total value of such Account (determined at the time of the transfer), then such Participant shall be deemed to have selected, with respect to any such excess, the default subaccount designated by the Investment Committee for purposes of the RSP for allocations exceeding the applicable ten-percent threshold under RSP, or if none, such other default subaccount designated by the Investment Committee for purposes of the RSP. The investment of the Participant's RSP-Related Account in the Stock Fund likewise shall be limited in accordance with Section 5.3(c).

(b) To the extent a Participant elects to invest in the subaccount representing the Stock Fund, subject to Section 7.4(d), the limit on such investments set forth above, and such rules as may be adopted by the Administrator, the performance of the book reserve subaccount established for each Participant pursuant to Section 5.3 or Section 6.6 shall reflect the

performance of the Stock Fund. Such subaccount shall reflect such increases or decreases in value from time to time, whether from dividends, gains, losses or otherwise, as may be experienced by the Stock Fund. Subject to Section 7.6, and to such rules as may be adopted by the Administrator, a Participant may elect to transfer credits among the Stock Fund and one or more subaccounts representing other investment options in a manner similar to the rules for such transfers under the RSP and such different or additional rules as the Administrator may establish for this Plan; provided, however, no Participant may transfer amounts to the subaccount representing the Stock Fund to the extent that such transfer would violate a limit on such investment established by the Plan or the Administrator.

(c) To the extent the Participant does not elect (or is not permitted) to invest in the subaccount representing the Stock Fund, subject to Section 7.4(d), and to such rules as may be adopted by the Administrator, the performance of each book reserve subaccount established for each Participant shall reflect the performance of the investment fund that the Participant elects to have such subaccount represent. Each such subaccount shall reflect such increases or decreases in value from time to time, whether from dividends, gains, losses or otherwise, as that experienced by the related investment fund under the RSP or, in the case of the AFR investment option, as indicated by the AFR. Subject to Section 7.6, credits to such subaccounts may be transferred to any other subaccount under the Plan in a manner similar to the rules for such transfers under the RSP, on such terms and at such times as permitted with respect to the related investment funds under the RSP and such similar rules as may be established for the AFR option, subject in each case to such rules as may be adopted by the Administrator for this Plan. If a Participant fails to affirmatively designate one or more subaccounts pursuant to this Section 7.4(c), subject to rules established by the Administrator, such Participant shall be deemed to have selected either a default account selected by the Administrator or, to the extent feasible and unless otherwise directed by the Administrator, the subaccount(s) that relate to the Participant's investment direction under the RSP; provided, however, to the extent an Insider has directed RSP amounts to the Stock Fund, such Insider shall be deemed to have selected the default account selected by the Administrator. Notwithstanding the foregoing, the Administrator may, in its sole discretion, provide that one or more investment funds available under the RSP, including any self-directed brokerage account which may be available under the RSP, shall not be available for designation under the Plan.

(d) Subject to Section 5.3(c), the subaccounts shall be valued subject to such reasonable rules and procedures as the Administrator may adopt and apply to all Participants similarly situated with an effort to value such subaccounts as if amounts designated were invested at similar times and in manners, subject to administrative convenience, as amounts are invested, and subject to the same market fluctuation factors used in valuing such investments in the RSP.

Section 7.5 Interest Method . With respect to Deferral Accounts governed by the Interest Method:

(a) Under the Interest Method, a Participant's Deferral Account for a Plan Year shall be credited with interest equivalents each calendar year at the Schedule Rate in effect for the calendar year, subject to any limitations established under the Plan.

(b) The amounts in such Deferral Account shall vest as follows:

(i) *Principal* . The principal amount of a Participant's Deferral Account for a Plan Year shall be 100 percent vested at all times.

(ii) *Earnings* . Until January 1, 2011, with respect to amounts credited with earnings under the Interest Method, the earnings on a Participant's Deferral Benefits for a Plan Year for a given calendar year at the Minimum Schedule Rate for the calendar year shall be 100 percent vested as such earnings are accrued and credited, and the portion of the earnings on a Participant's Deferral Benefits for a Plan Year for a given calendar year at the applicable Schedule Rate in excess of the Minimum Schedule Rate for the calendar year, if any, shall become vested on the date that the Participant becomes Retirement Eligible, or upon the earlier death or Disability of the Participant, and thereafter as such earnings are accrued and credited. Effective December 31, 2010, all earnings amounts under the Interest Method with respect to Deferral Benefits not yet paid out shall be fully vested.

Section 7.6 Special Restrictions .

(a) The provisions of this Section 7.6 shall apply to Insiders. Such provisions shall apply during all periods that such Participants are Insiders, including any period following cessation of Insider status during which such Participants are required to report transactions pursuant to Rule 16a-2(b) (or its successor) under the Exchange Act. This Section 7.6 shall be automatically applicable to any Participant who, on and after the date hereof, becomes an Insider. For purposes of the foregoing, the effective date of this Section 7.6 shall be the date the Participant becomes an Insider. At such time as any Participant ceases to be an Insider (and any period contemplated by Rule 16a-2(b) has expired), this Section 7.6 shall cease to be applicable to such Participant.

(b) Notwithstanding anything in the Plan to the contrary, (i) except as set forth below, credits to the Account of an Insider may not be made to a subaccount that reflects the performance of the Stock Fund, (ii) credits made to the Account of an Insider at any time may not be transferred to a subaccount that reflects the performance of the Stock Fund and (iii) credits made to an Insider's Account at any time, and credits to a subaccount of an Insider that reflects the performance of the Stock Fund (which credits could only have been made when such individual was not an Insider) may not be transferred, withdrawn, paid out or otherwise changed, other than (a) pursuant to the Participant's payment election or the rules governing distribution in the event of the Participant's death (but only at such time as distribution is permitted under the securities rules, it being intended that a delay in the normal payment schedule occur only to the extent required by securities rules, as permitted by Section 409A) or (b) pursuant to applicable forfeiture provisions contained in the Plan.

(c) It is intended that the crediting of amounts to the accounts of Insiders that represents the performance of the Stock Fund is intended to qualify for exemption from Section 16 under Rule 16b-3(d) under the Exchange Act. The Administrator shall, with respect to Insiders, administer and interpret all Plan provisions in a manner consistent with such exemption.

ARTICLE 8
PAYMENT OF BENEFITS

Section 8.1 Supplemental Account Payments (Other than Payments Due to Death or Disability) .

(a) By way of clarification, the rules set forth in this Section shall be applied separately to the portion of the Participant's Supplemental Benefits that is subject to the Automatic New Participant Supplemental Election and the remainder of the Participant's Supplemental Benefits that is not covered by the Automatic New Participant Supplemental Election, to the extent that the Participant's Supplemental Election differs from the Automatic New Participant Supplemental Election. Subject to Section 8.1(b), payment of Supplemental Benefits shall be made as follows: (i) if the governing Election calls for a lump-sum payment, it shall be made on the first January 1 or July 1 which is at least six months following the Participant's Separation from Service for any reason (other than death or Disability) from the Company, or as soon thereafter as administratively feasible, but in no event later than 90 days; and (ii) if the governing Election calls for annual installment payments, they shall begin on July 1 of the calendar year following the Participant's Separation from Service for any reason (other than death or Disability) from the Company, or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each July 1 (or as soon thereafter as administratively feasible, but in no event later than 90 days) thereafter for the period selected by the Participant. A Participant who has experienced a Separation from Service and has begun receiving payments as set forth above, shall continue receiving any remaining payments according to the terms in effect on the date of his or her Separation from Service, even if later re-employed by the Company.

(b) If a Participant has made the one-time modification to his or her initial Supplemental Election pursuant to Section 5.4(a)(ii) or Section 5.4 (d) and such subsequent Supplemental Election has become effective prior to the Participant's Separation from Service, then payment of such Participant's Supplemental Benefits (to the extent governed by the amended Election) pursuant to Section 8.1(a) shall be made, or commence in the case of annual installments, on the date that is five years later than the date such Supplemental Benefits would otherwise be made or commence pursuant to Section 8.1(a). The rehire of a Participant during this intervening period will not affect the payment schedule. The Automatic New Participant Supplemental Election may not be modified, and accordingly the portion of the benefit subject to the Automatic New Participant Supplemental Election will not be subject to any five-year delay.

(c) If a Participant has elected annual installment payments, each annual installment payment shall be determined by multiplying the amount of the Participant's Supplemental Benefits by a fraction, the numerator of which is one, and the denominator is the number of remaining payments (e.g., if the Participant elected five installments, the first annual installment payment would be the amount of the Participant's Supplemental Benefits multiplied by 1/5, the second annual installment payment would be the remaining amount of the Participant's Supplemental Benefits multiplied by 1/4, etc.).

(d) The payment of Supplemental Benefits to a Participant under this Section 8.1 shall be limited to a Participant's vested portion of his or her Supplemental Account

at the time of distribution. Unless otherwise expressly provided in the Plan, a Participant's vested portion shall be determined under the vesting provisions of the Qualified Retirement Plans. Any non-vested portion of amounts credited to a Participant hereunder shall be forfeited.

Section 8.2 Deferral Account Payments (Other than Payments Due to Death or Disability) .

(a) Generally Applicable Rules for Payment to Participants . With respect to Post-2010 Deferral Benefits, payments not made on account of death or Disability will be governed by Section 8.1 except to the extent that a Participant was eligible to make a special payment election with respect to such Deferral Benefits pursuant to Section 6.5, in which case payment will be governed by Section 8.2(b) or Section 8.2(c), as applicable. Pre-2011 Deferral Benefits not payable on account of death or Disability will be paid in accordance with Section 8.2(b)(i) or Section 8.2(c)(i), as applicable.

(b) Specified Date Elections for Employees in Band 50 or Above . If a Participant designated a specified date as the time when some or all of the Deferral Benefits of such Participant are to be paid, and the Participant has not had a Separation from Service, died or become Disabled as of the specified date, then payment of the such Deferral Account shall be made as follows:

(i) In the case of Pre-2011 Deferral Benefits, (A) if the Participant elected a lump-sum payment of some or all of such Deferral Benefits, it shall be made on the first March 15 or September 15 following the specified date (or if the Participant designated March 15 or September 15 as the specified date, payment shall be made on such specified date), or as soon thereafter as administratively feasible, but in no event later than 90 days; and (B) if the Participant elected annual installment payments of some or all of such Deferral Benefits, payment shall begin on the first March 15 or September 15 following the specified date (or if the Participant designated March 15 or September 15 as the specified date, payment shall begin on such specified date), or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each March 15 (or as soon thereafter as administratively feasible, but in no event later than 90 days) thereafter for the period selected by the Participant. If a Participant who is to receive or has begun receiving payments in annual installments under this Section 8.2(b)(i) experiences a Separation from Service before having received all of the annual installments to which the Participant is entitled, then if the Participant is Retirement Eligible at the time of his or her Separation from Service, the Participant shall receive or continue to receive the remaining annual installment payments as scheduled, and if the Participant is not Retirement Eligible at the time of his or her Separation from Service, then the remaining installments shall be paid to the Participant in a lump sum pursuant to Section 8.2(c)(i).

(ii) In the case of Post-2010 Deferral Benefits, (A) if the Participant elected a lump-sum payment of some or all of such Deferral Benefits, it shall be made on the first January 1 or July 1 coinciding with or following the specified date or as soon thereafter as administratively feasible, but in no event later than 90 days, and (B) if the Participant elected annual installment payments of some or all of such Deferral Benefits, payment shall begin on the first January 1 or July 1 coinciding with or following the specified date, or as soon thereafter as administratively feasible, but in no event later than 90 days, and continue each January 1 or July 1

(as applicable) thereafter (or as soon thereafter as administratively feasible, but in no event later than 90 days) for the period selected by the Participant. If a Participant who is to receive or has begun receiving payments in annual installments under this Section 8.2(b)(ii) experiences a Separation from Service before having received all of the annual installments to which the Participant is entitled, then the Participant shall receive or continue to receive the remaining annual installment payments as scheduled.

(c) Separation from Service for Employees in Band 50 or Above . If a Participant has a Separation from Service for any reason other than death or Disability, regardless of whether the Participant designated a later specified date as the time when some or all Deferral Benefits are to be paid, then Deferral Benefits subject to a Deferral Election that specifies time and form of payment under Section 6.5 will be paid as follows:

(i) In the case of Pre-2011 Deferral Benefits:

(A) If a Participant is Retirement Eligible at the time of his or her Separation from Service, then payment of the Participant's Deferral Benefits shall be made as follows: (A) if the Participant elected a lump-sum payment of some or all Deferral Benefits, payment of such Deferral Benefits shall be made on the first March 15 or September 15 which is at least six months following the Participant's Separation from Service from the Company, or as soon thereafter as administratively feasible, but in no event later than 90 days; and (B) if the Participant elected annual installment payments of some or all Deferral Benefits, payment of such Deferral Benefits shall begin on the first March 15 or September 15 which is at least six months following the Participant's Separation from Service from the Company, or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each March 15 (or as soon thereafter as administratively feasible, but in no event later than 90 days) thereafter for the period selected by the Participant. A Participant who has experienced a Separation from Service and has begun receiving payments as set forth above, shall continue receiving any remaining payments according to the terms in effect on the date of his or her Separation from Service, even if later re-employed by the Company.

(B) If a Participant is not Retirement Eligible at the time of his or her Separation from Service, then regardless of the Participant's Deferral Elections, payment of all of the Participant's Deferral Benefits shall be made in a lump sum on the first March 15 or September 15 which is at least six months following the Participant's Separation from Service, or as soon thereafter as administratively feasible, but in no event later than 90 days.

(ii) In the case of Post-2010 Deferral Benefits, upon Separation from Service, payment of the Participant's Deferral Benefits shall be made as follows: (A) if the Participant elected a lump-sum payment of some or all Deferral Benefits, payment of such Deferral Benefits shall be made on the first January 1 or July 1 which is at least six months following the Participant's Separation from Service from the Company, or as soon thereafter as administratively feasible, but in no event later than 90 days; and (B) if the Participant elected annual installment payments of some or all Deferral Benefits, payment of such Deferral Benefits shall begin on the first July 1 in the calendar year following the Participant's Separation from Service from the Company, or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each July 1 (or as soon thereafter as administratively feasible,

but in no event later than 90 days) thereafter for the period selected by the Participant. A Participant who has experienced a Separation from Service and has begun receiving payments as set forth above, shall continue receiving any remaining payments according to the terms in effect on the date of his or her Separation from Service, even if later re-employed by the Company.

(d) Calculation of Installments . If a Participant will receive payment of some or all Deferral Benefits in annual installment payments, each annual installment payment shall be determined by multiplying the amount of the Deferral Benefits being paid pursuant to such Deferral Election by a fraction, the numerator of which is one, and the denominator of which is the number of remaining payments (e.g., if the Participant is to receive payment of the entire amount in his Deferral Account in five installments, the first annual installment payment would be the amount of the Participant's Deferral Account multiplied by 1/5, the second annual installment payment would be the remaining amount of such Deferral Account multiplied by 1/4, etc.).

(e) Payment Limited to Vested Amount . The payment of a Participant's Deferral Account for a Plan Year under this Section 8.2 shall be limited to a Participant's vested portion of his or her Deferral Account at the time of distribution. Any non-vested portion of amounts credited to a Participant hereunder shall be forfeited.

Section 8.3 Designation of Beneficiaries . A Participant may separately designate a Beneficiary or Beneficiaries entitled to receive payment of his or her Supplemental Account and his or her Deferral Account by filing written notice of such designation with the Administrator in such form as the Administrator may prescribe. A Participant may revoke or modify such designation at any time by a further written designation in such form as the Administrator may prescribe. A Participant's Beneficiary designation shall be deemed automatically revoked in the event of the death of the Beneficiary or, if the Beneficiary is the Participant's spouse, in the event of dissolution of marriage. If no designation is in effect at the time Benefits payable under the relevant Account become due, the Beneficiary of such Account shall be deemed to be the Participant's surviving spouse, if any, and if not, the Participant's estate.

Section 8.4 Death .

(a) Supplemental Account . Upon a Participant's death, payment of the Participant's Supplemental Account shall be made to the Participant's Beneficiary or Beneficiaries designated to receive the Participant's Supplemental Account. If a Participant dies while still actively employed by the Company, the payment of his or her Supplemental Account shall be made as a single lump-sum payment on the first January 1 or July 1 which is at least six months following the Participant's death, or as soon thereafter as administratively feasible, but in no event later than 90 days. If a Participant elects annual installment payments and dies after such installment payments have commenced (or while waiting for installments to commence in the event that payment was delayed following Separation from Service as the result of a modification of a Supplemental Election), any remaining installment payments shall be made to the Participant's Beneficiary or Beneficiaries as a single lump-sum payment on the first January 1 or July 1 which is at least six months following the Participant's death, or as soon thereafter as administratively feasible, but in no event later than 90 days. By way of clarification, if a Participant dies after Separation from Service but before the January 1 or July 1

(or other payment date within 90 days thereafter) that is six months after the Separation from Service, payment in a lump sum shall be made to the beneficiary on the originally scheduled date. To the extent however, that the Participant's payment had been delayed five years due to his or her modification of his or her Supplemental Election, the Plan will make payment in accordance with the death benefit provisions and will not wait for the five-year period to elapse.

(b) Deferral Account . Upon a Participant's death, payment of the Participant's Deferral Account shall be made to the Participant's Beneficiary or Beneficiaries designated to receive the Participant's Deferral Account.

(i) With respect to Pre-2011 Deferral Benefits, if a Participant dies while still actively employed by the Company, the payment of his or her Deferral Account shall be made as a single lump-sum payment on the first March 15 or September 15 which is at least six months following the Participant's death, or as soon thereafter as administratively feasible, but in no event later than 90 days. If a Participant elects annual installment payments and dies after such installment payments have commenced, any remaining installment payments shall be made to the Participant's Beneficiary or Beneficiaries as a single lump-sum payment on the first March 15 or September 15 which is at least six months following the Participant's death, or as soon thereafter as administratively feasible, but in no event later than 90 days. By way of clarification, if a Participant dies after Separation from Service but before the March 15 or September 15 (or other payment date within 90 days thereafter) that is six months after the Separation from Service, payment in a lump sum shall be made to the beneficiary on the originally scheduled date.

(ii) With respect to Post-2010 Deferral Benefits, if a Participant dies while still actively employed by the Company, the payment of his or her Deferral Account shall be made as a single lump-sum payment on the first January 1 or July 1 which is at least six months following the Participant's death, or as soon thereafter as administratively feasible, but in no event later than 90 days. If a Participant elects annual installment payments and dies after such installment payments have commenced (or while waiting for installments to commence in the event that payment was delayed following Separation from Service as the result of a modification of a Supplemental Election applicable to such Deferral Benefits), any remaining installment payments shall be made to the Participant's Beneficiary or Beneficiaries as a single lump-sum payment on the first January 1 or July 1 which is at least six months following the Participant's death, or as soon thereafter as administratively feasible, but in no event later than 90 days. By way of clarification, if a Participant dies after Separation from Service but before the January 1 or July 1 (or other payment date within 90 days thereafter) that is six months after the Separation from Service, payment in a lump sum shall be made to the beneficiary on the originally scheduled date. To the extent however, that the Participant's payment had been delayed five years due to his or her modification of a Supplemental Election that also applies to his or her Deferral Benefits, the Plan will make payment in accordance with the death benefit provisions and will not wait for the five-year period to elapse.

Section 8.5 Disability .

(a) Supplemental Account . By way of clarification, the rules set forth in this Section shall be applied separately to the portion of the Participant's Supplemental Benefits that

is subject to the Automatic New Participant Supplemental Election and the remainder of the Participant's Supplemental Benefits that is not covered by the Automatic New Participant Supplemental Election, to the extent that the Participant's Supplemental Election differs from the Automatic New Participant Supplemental Election. In the event of the Disability of a Participant, payment of the Participant's Supplemental Account shall be made as follows: (A) if the governing Election calls for a lump-sum payment of his or her Supplemental Account, payment shall be made on the first January 1 or July 1 which is at least six months following the Participant's date of Disability, or as soon thereafter as administratively feasible, but in no event later than 90 days; and (B) if the governing Election calls for annual installment payments of his or her Supplemental Account, payment shall begin on July 1 of the calendar year following the Participant's date of Disability, or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each July 1 (or as soon thereafter as administratively feasible, but in no event later than 90 days) thereafter for the period selected by the Participant.

(b) Deferral Accounts . In the event of the Disability of a Participant, payment of the Participant's Deferral Benefits shall be made as follows:

(i) With respect to Pre-2011 Deferral Benefits, if the Participant elected a lump-sum payment of some or all of his Deferral Benefits, payment of such Deferral Benefits shall be made on the first March 15 or September 15 which is at least six months following the Participant's date of Disability, or as soon thereafter as administratively feasible, but in no event later than 90 days; and (ii) if the Participant elected annual installment payments with respect to some or all of his Deferral Benefits, payment of such Deferral Benefits shall begin on the first March 15 or September 15 which is at least six months following the Participant's date of Disability, or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each March 15 (or as soon thereafter as administratively feasible, but in no event later than 90 days) thereafter for the period selected by the Participant for such Deferral Benefits.

(ii) With respect to Post-2010 Deferral Benefits, if the Participant elected a lump-sum payment of some or all of his Deferral Benefits, payment of such Deferral Benefits shall be made on the first January 1 or July 1 which is at least six months following the Participant's date of Disability, or as soon thereafter as administratively feasible, but in no event later than 90 days; and (ii) if the Participant elected annual installment payments with respect to some or all of his Deferral Benefits, payment of such Deferral Benefits shall begin on July 1 of the calendar year following the Participant's date of Disability, or as soon thereafter as administratively feasible, but in no event later than 90 days, and shall continue on each July 1 (or as soon thereafter as administratively feasible, but in no event later than 90 days) thereafter for the period selected by the Participant for such Deferral Benefits.

Section 8.6 Unforeseeable Emergency . If a Participant experiences an Unforeseeable Emergency, the Participant may petition the Administrator to receive a partial or full payout from the Plan. The payout, if any, from the Plan shall not exceed the lesser of (a) the Participant's vested Account balance, or (b) the amount necessary to satisfy the Unforeseeable Emergency, plus amounts necessary to pay federal, state, or local income taxes or penalties reasonably anticipated as a result of the distribution. A Participant shall not be eligible to receive a payout from the Plan to the extent that the Unforeseeable Emergency is or may be relieved

(i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by cessation of a Deferral Election under this Plan. If the Administrator, in its sole discretion, approves a Participant's petition for payout from the Plan, such payout shall be made in a lump sum on the date on which such approval occurs, or as soon as administratively feasible thereafter, but in no event later than 90 days. At the time of its determination, and to the extent permissible by Section 409A, the Administrator shall determine how any payment under this Section 8.6 will be applied against the Participant's Account and the subaccounts thereunder.

Section 8.7 Company Offset . Notwithstanding anything in the Plan, the RP or the RSP to the contrary, to the maximum extent permitted by Section 409A and applicable law, any amount otherwise due or payable under the Plan may be forfeited, or its payment suspended, at the discretion of the Administrator, to apply toward or recover any claim the Company may have against the Participant, including but not limited to, for the enforcement of Amex's Detrimental Conduct provisions under its long-term incentive award plan, to recover a debt to the Company or to recover a benefit overpayment under a Company benefit plan or program. No amounts shall be offset against a Participant's Account prior to the date on which the offset amounts would otherwise be distributed to the Participant unless otherwise permitted by Section 409A. An offset shall be made only to the extent and in the manner permitted by the Section 409A Policy.

Section 8.8 Withholding . The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes, if any, required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and, to the extent permissible under Section 409A, as a condition of the making of such payment.

ARTICLE 9
CHANGE IN CONTROL

Section 9.1 Change in Control . "Change in Control" means the happening of any of the following:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25 percent or more of either (i) the then outstanding common shares of Amex (the "Outstanding Company Common Shares") or (ii) the combined voting power of the then outstanding voting securities of Amex entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that such beneficial ownership shall not constitute a Change in Control if it occurs as a result of any of the following acquisitions of securities: (A) any acquisition directly from Amex; (B) any acquisition by Amex or any corporation, partnership, trust or other entity controlled by Amex (a "Subsidiary"); (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Amex or any Subsidiary; (D) any acquisition by an underwriter temporarily holding Amex securities pursuant to an offering of such securities; (E) any

acquisition by an individual, entity or group that is permitted to, and actually does, report its beneficial ownership on Schedule 13-G (or any successor schedule), provided that, if any such individual, entity or group subsequently becomes required to or does report its beneficial ownership on Schedule 13D (or any successor schedule), then, for purposes of this subsection, such individual, entity or group shall be deemed to have first acquired, on the first date on which such individual, entity or group becomes required to or does so report, beneficial ownership of all of the Outstanding Company Common Stock and Outstanding Company Voting Securities beneficially owned by it on such date; or (F) any acquisition by any corporation pursuant to a reorganization, merger or consolidation if, following such reorganization, merger or consolidation, the conditions described in clauses (i), (ii) and (iii) of Section 9.1(c) are satisfied. Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") became the beneficial owner of 25 percent or more of the Outstanding Company Common Shares or Outstanding Company Voting Securities as a result of the acquisition of Outstanding Company Common Shares or Outstanding Company Voting Securities by Amex which, by reducing the number of Outstanding Company Common Shares or Outstanding Company Voting Securities, increases the proportional number of shares beneficially owned by the Subject Person; provided, that if a Change in Control would be deemed to have occurred (but for the operation of this sentence) as a result of the acquisition of Outstanding Company Common Shares or Outstanding Company Voting Securities by Amex, and after such share acquisition by Amex, the Subject Person becomes the beneficial owner of any additional Outstanding Company Common Shares or Outstanding Company Voting Securities which increases the percentage of the Outstanding Company Common Shares or Outstanding Company Voting Securities beneficially owned by the Subject Person, then a Change in Control shall then be deemed to have occurred; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by Amex's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation; or

(c) The consummation of a reorganization, merger, statutory share exchange, consolidation, or similar corporate transaction involving Amex or any of its direct or indirect Subsidiaries (each a "Business Combination"), in each case, unless, following such Business Combination, (i) the Outstanding Company Common Shares and the Outstanding Company Voting Securities immediately prior to such Business Combination, continue to represent (either by remaining outstanding or being converted into voting securities of the resulting or surviving entity or any parent thereof) more than 50 percent of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from Business Combination (including, without limitation, a corporation that, as a result of such transaction, owns Amex or all or substantially all of Amex's assets either directly or through one

or more subsidiaries), (ii) no Person (excluding Amex, any employee benefit plan (or related trust) of Amex, a Subsidiary or such corporation resulting from such Business Combination or any parent or subsidiary thereof, and any Person beneficially owning, immediately prior to such Business Combination, directly or indirectly, 25 percent or more of the Outstanding Company Common Shares or Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 25 percent or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination (or any parent thereof) or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination (or any parent thereof) were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such Business Combination; or

(d) The consummation of the sale, lease, exchange or other disposition of all or substantially all of the assets of Amex, unless such assets have been sold, leased, exchanged or disposed of to a corporation with respect to which following such sale, lease, exchange or other disposition (i) more than 50 percent of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation (or any parent thereof) entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Shares and Outstanding Company Voting Securities immediately prior to such sale, lease, exchange or other disposition in substantially the same proportions as their ownership immediately prior to such sale, lease, exchange or other disposition of such Outstanding Company Common Shares and Outstanding Company Voting Shares, as the case may be, (ii) no Person (excluding Amex and any employee benefit plan (or related trust)) of Amex or a Subsidiary or of such corporation or a subsidiary thereof and any Person beneficially owning, immediately prior to such sale, lease, exchange or other disposition, directly or indirectly, 25 percent or more of the Outstanding Company Common Shares or Outstanding Company Voting Securities, as the case may be) beneficially owns, directly or indirectly, 25 percent or more of respectively, the then outstanding shares of common stock of such corporation (or any parent thereof) and the combined voting power of the then outstanding voting securities of such corporation (or any parent thereof) entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of such corporation (or any parent thereof) were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale, lease, exchange or other disposition of assets of Amex; or

(e) Approval by the shareholders of Amex of a complete liquidation or dissolution of Amex.

Section 9.2 Effect of Change in Control . This Section 9.2 shall apply in the event of a Change in Control.

(a) Rabbi Trust . Notwithstanding Section 12.1 and any other provision herein to the contrary, to the extent permitted by Section 409A without excise tax or penalty, effective immediately upon a Change in Control, the entire value of each Participant's Account under the

Plan shall be maintained in the Trust established by Amex for this purpose and the Company shall transfer to the Trust an amount sufficient to fund the entire value of each Participant's Account.

(b) Account Earnings .

(i) *RSP-Related Account* .

(A) Notwithstanding Section 7.4(b), effective immediately upon a Change in Control, to the extent a subaccount of a RSP-Related Account established on behalf of a Participant reflects, or by the terms of the Plan should in the future reflect, the performance of the Stock Fund, it shall thereafter reflect the performance of the Stable Value Fund.

(B) Notwithstanding Section 7.4(c), in the event that any time after a Change in Control either (A) the RSP is frozen or terminated and is not replaced by a comparable qualified investment savings plan, or (B) there are no investment funds available under the RSP (or successor qualified investment savings plan) to which a Participant may direct the investment of his or her RSP-Related Account, then a Participant's RSP-Related Account shall thereafter be credited with earnings of at least the AFR.

(ii) *Deferral Accounts* .

(A) If earnings are credited to all or part of a Deferral Account under the Interest Method, notwithstanding Article 7, effective immediately upon a Change in Control, the applicable Schedule Rate shall be no less than the Moody's A Rate for the year of the Change in Control any year thereafter during which the Interest Method applies, provided that in the case of a person who is an Executive Officer for purposes of Article 7, the applicable Schedule Rate shall be no greater than the AFR if Amex's (or its successor's) ROE is Below Target Range.

(B) If earnings are credited to all or part of a Deferral Account under the Hypothetical Investment Method, the relevant portion of such Account shall be handled in the same manner as the Participant's RSP-Related Account under Section 9.2(b)(i).

(C) If a Participant who is eligible to receive lump-sum separation pay under the Severance Plan experiences a Separation from Service within the two-year period following a Change in Control, and the Participant would have become Retirement Eligible during the serial separation period for which the Participant would have been eligible in a non-Change-in-Control situation, then upon such Separation from Service, the Participant shall immediately become 100 percent vested in the earnings on his or her Deferral Account under Section 7.5(b)(i) as if the Participant were Retirement Eligible on the date of the Separation from Service, if not already fully vested.

(c) Golden Parachute Excise Taxes .

(i) In the event that any payment or benefit received or to be received by a Participant hereunder in connection with a Change in Control or termination of such

Participant's employment (hereinafter referred to collectively as the "Payments") will be subject to the excise tax referred to in Section 4999 of the Code (the "Excise Tax"), then the Payments shall be reduced to the extent necessary so that no portion of the Payments is subject to the Excise Tax but only if (a) the net amount of all Total Payments (as hereinafter defined), as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments) is greater than or equal to (b) the net amount of such Total Payments without any such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of Excise Tax to which the Participant would be subject in respect of such unreduced Total Payments; provided, however, that the Participant may elect in writing to have other components of his or her Total Payments reduced prior to any reduction in the Payments hereunder.

(ii) For purposes of determining whether the Payments will be subject to the Excise Tax, the amount of such Excise Tax and whether any Payments are to be reduced hereunder: (A) all payments and benefits received or to be received by the Participant in connection with such Change in Control or the termination of such Participant's employment, whether pursuant to the terms of this Plan or any other plan, arrangement or agreement with the Company, any Person whose actions result in such Change in Control, or any Person affiliated with the Company or such Person (collectively, "Total Payments") shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor, or if that firm refuses to serve, by another qualified firm, whether or not serving as independent auditors, designated by the Committee (the "Firm"), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Section 280G(2)(A) or Section 280G(b)(4)(A) of the Code; (B) no portion of the Total Payments the receipt or enjoyment of which the Participant shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G (b) of the Code shall be taken into account; (C) all "excess parachute payments" within the meaning of Section 280G(b)(2) of the Code shall be treated as subject to the Excise Tax unless, in the opinion of the Firm, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(g)(4)(B) of the Code) in excess of the "base amount" (within the meaning of Section 280G (b)(3) of the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax; and (D) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code and regulations or other guidance thereunder. For purposes of determining whether any Payments in respect of a Participant shall be reduced, a Participant shall be deemed to pay federal income tax at the highest marginal rate of federal income taxation (and state and local income taxes at the highest marginal rate of taxation in the state and locality of such Participant's residence, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes) in the calendar year in which the Payments are made. The Firm will be paid reasonable compensation by the Company for its services.

(iii) As soon as practicable following a Change in Control, but in no event later than 30 days thereafter, the Company shall provide to each Participant with respect to whom it is proposed that Payments be reduced, a written statement setting forth the manner in which the Total Payments in respect of such Participant were calculated and the basis for such

calculations, including, without limitation, any opinions or other advice the Company has received from the Firm or other advisors or consultants (and any such opinions or advice which are in writing shall be attached to the statement).

ARTICLE 10
CLAIMS PROCEDURES

Section 10.1 Claim .

(a) A claimant who believes that he or she is being denied Benefits to which he or she is entitled under the Plan or who otherwise has a claim involving the Plan may file a written request for such Benefits or written description of the claim (as applicable) with the Administrator, setting forth his or her claim for Benefits or other claim involving the Plan.

(b) No action may be commenced against any Plan party after the earliest to occur of the following dates: the date that is 90 days after the date of the final denial of the appeal, or the date that is one year from the date a cause of action accrued. For purposes of this Article 10, a cause of action is considered to have accrued when the person bringing the legal action knew, or in the exercise of reasonable diligence should have known, that a Plan party has clearly repudiated the claim or legal position which is the subject of the action, regardless of whether such person has filed a claim in accordance with the provisions of this Article 10. The Administrator shall be the Plan's agent for service of process.

(c) Any person requesting Benefits or wishing to assert a claim must exhaust all remedies under the Plan's claims procedures before being entitled to seek relief under Section 10.5.

Section 10.2 Claim Decision .

(a) Except as otherwise provided by Section 10.2(b), the Administrator shall reply to any claim filed under Section 10.1 within 90 days of receipt, unless it determines to extend such reply period for an additional 90 days for reasonable cause and notifies the claimant in advance of the reasons for the extension and the date by which the Administrator expects to make a decision. If the claim is denied in whole or in part, such reply shall include a written explanation, using language calculated to be understood by the claimant, setting forth:

(i) the specific reason or reasons for such denial;

(ii) the specific reference to relevant provisions of the Plan on which such denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect his or her claim and an explanation why such material or such information is necessary;

(iv) appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review;

(v) the time limits for requesting a review under Section 10.3 and for review under Section 10.4; and

(vi) the claimant's right to bring an action under Section 502 of ERISA (subject to Section 10.5) if the claim is denied on review.

(b) If the claim is a claim that requires a determination regarding whether a Participant is Disabled to be made by the Administrator (and not by some party other than the Administrator or the Plan for purposes other than a benefit determination under the Plan), the Administrator will respond to the claim within a reasonable period of time and in any case within 45 days (provided that the Administrator may utilize up to two 30-day extension periods, in each case to the extent that the Administrator determines that circumstances beyond the control of the Plan so require, and shall in each case provide the claimant with an advance notice setting forth the reasons for the extension and the date by which the Administrator expects to render a decision, the standards on which entitlement to Benefits is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve such issues). In the event that additional information is necessary to resolve a claim requiring the Administrator to rule on the Participant's Disabled status, the claimant shall be afforded at least 45 days to provide the information (during which time the periods to provide notice and a decision on the claim shall be tolled).

(c) In the event of a claim requiring the Administrator to rule on the Participant's Disabled status, the Administrator's written notice of claim denial shall provide the claimant (in addition to the items described in Section 10.2(a)) with a copy of any internal rule, guideline, protocol or other similar criterion relied upon during the claims process or with a statement that such an internal rule, guideline, protocol or other similar criterion was relied upon and that a copy will be provided free of charge upon request, and if a medical necessity or experimental treatment or similar exclusion or limit was imposed, the Administrator will provide an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to the claimant's medical circumstances) or a statement that such an explanation will be provided free of charge upon request.

Section 10.3 Request for Review .

(a) Except as otherwise provided by Section 10.3(b), within 60 days after the receipt by the claimant of the written explanation described above, the claimant may request in writing that the Administrator review its determination. The claimant, or his or her duly authorized representative, may, but need not, review the relevant documents and submit issues and comments in writing for consideration by the Administrator. Reasonable access to and copies of any documents, records and other information relevant to the claim will be provided free of charge upon request, subject to attorney-client, attorney work-product and other applicable privilege rules unless otherwise required by ERISA. Except as otherwise provided by Section 10.3(b), if the claimant does not request a review of the initial determination within such 60-day period, the claimant shall be barred and estopped from challenging the determination.

(b) In the event of a claim requiring the Administrator to make a determination regarding the Participant's Disabled status, the claimant shall have 180 days after

receipt of the written explanation described above to request in writing that the determination be reviewed, and shall be barred and estopped from challenging the determination if he or she does not request a review of the initial determination within such 180-day period.

Section 10.4 Review of Decision .

(a) After considering all materials presented by the claimant, the Administrator will render a written decision, setting forth the specific reasons for the decision and containing specific references to the relevant provisions of the Plan on which the decision is based. The decision on review shall normally be made within 60 days after the Administrator's receipt of the claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified of the reasons for the extension and the date as of which the Administrator expects to make a decision, and the time limit shall be 120 days. The decision shall be in writing using language calculated to be understood by the claimant, and shall set forth:

(i) the specific reason or reasons for such denial;

(ii) the specific reference to relevant provisions of the Plan on which such denial is based;

(iii) a statement that the claimant is entitled, upon request and free of charge, to receive reasonable access to and copies of all documents, records and other information relevant to the claimant's claim (subject to attorney-client, attorney work-product and other applicable privilege rules unless otherwise required by ERISA); and

(iv) the claimant's right to bring an action under Section 502 of ERISA now that the claim has been denied on appeal (subject to Section 10.5).

(b) In the event of a claim requiring the Administrator to make a determination regarding the Participant's Disabled status, the Administrator shall ensure that no deference is afforded to the prior determination, that the persons who made the initial determination on behalf of the Administrator shall not be involved in the review, and that the persons who make the decision on review on behalf of the Administrator are not subordinates of the original decision-makers. In the event that a medical judgment is required, the persons conducting the review shall consult with a health care professional of appropriate training and experience in the relevant field of medicine and shall identify any medical or vocational experts consulted to the claimant. No health care professional consulted in the course of the review shall be a person consulted in the course of the original determination (or a subordinate of such person). The claim determination on review of a claim requiring the Administrator to make a determination regarding the Participant's Disabled status shall be provided within 45 days (90 days, if the Administrator determines that special circumstances require an extension and so informs the claimant). In the event of such a claim denial, in addition to the items required above, the Administrator shall provide a copy of any internal rule, guideline, protocol or other similar criterion relied upon during the claims process or a statement that such an internal rule, guideline, protocol or other similar criterion was relied upon and that a copy will be provided upon request, and if a medical necessity or experimental treatment or similar exclusion or limit

was imposed, the Administrator will provide an explanation of the scientific or clinical judgment for the determination (applying the terms of the Plan to the claimant's medical circumstances) or a statement that such an explanation will be provided free of charge upon request.

(c) All decisions on review shall be final and shall bind all parties concerned to the maximum extent permitted by law.

Section 10.5 Arbitration .

(a) Notwithstanding anything herein to the contrary and to the extent permitted by ERISA, upon completion of the claims process set forth in this Article 10, the Administrator or a claimant will have the right to compel binding arbitration with respect to any claim involving the Plan. If any such party chooses to compel arbitration, the process and procedure shall be governed by the terms and conditions of the Policy, to the extent such Policy is consistent with the terms of the Plan. This includes, but is not limited to, the Policy's prohibition against claims being arbitrated on a class action basis or on bases involving claims brought in a representative capacity on behalf of any other similarly situated party. In addition, if any party chooses to compel arbitration, the arbitrator will be bound by the substantive terms of the Plan and ERISA (including, but not limited to, the standard of review required by ERISA).

(b) To the extent required by Sections 2560.503-1(c)(2)-(3) and 2560.503-1(d) of the Labor Regulations, arbitration shall not be required in the case of a claim which requires the Administrator to make a determination with respect to the Participant's Disabled status.

Section 10.6 Burden of Proof . Notwithstanding anything herein to the contrary, to the extent a claimant asserts entitlement to Benefits or otherwise makes a claim based upon facts not contained in the Plan's records, such person shall be required to provide satisfactory affirmative evidence of such facts. For avoidance of doubt, if a person claims entitlement to Benefits based upon service or compensation (including but not limited to claims with respect to Base Salary, Incentive Pay, or Compensation for RSP-Related Account or RP-Related Account purposes) that is not reflected in the Plan's records, such person must provide satisfactory affirmative evidence of such service or compensation. The Administrator shall have the sole and exclusive discretion to determine whether the above-referenced affirmative evidence is satisfactory.

Section 10.7 Administrator's Sole Authority . Notwithstanding Section 3.2 or any other provision of the Plan, the Administrator shall have the sole and exclusive authority with respect to any matter, action or decision under this Article 10, and the Committee shall have neither any authority with respect to such matters, nor the right or ability to limit or to interfere in any way with the Administrator's authority with respect to such matters.

ARTICLE 11
AMENDMENT & TERMINATION

Section 11.1 Plan Amendment . The Committee or its delegate may, at any time, amend or terminate the Plan, provided that the Committee may not reduce or modify the amount of any Benefit payable to a Participant or any Beneficiary receiving Benefit payments at the time

the Plan is amended or terminated. Notwithstanding the foregoing, the Committee shall not have the right to amend or modify the terms and provisions of the Plan to the extent such amendment or modification would result in a violation of Section 409A. In particular, amendments to the definitions of Base Salary or Incentive Pay hereunder shall not be made in a manner which would result in an impermissible alteration to an existing Deferral Election.

Section 11.2 Effect of Plan Termination . If the Plan is terminated, no additional deferrals or contributions shall be credited to any Participant Account hereunder. Following Plan termination, Participants' Accounts shall be paid at such time and in such form as provided under Article 8. Notwithstanding the foregoing, either at the time of termination or on a subsequent date, the Committee may, in its discretion, determine to distribute the then existing Account balances of Participants and Beneficiaries and, following such distribution, there shall be no further obligation to any Participant or Beneficiary under the Plan; provided, however, that the authority granted to the Committee under this Section 11.2 shall be implemented in compliance with the requirements of and only to the extent permissible under Section 409A.

ARTICLE 12
GENERAL PROVISIONS

Section 12.1 Unfunded Status . Nothing in the Plan shall create, or be construed to create, a trust of any kind or fiduciary relationship between the Company and the Participant, his or her designated Beneficiary, or any other person. Any funds deferred under the provisions of the Plan shall be construed for all purposes as a part of the general funds of the Company, and any right to receive payments from the Company under the Plan shall be no greater than the right of any unsecured general creditor. The Company may, but need not, purchase any securities or instruments as a means of hedging its obligations to any Participant under the Plan.

Section 12.2 Non-Transferable . The right of any Participant, or other person, to the payment of deferred compensation under the Plan shall not be assigned, transferred, pledged or encumbered except by the laws of descent and distribution.

Section 12.3 No Right to Continued Employment . Participation in the Plan shall not be construed as conferring upon the Participant the right to continue in the employ of the Company as an executive or in any other capacity. The Company expressly reserves the right to dismiss any employee at any time without liability for the effect such dismissal might have upon him or her hereunder.

Section 12.4 Plan Benefits Not Compensation Under Employee Benefit Plans . Any deferred compensation payable under the Plan shall not be deemed salary or other compensation to the Participant for the purpose of computing the benefits under any plan or arrangement (including but not limited to any "employee benefit plan" under ERISA) except as expressly provided in such plan or arrangement.

Section 12.5 Compliance with Section 409A . The Plan is intended to comply with Section 409A, and shall be interpreted, operated and administered consistent with this intent and the Section 409A Policy. To the extent the terms of the Plan fail to qualify for exemption from or to satisfy the requirements of Section 409A, the Plan may be operated in compliance with

Section 409A pending amendment to the extent authorized by the Internal Revenue Service. In such circumstances, the Plan will be administered in a manner which adheres as closely as possible to its existing terms while complying with Section 409A.

Section 12.6 No Guarantee of Tax Consequences .

(a) The Company makes no representations or warranties and assumes no responsibility as to the tax consequences to any Participant who enters into a deferred compensation agreement with the Company pursuant to the Plan or any such Participant's Beneficiary. Further, payment by the Company to the Participant (or to a Participant's Beneficiary or Beneficiaries) in accordance with the terms of the Plan, including any designation of Beneficiary on file with the Administrator at the time of the Participant's death, shall be binding on all interested parties and persons, including the Participant's heirs, executors, administrators and assigns, and shall discharge the Company, its directors, officers and employees from all claims, demands, actions or causes of action of every kind arising out of or on account of the Participant's participation in the Plan, known or unknown, for himself or herself, his or her heirs, executors, administrators and assigns.

(b) No person connected with the Plan in any capacity, including, but not limited to, the Company and its directors, officers, agents and employees, makes any representation, commitment, or guarantee that any tax treatment, including, but not limited to, Federal, state and local income, estate and gift tax treatment, will be applicable to any amounts deferred under the Plan, or paid to or for the benefit of a Participant or Beneficiary under the Plan, or that such tax treatment will apply to or be available to a Participant or Beneficiary on account of participation in the Plan.

(c) Any agreement executed pursuant to the Plan shall be deemed to include the above provision of this Section 12.6.

Section 12.7 Limitations on Liability . Neither the establishment of the Plan nor any modification thereof, nor the creation of any account under the Plan, nor the payment of any benefits under the Plan shall be construed as giving to any Participant or other person any legal or equitable right against the Company, or any officer or employer thereof except as provided by law or by any Plan provision. No person (including the Company) in any way guarantees any Participant's Account from loss or depreciation, whether caused by poor investment performance of a deemed investment or the inability to realize upon an investment due to an insolvency affecting an investment vehicle or any other reason. In no event shall the Company or any successor, employee, officer, director or stockholder of the Company, be liable to any person on account of any claim arising by reason of the provisions of the Plan or of any instrument or instruments implementing its provisions (except that the Company shall make benefit payments in accordance with the terms of the Plan), or for the failure of any Participant, Beneficiary or other person to be entitled to any particular tax consequences with respect to the Plan, or any credit or distribution hereunder.

Section 12.8 Severability . If any provision of the Plan is held to be illegal or void, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein.

Section 12.9 Captions . The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be considered in the construction of the Plan.

Section 12.10 Governing Law . The Plan shall be construed in accordance with and governed by the laws of the State of New York to the extent not superseded by federal law, without reference to the principles of conflict of laws.

* * * * *

SCHEDULE A

DEFERRAL ACCOUNT SCHEDULE RATE

Under the Interest Method, the Schedule Rate used to determine the earnings credited on a Participant's Deferral Accounts for such calendar year shall be determined under the following metric, based on Amex's "ROE" for such calendar year and its "ROE Target Range" for such calendar year:

Amex's ROE	Schedule Rate
Below ROE Target Range	Moody's A Rate
Within ROE Target Range	9%
Above ROE Target Range	11%

Amounts credited under this Schedule are subject to any caps imposed by Article 7 of the Plan, including the limitation of amounts credited to an Executive Officer to an amount which will not exceed the AFR when required by Section 7.3.

Amex's " ROE " for a calendar year means Amex's consolidated annual return on equity for such calendar year, as reported by Amex, subject to adjustment for significant accounting changes as determined by the Committee in its sole discretion.

Amex's " ROE Target Range " for a calendar year means the ROE target range announced by Amex and in effect on January 1st of such calendar year.

Except as otherwise provided by Section 9.2(b)(ii) of the Plan, the Schedule Rate under this Schedule A for any calendar year may be changed by the Committee, prospectively or retrospectively, in its sole discretion, without prior notice to or consent of Participants or Beneficiaries.

SCHEDULE B

INCENTIVE PAY

The following programs constitute Incentive Pay under the Plan. The Company reserves the right to amend this list, including without limitation the right to add items to and delete items from this list; provided, however, that no amendment shall impact the amounts to be deferred under a Deferral Election already in effect except to the extent that such an impact is (i) permitted by Section 409A of the Code and (ii) specified in such amendment.

- S/E Sales
- Real Estate Incent Plan
- Business Finance Bonus
- Performance Challenge
- U.S. Banking Incentive Award
- TMS Incentive
- Cons Tvl ICP
- GTMS Incentive
- Morris Incentive
- PSIA
- Travel Incentive
- Technology Incentive Award
- Team Perf Rewd
- Travelers Checks Quality Incentive Award
- EICP Special Award
- Team Incentive Plan
- Bus Travel Inc
- American Express One Business Travel Incentive
- Sales Incentive
- Interpretation
- ES Rewrd & Recog
- Temporary Assignment Awards
    - Lump Sum Merits
    - Lump Sum Promotions

- T/C Bonus
- Special Merit
- AEB Bonus
- Nat’l Acct Inc
- AIA
- Foreign Market Premium
- Fund of Hedge Funds Investment Management – Variable Compensation Plan
- SkyGuide Subscription Commissions
- Travel Protection Plan Sales Commissions
- Publishing Sales Incentive Plan Commissions
- Customer Focused Sales Commission (CFS Incentive), formerly known as Cardmember Telephone Service Center Sales Commissions
- USCC Regional MBD Incentive Plan
- USCC National MBD Incentive Plan
- USCC Regional DBD Incentive Plan
- USCC National DBD Incentive Plan
- USCC Enterprise DBD Incentive Plan
- USCC CAT AE Incentive Plan
- GCG DBD Incentive Plan
- GCG VP Incentive Plan
- Global Supplier Relations Preferred Reward
- Personal Performance Incentive
- Private Banking Sales Incentive Compensation Program
- GFM Special Incentive Plan for Sales and Traders
- Global Financial Institutions Group Sales Incentive Plan
- AEB Private Bank Investment Specialist Incentive Plan
- Private Banking Insurance Sales Incentive Program
- GID Sales Force Commission Program
- Harbor Annual Performance Bonus
- Harbor Account Management Incentive Compensation Plan
- Corporate Card Business Development Manager Sales Plan

- Corporate Card Strategic Initiatives Manager Sales Plan
- Corporate Card Strategic National Accounts Manager Sales Plan
- Corporate Card Account Development Manager Sales Plan
- Account Development Manager-GE Sales Plan
- Corporate Card National Account Manager Sales Plan
- Business Card National Account Manager Sales Plan
- Corporate Card Account Executive Sales Plan
- Business Card Business Development Manager Sales Plan
- Business Card Sales Leader Sales Plan
- Corporate Card Sales & Account Development Leader Sales Plan
- “PIC” Performance Incentive Compensation for Bands PB-LPB
- “LPIC” Leadership Performance Incentive Compensation for SPB
- “IC” Incentive Compensation for Executives
- Serve Virtual Enterprises, Inc. Incentive Plan (formerly Revolution Money, Inc. Incentive Plan)
- The Serve Virtual Enterprises, Inc. Customer Service Incentive Plan (formerly The Revolution Money, Inc. Customer Service Incentive Plan)
- Serve Virtual Enterprises, Inc. Management Incentive Plan (formerly Revolution Money, Inc. Management Incentive Plan)
- The Accertify, Inc. Employee Bonus Plan
- The Accertify, Inc. Outsourcing Bonus Plan
- The Accertify, Inc. Senior Sales Commission Plan
- The Accertify, Inc. Sales Commission Plan
- The Accertify, Inc. Acct. Mgt. Sales Commission Plan
- Sometrics Incentive Awards: Serve Performance Goal Award (effective January 2, 2012)
- Sometrics Incentive Awards: Sometrics Performance Goal Award (effective January 1, 2012)

In addition, to the extent that a new Participating Employer joins the RSP and as a result its Employees become eligible for this Plan, incentive programs added as Total Pay for such Employees under the RSP as of the date they become eligible for the RSP will be considered eligible Incentive Pay under this Plan, even if an amendment to this Schedule B has not yet been adopted.

Exhibit 12

AMERICAN EXPRESS COMPANY
COMPUTATION IN SUPPORT OF RATIO OF EARNINGS TO FIXED CHARGES
(*Dollars in Millions*)

	Years Ended December 31,				
	2011	2010	2009	2008	2007
Earnings:					
Pretax income from continuing operations	**$6,956**	$5,964	$2,841	$3,581	$ 5,694
Interest expense [(a)]	**2,320**	2,423	2,208	3,628	4,525
Other adjustments [(b)]	**124**	126	129	144	143
Total earnings	**$9,400**	$8,513	$5,178	$7,353	$10,362
Fixed charges:					
Interest expense	**$2,320**	$2,423	$2,208	$3,628	$ 4,525
Other adjustments [(c)]	**94**	85	121	114	106
Total fixed charges	**$2,414**	$2,508	$2,329	$3,742	$ 4,631
Ratio of earnings to fixed charges	**3.89**	3.39	2.22	1.96	2.24

(a) Included in interest expense is interest expense related to the cardmember lending activities, international banking operations, and charge card and other activities in the Consolidated Statements of Income. Interest expense does not include interest on liabilities recorded under GAAP governing accounting for uncertainty in income taxes. The Company's policy is to classify such interest in income tax provision in the Consolidated Statements of Income.

(b) For purposes of the "earnings" computation, "other adjustments" include adding the amortization of capitalized interest, the net loss of affiliates accounted for under the equity method whose debt is not guaranteed by the Company, the noncontrolling interest in the earnings of majority-owned subsidiaries with fixed charges, and the interest component of rental expense, and subtracting undistributed net income of affiliates accounted for under the equity method.

(c) For purposes of the "fixed charges" computation, "other adjustments" include capitalized interest costs and the interest component of rental expense.

Exhibit 13

2011 FINANCIAL RESULTS

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AMERICAN EXPRESS COMPANY

2011 FINANCIAL REVIEW

FINANCIAL REVIEW

The financial section of American Express Company's (the Company) Annual Report consists of this Financial Review, the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements. The following discussion is designed to provide perspective and understanding regarding the Company's consolidated financial condition and results of operations. Certain key terms are defined in the Glossary of Selected Terminology, which begins on page 48.

This Financial Review and the Notes to Consolidated Financial Statements have been revised to exclude discontinued operations unless otherwise noted.

EXECUTIVE OVERVIEW

BUSINESS INTRODUCTION

American Express is a global service company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. The Company's range of products and services include:

- charge and credit card products;
- expense management products and services;
- consumer and business travel services;
- stored-value products such as Travelers Cheques and other prepaid products;
- network services;
- merchant acquisition and processing, servicing and settlement, and point-of-sale, marketing and information products and services for merchants; and
- fee services, including market and trend analyses and related consulting services, fraud prevention services, and the design of customized customer loyalty and rewards programs.

The Company's products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, in-house and third-party sales forces and direct response advertising.

We compete in the global payments industry with charge, credit and debit card networks, issuers and acquirers, as well as evolving alternative payment mechanisms, systems and products. As the payments industry continues to evolve, we are facing increasing competition from non-traditional players, such as online networks, telecom providers and software-as-a-service providers, who leverage new technologies and customers' existing charge and credit card accounts and bank relationships to create payment or other fee-based solutions. In 2009, the Company established the Enterprise Growth Group, which focuses on generating alternative sources of global revenues in areas such as online and mobile payments and fee-based services. In addition to the Enterprise Growth Group, the Company is seeking to transform all of its businesses for the digital marketplace, including increasing the Company's share of online spend across all products and enhancing customers' digital experience.

The Company's products and services generate the following types of revenue for the Company:

- Discount revenue, which is the Company's largest revenue source, represents fees charged to merchants when cardmembers use their cards to purchase goods and services at merchants on the Company's network;
- Net card fees, which represent revenue earned for annual charge card memberships;
- Travel commissions and fees, which are earned by charging a transaction or management fee for airline or other travel-related transactions;
- Other commissions and fees, which are earned on foreign exchange conversions and card-related fees and assessments;
- Other revenue, which represents insurance premiums earned from cardmember travel and other insurance programs, revenues arising from contracts with Global Network Services' (GNS) partners (including royalties and signing fees), publishing revenues and other miscellaneous revenue and fees; and
- Interest and fees on loans, which principally represents interest income earned on outstanding balances, and card fees related to the cardmember loans portfolio.

In addition to funding and operating costs associated with these types of revenue, other major expense categories are related to marketing and reward programs that add new cardmembers and promote cardmember loyalty and spending, and provisions for cardmember credit and fraud losses.

FINANCIAL TARGETS

The Company seeks to achieve three financial targets, on average and over time:

- Revenues net of interest expense growth of at least 8 percent;
- Earnings per share (EPS) growth of 12 to 15 percent; and
- Return on average equity (ROE) of 25 percent or more.

If the Company achieves its EPS and ROE targets, it will seek to return on average and over time 50 percent of the capital it generates to shareholders as dividends or through the repurchases of common stock, which may be subject to certain regulatory restrictions as described herein.

AMERICAN EXPRESS COMPANY

2011 FINANCIAL REVIEW

FORWARD-LOOKING STATEMENTS AND NON-GAAP MEASURES

Certain of the statements in this Annual Report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Refer to the "Forward-Looking Statements" section below. In addition, certain calculations included within this Annual Report constitute non-GAAP financial measures. The Company's calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies.

BANK HOLDING COMPANY

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

CURRENT ECONOMIC ENVIRONMENT/OUTLOOK

The Company's results for 2011 continued to reflect strong spending growth and improved credit performance, as well as a planned slowdown in the growth of operating expenses in the fourth quarter of the year. During the year cardmember spending volumes grew both in the United States and internationally, and across all of the Company's businesses, despite both a challenging economic environment and comparisons to relatively strong performance in the prior year.

While the positive impacts of strong billings growth and modestly higher cardmember borrowing levels were partially offset by lower loan yields, the strong billings growth, improved credit trends and certain tax benefits not expected to recur provided the Company with the opportunity to invest in the business and also generate strong earnings. The Company continues to focus its investments on both driving near-term metrics and building capabilities that will benefit the medium- to long-term success of the Company.

The Company's improving credit trends contributed to a reduction in loan write-offs and in overall loss reserve levels over the course of 2011 when compared to 2010. Reserve coverage ratios remain at appropriate levels after taking into consideration a net reduction of approximately $1.8 billion in loss reserve levels in 2011. Going forward, the Company expects the benefits to its results from reserve releases to diminish as credit metrics are at historically low levels.

Despite the Company's continued momentum, competition remains extremely intense across all of its businesses. In addition, the global economic environment remains uncertain. The current instability in Europe in particular, and concerns about sovereign defaults and the creditworthiness and liquidity of the European banking systems could adversely affect global economic conditions, including potentially negatively affecting consumer and corporate confidence and spending, disrupting the debt and equity markets and impacting foreign exchange rates. European billed business accounted for approximately 12 percent of the Company's total billed business for the year ended December 31, 2011. The Company also received the last settlement payments from MasterCard and Visa in 2011 and faces more difficult year-over-year comparisons in light of strong 2010 and 2011 volume and credit performance. Due to these factors, the Company is continuing to implement its plan to slow the growth of operating expenses over the next few years.

ACQUISITIONS

On March 1, 2011, the Company completed the acquisition of a controlling interest in Loyalty Partner in furtherance of its strategy to accelerate growth internationally and to grow fee-based revenue. Loyalty Partner is a leading marketing services company best known for the loyalty programs it operates in Germany, Poland and India. Loyalty Partner also provides market analysis, operating platforms and consulting services that help merchants grow their businesses. Total consideration was $616 million ($585 million plus $31 million in cash acquired). The Company has an option to acquire the remaining interest over a three-year period beginning at the end of 2013 at a price based on business performance, which had an estimated fair value of $150 million at the acquisition date. The final purchase price allocation, which is not expected to be significantly different from the estimate at the date of acquisition, will be completed in the first quarter of 2012. Refer to Note 2 to the Consolidated Financial Statements for further information.

The Company also made selected organic and strategic investments over the course of 2011 as part of its plans to expand digital payment products and capabilities for customers.

FINANCIAL SUMMARY

A summary of the Company's recent financial performance follows:

Years Ended December 31, *(Millions, except per share amounts and ratio data)*	**2011**	2010	Percent Increase (Decrease)
Total revenues net of interest expense	**$ 29,962**	$ 27,582	9 %
Provisions for losses	**$ 1,112**	$ 2,207	(50)%
Expenses	**$ 21,894**	$ 19,411	13 %
Income from continuing operations	**$ 4,899**	$ 4,057	21 %
Net income	**$ 4,935**	$ 4,057	22 %
Earnings per common share from continuing operations – diluted [(a)]	**$ 4.09**	$ 3.35	22 %
Earnings per common share – diluted [(a)]	**$ 4.12**	$ 3.35	23 %
Return on average equity [(b)]	**27.7%**	27.5%	
Return on average tangible common equity [(c)]	**35.8%**	35.1%	

(a) Earnings per common share from continuing operations — diluted and Earnings per common share — diluted were both reduced by the impact of earnings allocated to participating share awards and other items of $58 million and $51 million for the years ended December 31, 2011 and 2010, respectively.

(b) ROE is calculated by dividing (i) one-year period net income ($4.9 billion and $4.1 billion for 2011 and 2010, respectively), by (ii) one-year average total shareholders' equity ($17.8 billion and $14.8 billion for 2011 and 2010, respectively).

(c) Return on average tangible common equity is computed in the same manner as ROE except the computation of average tangible common equity, a non-GAAP measure, excludes from average total shareholders' equity average goodwill and other intangibles of $4.2 billion and $3.3 billion as of December 31, 2011 and 2010, respectively. The Company believes return on average tangible common equity is a useful measure of profitability of its business.

See Consolidated Results of Operations, beginning on page 19, for discussion of the Company's results.

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

CRITICAL ACCOUNTING ESTIMATES

Refer to Note 1 to the Consolidated Financial Statements for a summary of the Company's significant accounting policies referenced, as applicable, to other financial statement footnotes. Certain of the Company's accounting policies that require significant management assumptions and judgments are set forth below.

RESERVES FOR CARDMEMBER LOSSES

Reserves for cardmember losses represent management's best estimate of losses inherent in the Company's outstanding portfolio of cardmember loans and receivables as of the balance sheet date.

In estimating losses management uses statistical models that take into account several factors, including loss migration rates, historical losses and recoveries, portfolio specific risk indicators, current risk management initiatives and concentration of credit risk. In establishing the reserves, management also considers other external environmental factors such as leading economic and market indicators, including unemployment rates, home prices and Gross Domestic Product.

The process of determining the reserve for cardmember losses requires a high degree of judgment. To the extent historical credit experience updated for external environmental trends is not indicative of future performance, actual losses could differ significantly from management's judgments and expectations, resulting in either higher or lower future provisions for losses.

As of December 31, 2011, an increase (decrease) in write-offs equivalent to 20 basis points of cardmember loans and receivables balances at such date would increase (decrease) the provision for cardmember losses by approximately $210 million. This sensitivity analysis does not represent management's expectations for write-offs but is provided as a hypothetical scenario to assess the sensitivity of the provision for cardmember losses.

RESERVES FOR MEMBERSHIP REWARDS COSTS

The Membership Rewards program is the largest card-based rewards program in the industry. Eligible cardmembers can earn points for purchases charged on most of the Company's card products. Certain types of purchases allow cardmembers to also earn bonus points. Membership Rewards points are redeemable for a broad variety of rewards including travel, entertainment, retail certificates and merchandise. Points typically do not expire and there is no limit on the number of points a cardmember may earn.

The Company establishes balance sheet reserves that represent the estimated future cost of points earned that are expected to be redeemed. These reserves reflect management's judgment regarding ultimate redemptions and associated costs.

Management uses statistical and actuarial models to estimate ultimate redemption rates of points earned to date by current cardmembers based on historical redemption trends, current enrollee redemption behavior, card product type, year of program enrollment, enrollment tenure and card spend levels. A weighted-average cost per point redeemed during the previous twelve months, adjusted as appropriate for recent changes in redemption costs, including mix of rewards redeemed, is used to approximate future redemption costs. The Company continually evaluates its reserve methodology and assumptions based on developments in redemption patterns, cost per point redeemed, contract changes and other factors.

The reserve for the estimated cost of earned points expected to be redeemed is impacted over time by enrollment levels, points earned and redeemed, and the weighted-average cost per point, which is influenced by redemption choices made by cardmembers, reward offerings by partners and other Membership Rewards program changes. Management assumes that a large majority of all points earned will eventually be redeemed, and therefore the reserve is most sensitive to changes in the estimated ultimate redemption rate.

Changes in the ultimate redemption rate and weighted-average cost per point have the effect of either increasing or decreasing the reserve through the current period provision by an amount estimated to cover the cost of all points previously earned but not yet redeemed by cardmembers as of the end of the reporting period. As of December 31, 2011, if the ultimate redemption rate of current enrollees increased by 100 basis points, the balance sheet reserve and corresponding provision for the cost of Membership Rewards would each increase by approximately $330 million. Similarly, if the weighted-average cost per point increased by 1 basis point, the balance sheet reserve and corresponding provision for the cost of Membership Rewards would each increase by approximately $70 million.

FAIR VALUE MEASUREMENT

The Company holds investment securities and derivative instruments that are carried at fair value on the Consolidated Balance Sheets. Management makes assumptions and judgments when estimating the fair values of these financial instruments.

In accordance with fair value measurement and disclosure guidance, the objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The disclosure guidance establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to the measurement of fair value based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), followed by the measurement of fair value based on pricing models with significant observable inputs (Level 2), with the lowest priority given to the measurement of fair value based on pricing models with significant unobservable inputs (Level 3). The Company does not have any Level 3 assets. Refer to Note 3 to the Consolidated Financial Statements.

Investment Securities
The Company's investment securities are mostly composed of fixed-income securities issued by states and municipalities as well as the U.S. Government and Agencies.

The fair market values for the Company's investment securities, including investments comprising defined benefit pension plan assets, are obtained primarily from pricing services engaged by the Company. For each security, the Company receives one price from a pricing service. The fair values provided by the pricing services are estimated using pricing models where the inputs to those models are based on observable market inputs. The Company did not apply any adjustments to prices received from the pricing services. The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services to test for reasonableness by comparing the prices to valuations from different pricing sources as well as comparing prices to the sale prices received from sold securities.

In the measurement of fair value for the Company's investment securities, even though the underlying inputs used in the pricing models are directly observable from active markets or recent trades of similar securities in inactive markets, the pricing models do entail a certain amount of subjectivity and therefore differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

Other-Than-Temporary Impairment of Investment Securities
Realized losses are recognized when management determines that a decline in the fair value of investment securities is other-than-temporary. Such determination requires judgment regarding the amount and timing of recovery. The Company reviews and evaluates its investment securities at least quarterly, and more often as market conditions may require, to identify investment securities that have indications of other-than-temporary impairments. The Company considers several factors when evaluating debt securities for other-than-temporary impairment, including the determination of the extent to which a decline in the fair value of a security is due to increased default risk for the specific issuer or market interest rate risk. With respect to market interest rate risk, the Company assesses whether it has the intent to sell the investment securities and whether it is more likely than not that the Company will be required to sell the investment securities before recovery of any unrealized losses.

In determining whether any of the Company's investment securities are other-than-temporarily impaired, a change in facts and circumstances could lead to a change in management judgment around the Company's view on collectibility and credit quality of the issuer, or the impact of market interest rates on the investment securities. Any such changes could result in the Company recognizing an other-than-temporary impairment loss through earnings.

Derivative Instruments
The Company's primary derivative instruments are interest rate swaps, foreign currency forward agreements, cross-currency swaps and a total return swap relating to a foreign equity investment.

The fair value of the Company's derivative instruments is estimated by using either a third-party valuation service that uses proprietary pricing models, or by internal pricing models, where the inputs to those models are readily observable from actively quoted markets. The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually.

To mitigate derivative instrument credit risk, counterparties are required to be pre-approved and rated as investment grade. In addition, the Company manages certain counterparty credit risks by exchanging collateral under executed credit support agreements. Based on the assessment of credit risk of the Company's derivative counterparties, the Company does not have derivative positions that warrant credit valuation adjustments.

In the measurement of fair value for the Company's derivative instruments, although the underlying inputs used in the pricing models are readily observable from actively quoted markets, the pricing models do entail a certain amount of subjectivity and, therefore, differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

GOODWILL RECOVERABILITY

Goodwill represents the excess of acquisition cost of an acquired company over the fair value of assets acquired and liabilities assumed. In accordance with GAAP, goodwill is not amortized but is tested for impairment at the reporting unit level annually or when events or circumstances arise, such as adverse changes in the business climate, that would more likely than not reduce the fair value of the reporting unit below its carrying value.

The Company assigns goodwill to its reporting units for the purpose of impairment testing. A reporting unit is defined as either an operating segment or a business that is one level below an operating segment for which discrete financial information is regularly reviewed by the operating segment manager.

The goodwill impairment test utilizes a two-step approach. The first step identifies whether there is potential impairment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, the second step of the impairment test is required to measure any impairment loss.

The Company uses a combination of discounted cash flow methods and market multiples valuation methods in estimating the fair value of its reporting units.

When using discounted cash flow models, the Company estimates future cash flows using the reporting unit's internal five-year forecast and a terminal value calculated using a growth rate that management believes is appropriate in light of current and expected future economic conditions. The Company then applies a discount rate to discount these future cash flows to arrive at a net present value, which represents the estimated fair value of the reporting unit. The discount rate applied approximates the Company's expected cost of equity financing, determined using a capital asset pricing model.

The fair value of each of the Company's reporting units exceeds the carrying value; accordingly, the Company has concluded goodwill is not impaired as of December 31, 2011. The Company could be exposed to increased risk of goodwill impairment if future operating results or macroeconomic conditions differ significantly from management's current assumptions.

INCOME TAXES

The Company is subject to the income tax laws of the United States, its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex, and the manner in which they apply to the taxpayer's facts is sometimes open to interpretation. In establishing a provision for income tax expense, the Company must make judgments about the application of inherently complex tax laws.

Unrecognized Tax Benefits

The Company establishes a liability for unrecognized tax benefits, which are the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized in the financial statements.

In establishing a liability for an unrecognized tax benefit, assumptions may be made in determining whether, and the extent to which, a tax position should be sustained. A tax position is recognized only when it is more likely than not to be sustained upon examination by the relevant taxing authority based on its technical merits. The amount of tax benefit recognized is the largest benefit that management believes is more likely than not to be realized on ultimate settlement. As new information becomes available, the Company evaluates its tax positions, and adjusts its unrecognized tax benefits, as appropriate.

Tax benefits ultimately realized can differ from amounts previously recognized due to uncertainties, with any such differences generally impacting the provision for income tax expense.

Deferred Tax Asset Realization

Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using the enacted tax rates expected to be in effect for the years in which the differences are expected to reverse.

Since deferred taxes measure the future tax effects of items recognized in the Consolidated Financial Statements, certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, reversing temporary differences and available tax planning strategies. These assessments are performed quarterly, taking into account any new information.

Changes in facts or circumstances can lead to changes in the ultimate realization of deferred tax assets due to uncertainties.

AMERICAN EXPRESS COMPANY

2011 FINANCIAL REVIEW

AMERICAN EXPRESS COMPANY CONSOLIDATED RESULTS OF OPERATIONS

Refer to "Glossary of Selected Terminology" for the definitions of certain key terms and related information appearing in the tables below.

The Company follows U.S. generally accepted accounting principles (GAAP). For periods ended on or prior to December 31, 2009, the Company's securitized cardmember loans and related debt securities issued to third parties by the American Express Credit Account Master Trust (the Lending Trust) were not included in the Consolidated Financial Statements, as it was an unconsolidated variable interest entity (VIE). For such periods, the Company also provided information on a non-GAAP "managed" basis. This information assumes, in the Consolidated Selected Statistical Information and U.S. Card Services (USCS) segment, there have been no cardmember loans securitization transactions. Upon the January 1, 2010 prospective adoption of the accounting standards related to transfers of financial assets and consolidation of VIEs (new GAAP governing consolidations and VIEs), the Company changed its accounting for the Lending Trust, which is now consolidated and therefore both the Company's securitized and non-securitized cardmember loans and related debt are included in the consolidated financial statements. The components of net securitization income for the cardmember loans and long-term debt are now recorded in other commissions and fees, interest income and interest expense. Prior period results were not revised for the change in accounting for the Lending Trust. The Company's (i) 2011 and 2010 GAAP presentations and (ii) managed basis presentations prior to 2010 are generally comparable. Refer to Notes 1 and 7 to the Consolidated Financial Statements for further discussion of the impacts of this adoption.

SUMMARY OF THE COMPANY'S FINANCIAL PERFORMANCE

Years Ended December 31, *(Millions, except per share amounts and ratio data)*	**2011**	2010	2009
Total revenues net of interest expense	**$ 29,962**	$ 27,582	$ 24,336
Provisions for losses	**$ 1,112**	$ 2,207	$ 5,313
Expenses	**$ 21,894**	$ 19,411	$ 16,182
Income from continuing operations	**$ 4,899**	$ 4,057	$ 2,137
Net income	**$ 4,935**	$ 4,057	$ 2,130
Earnings per common share from continuing operations – diluted [a]	**$ 4.09**	$ 3.35	$ 1.54
Earnings per common share – diluted [a]	**$ 4.12**	$ 3.35	$ 1.54
Return on average equity [b]	**27.7%**	27.5%	14.6%
Return on average tangible common equity [c]	**35.8%**	35.1%	17.6%

(a) Earnings per common share from continuing operations — diluted and Earnings per common share — diluted were both reduced by the impact of (i) accelerated preferred dividend accretion of $212 million for the year ended December 31, 2009, due to the repurchase of $3.39 billion of preferred shares issued as part of the Capital Purchase Program (CPP), (ii) preferred share dividends and related accretion of $94 million for the year ended December 31, 2009, and (iii) earnings allocated to participating share awards and other items of $58 million, $51 million and $22 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(b) ROE is calculated by dividing (i) one-year period net income ($4.9 billion, $4.1 billion and $2.1 billion for 2011, 2010 and 2009, respectively) by (ii) one-year average total shareholders' equity ($17.8 billion, $14.8 billion and $14.6 billion for 2011, 2010 and 2009, respectively).

(c) Return on average tangible common equity is computed in the same manner as ROE except the computation of average tangible common equity, a non-GAAP measure, excludes from average total shareholders' equity average goodwill and other intangibles of $4.2 billion, $3.3 billion and $3.0 billion as of December 31, 2011, 2010 and 2009, respectively.

SELECTED STATISTICAL INFORMATION

Years Ended December 31, *(Millions, except percentages and where indicated)*	**2011**	2010	2009
Card billed business *(billions)*			
United States	**$ 542.8**	$ 479.3	$ 423.7
Outside the United States	**279.4**	234.0	196.1
Total	**$ 822.2**	$ 713.3	$ 619.8
Total cards-in-force			
United States	**50.6**	48.9	48.9
Outside the United States	**46.8**	42.1	39.0
Total	**97.4**	91.0	87.9
Basic cards-in-force [a]			
United States	**39.3**	37.9	38.0
Outside the United States	**37.4**	33.7	31.1
Total	**76.7**	71.6	69.1
Average discount rate	**2.54%**	2.55%	2.51%
Average basic cardmember spending *(dollars)* [b]	**$ 14,881**	$ 13,259	$ 11,213
Average fee per card *(dollars)* [b]	**$ 39**	$ 38	$ 36
Average fee per card adjusted *(dollars)* [b]	**$ 43**	$ 41	$ 40

(a) Prior to and including the fourth quarter of 2010, the Company did not have the data necessary to separately report Basic and Supplementary cards-in-force (CIF) for Global Network Services; therefore, all cards-in-force for Global Network Services was reported as Basic CIF. Beginning in the first quarter of 2011, as the necessary data became available, the Company began to separately report Basic and Supplementary CIF for Global Network Services. The Company has accordingly revised prior periods to conform with the current period presentation.

(b) Average basic cardmember spending and average fee per card are computed from proprietary card activities only. Average fee per card is computed based on net card fees, including the amortization of deferred direct acquisition costs, plus card fees included in interest and fees on loans (including related amortization of deferred direct acquisition costs), divided by average worldwide proprietary cards-in-force. The card fees related to cardmember loans included in interest and fees on loans were $265 million, $220 million and $186 million for the years ended December 31, 2011, 2010 and 2009, respectively. The adjusted average fee per card, which is a non-GAAP measure, is computed in the same manner, but excludes amortization of deferred direct acquisition costs (a portion of which is charge card related and included in net card fees and a portion of which is lending related and included in interest and fees on loans). The amount of amortization excluded was $219 million, $207 million and $243 million for the years ended December 31, 2011, 2010 and 2009, respectively. The Company presents adjusted average fee per card because the Company believes this metric presents a useful indicator of card fee pricing across a range of its proprietary card products.

AMERICAN EXPRESS COMPANY

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	2011	2010	2009
Worldwide cardmember receivables			
Total receivables	**$ 40.9**	$ 37.3	$ 33.7
Loss reserves *(millions)*			
Beginning balance	**$ 386**	$ 546	$ 810
Provision for losses on authorized transactions [a]	**603**	439	773
Net write-offs	**(560)**	(598)	(1,131)
Other	**9**	(1)	94
Ending balance	**$ 438**	$ 386	$ 546
% of receivables	**1.1%**	1.0%	1.6%
Net write-off rate – principal – USCS [b]	**1.7%**	1.6%	3.8%
Net write-off rate – principal and fees – USCS [b]	**1.9%**	1.8%	4.2%
30 days past due as a % of total – USCS	**1.9%**	1.5%	1.8%
Net loss ratio as a % of charge volume – ICS/GCS [c][d]	**0.09%**	0.16%	0.25%
90 days past billing as a % of total – ICS/GCS [c]	**0.9%**	0.9%	1.6%
Worldwide cardmember loans – GAAP basis portfolio			
Total loans	**$ 62.6**	$ 60.9	$ 32.8
30 days past due as a % of total	**1.5%**	2.1%	3.6%
Loss reserves *(millions)*			
Beginning balance	**$ 3,646**	$ 3,268	$ 2,570
Adoption of GAAP consolidation standard [e]	**–**	2,531	–
Provision for losses on authorized transactions	**145**	1,445	4,209
Net write-offs – principal	**(1,720)**	(3,260)	(2,949)
Net write-offs – interest and fees	**(201)**	(359)	(448)
Other	**4**	21	(114)
Ending balance	**$ 1,874**	$ 3,646	$ 3,268
Ending Reserves – principal	**$ 1,818**	$ 3,551	$ 3,172
Ending Reserves – interest and fees	**$ 56**	$ 95	$ 96
% of loans	**3.0%**	6.0%	10.0%
% of past due	**206%**	287%	279%
Average loans	**$ 59.1**	$ 58.4	$ 34.8
Net write-off rate – principal only [b]	**2.9%**	5.6%	8.5%
Net write-off rate – principal, interest and fees [b]	**3.3%**	6.2%	9.8%
Net interest income divided by average loans [f][g]	**7.9%**	8.3%	9.0%
Net interest yield on cardmember loans [f]	**9.1%**	9.7%	10.1%
Worldwide cardmember loans – Managed basis portfolio			
Total loans	**$ 62.6**	$ 60.9	$ 61.8
30 days past due as a % of total	**1.5%**	2.1%	3.6%
Net write-offs – principal *(millions)*	**$ 1,720**	$ 3,260	$ 5,366
Average loans	**$ 59.1**	$ 58.4	$ 63.8
Net write-off rate – principal only [b]	**2.9%**	5.6%	8.4%
Net write-off rate – principal, interest and fees [b]	**3.3%**	6.2%	9.7%
Net interest yield on cardmember loans [f]	**9.1%**	9.7%	10.4%

(a) Represents loss provisions for cardmember receivables consisting of principal (resulting from authorized transactions) and fee reserve components.

(b) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company's practice is to include uncollectible interest and/or fees as part of its total provision for losses, a net write-off rate including principal, interest and/or fees is also presented.

(c) Effective January 1, 2010, the Company revised the time period in which past due cardmember receivables in International Card Services and Global Commercial Services are written off to when they are 180 days past due or earlier, consistent with applicable bank regulatory guidance and the write-off methodology for U.S. Card Services. Previously, receivables were written off when they were 360 days past billing or earlier. Therefore, the net write-offs for the first quarter of 2010 include net write-offs of approximately $60 million for International Card Services and approximately $48 million for Global Commercial Services resulting from this write-off methodology change, which increased the net loss ratios and decreased the 90 days past billing metrics for these segments, but did not have a substantial impact on provisions for losses.

(d) Beginning with the first quarter of 2010, the Company has revised the net loss ratio to exclude net write-offs related to unauthorized transactions, consistent with the methodology for calculation of the net write-off rate for U.S. Card Services. The metrics for prior periods have not been revised for this change as it was deemed immaterial.

(e) In accordance with new GAAP governing consolidations and VIEs, which resulted in the consolidation of the American Express Credit Account Master Trust (the Lending Trust) beginning January 1, 2010, $29.0 billion of additional cardmember loans along with a $2.5 billion loan loss reserve were recorded on the Company's Consolidated Balance Sheets.

(f) See below for calculation of net interest yield on cardmember loans, a non-GAAP measure, and net interest income divided by average loans, a GAAP measure. The Company believes net interest yield on cardmember loans is useful to investors because it provides a measure of profitability of the Company's cardmember loan portfolio.

(g) Includes elements of total interest income and total interest expense that are not attributable to the cardmember loan portfolio, and thus is not representative of net interest yield on cardmember loans. Includes interest income and interest expense attributable to investment securities and other interest-bearing deposits as well as to cardmember loans, and interest expense attributable to other activities, including cardmember receivables.

Calculation of Net Interest Yield on Cardmember Loans

Years Ended December 31, *(Millions, except percentages and where indicated)*	**2011**	2010	2009
Calculation based on GAAP information:			
Net interest income	**$ 4,641**	$ 4,869	$ 3,124
Average loans *(billions)*	**$ 59.1**	$ 58.4	$ 34.8
Adjusted net interest income	**$ 5,345**	$ 5,629	$ 3,540
Adjusted average loans *(billions)*	**$ 59.0**	$ 58.3	$ 34.9
Net interest income divided by average loans	**7.9%**	8.3%	9.0%
Net interest yield on cardmember loans	**9.1%**	9.7%	10.1%
Calculation based on managed information:			
Net interest income	**$ 4,641**	$ 4,869	$ 5,977
Average loans *(billions)*	**$ 59.1**	$ 58.4	$ 63.8
Adjusted net interest income	**$ 5,345**	$ 5,629	$ 6,646
Adjusted average loans *(billions)*	**$ 59.0**	$ 58.3	$ 63.9
Net interest yield on cardmember loans	**9.1%**	9.7%	10.4%

The following discussions regarding Consolidated Results of Operations and Consolidated Liquidity and Capital Resources are presented on a basis consistent with GAAP unless otherwise noted.

Beginning the first quarter of 2011, certain payments to business partners previously expensed in other expenses have been reclassified as contra-revenue within discount revenue or as marketing and promotion expense. These partner payments are primarily related to certain co-brand contracts where upfront payments are amortized over the life of the contract. Amounts in prior periods for this item and certain other amounts have been reclassified to conform to the current presentation and are immaterial to the affected line items.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2011

The Company's 2011 consolidated income from continuing operations increased $842 million or 21 percent to $4.9 billion, and diluted EPS from continuing operations increased by $0.74 to $4.09. Consolidated income from continuing operations for 2010 increased $1.9 billion or 90 percent to $4.1 billion from 2009, and diluted EPS from continuing operations for 2010 increased by $1.81 to $3.35 from 2009.

Consolidated net income for 2011, 2010 and 2009 was $4.9 billion, $4.1 billion and $2.1 billion, respectively. Net income included income from discontinued operations of $36 million for 2011 and losses from discontinued operations of nil and $7 million for 2010 and 2009, respectively.

The Company's total revenues net of interest expense and total expenses increased by approximately 9 percent and 13 percent, respectively, while total provisions for losses decreased by 50 percent in 2011. Assuming no changes in foreign currency exchange rates from 2010 to 2011, total revenues net of interest expense and total expenses increased approximately 7 percent and 11 percent, respectively, while total provisions for losses decreased approximately 50 percent in 2011 [1].

The Company's total revenues net of interest expense and total expenses increased by approximately 13 percent and 20 percent, respectively, while total provisions for losses decreased by 58 percent in 2010. Assuming no changes in foreign currency exchange rates from 2009 to 2010, total revenues net of interest expense and total expenses increased approximately 12 percent and 19 percent, respectively, while total provisions for losses decreased approximately 59 percent in 2010 [1].

Results from continuing operations for 2011 included:

- $153 million ($106 million after-tax) of net charges for costs related to the Company's reengineering initiatives; and
- A $102 million tax benefit related to the favorable resolution of certain prior years' tax items.

Results from continuing operations for 2010 included:

- $127 million ($83 million after-tax) of net charges for costs related to the Company's reengineering initiatives.

Results from continuing operations for 2009 included:

- A $211 million ($135 million after-tax) gain in 2009 on the sale of 50 percent of the Company's equity holdings of Industrial and Commercial Bank of China (ICBC);
- $190 million ($125 million after-tax) of net charges for costs related to the Company's reengineering initiatives; and
- $180 million ($113 million after-tax) of benefits related to the accounting for a net investment in the Company's consolidated foreign subsidiaries. Refer to Business Segment Results — Corporate & Other for further discussion.

[1] The foreign currency adjusted information, a non-GAAP measure, 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 year apply to the corresponding year-earlier period against which such results are being compared). The Company believes the presentation of information on a foreign currency adjusted basis is helpful to investors by making it easier to compare the Company's performance in one period to that of another period without the variability caused by fluctuations in currency exchange rates.

Total Revenues Net of Interest Expense

Consolidated total revenues net of interest expense for 2011 of $30.0 billion were up $2.4 billion or 9 percent from 2010. The increase in total revenues net of interest expense primarily reflects higher discount revenues, increased other commissions and fees, greater travel commissions and fees, higher net card fees, and higher other revenues, partially offset by lower net interest income. Consolidated total revenues net of interest expense for 2010 of $27.6 billion were up $3.2 billion or 13 percent from 2009, largely as a result of new GAAP governing consolidations and VIEs, which caused the reporting of write-offs related to securitized loans to move from net securitization income in 2009 to provisions for cardmember loan losses in 2010; in addition, total revenues net of interest expense also reflects higher discount revenues, increased other commissions and fees, greater travel commissions and fees, and higher net interest income, partially offset by lower other revenue and reduced net card fees.

Discount revenue for 2011 increased $1.9 billion or 12 percent as compared to 2010 to $16.7 billion as a result of a 15 percent increase in worldwide billed business, partially offset by a slightly lower discount rate. The lower revenue growth versus total billed business growth reflects the relatively faster growth in billed business related to GNS, where discount revenue is shared with card-issuing partners, and higher contra-revenue items, including cash rewards, corporate incentive payments and partner payments. The 15 percent increase in worldwide billed business in 2011 reflected an increase in proprietary billed business of 13 percent. The average discount rate was 2.54 percent and 2.55 percent for 2011 and 2010, respectively. Over time, repricing initiatives, changes in the mix of spending by location and industry, volume-related pricing discounts and investments in growth businesses will likely result in some erosion of the average discount rate.

U.S. billed business and billed business outside the United States were up 13 percent and 19 percent, respectively, in 2011, reflecting increases in average spending per proprietary basic card and basic cards-in-force.

The table below summarizes selected statistics for billed business and average spend:

	2011		2010	
	Percentage Increase (Decrease)	Percentage Increase (Decrease) Assuming No Changes in Foreign Exchange Rates [a]	Percentage Increase (Decrease)	Percentage Increase (Decrease) Assuming No Changes in Foreign Exchange Rates [a]
Worldwide [b]				
Billed business	**15%**	**13%**	15%	14%
Proprietary billed business	**13**	**12**	13	13
GNS billed business [c]	**27**	**22**	28	24
Average spending per proprietary basic card	**12**	**11**	18	17
Basic cards-in-force	**7**		4	
United States [b]				
Billed business	**13**		13	
Average spending per proprietary basic card	**11**		18	
Basic cards-in-force	**4**		(1)	
Proprietary consumer card billed business [d]	**11**		12	
Proprietary small business billed business [d]	**14**		11	
Proprietary Corporate Services billed business [e]	**14**		19	
Outside the United States [b]				
Billed business	**19**	**13**	19	15
Average spending per proprietary basic card	**16**	**10**	20	16
Basic cards-in-force	**11**		9	
Proprietary consumer and small business billed business [f]	**15**	**9**	14	9
Proprietary Corporate Services billed business [e]	**19**	**13**	20	18

(a) Refer to footnote 1 on page 21 relating to changes in foreign exchange rates.
(b) Captions in the table above not designated as “proprietary” or “GNS” include both proprietary and GNS data.
(c) Included in the Global Network & Merchant Services (GNMS) segment.
(d) Included in the USCS segment.
(e) Included in the Global Commercial Services (GCS) segment.
(f) Included in the International Card Services (ICS) segment.

Assuming no changes in foreign exchange rates, total billed business outside the United States grew 18 percent in Japan, Asia Pacific and Australia, 14 percent in Latin America and Canada, and 8 percent in Europe, the Middle East and Africa during 2011 [2].

During 2010, discount revenue increased $1.7 billion or 13 percent to $14.9 billion compared to 2009 as a result of a 15 percent increase in worldwide billed business and a slightly higher average discount rate. The lower revenue growth versus total billed business growth reflects the relatively faster billed business growth rate of 28 percent related to GNS, where discount revenue is shared with card-issuing partners, and higher contra-revenues, including cash-back rewards costs and corporate incentive payments. The 15 percent increase in worldwide billed business in 2010 reflected an increase in proprietary billed business of 13 percent.

Travel commissions and fees increased $198 million or 11 percent to $2.0 billion in 2011 compared to 2010, primarily reflecting a 13 percent increase in worldwide travel sales. Travel commissions and fees increased $182 million or 11 percent to $1.8 billion in 2010 compared to 2009, primarily reflecting a 19 percent increase in worldwide travel sales, partially offset by lower pricing.

Other commissions and fees increased $238 million or 12 percent to $2.3 billion in 2011 compared to 2010, primarily driven by revenues related to Loyalty Partner. Other commissions and fees increased $253 million or 14 percent to $2.0 billion in 2010 compared to 2009, driven primarily by new GAAP governing consolidations and VIEs where fees related to securitized receivables are recognized as other commissions and fees beginning 2010. These fees were reported in net securitization income in 2009 and prior periods. The increase also reflects greater foreign currency conversion revenues related to higher spending, partially offset by lower delinquency fees in the non-securitized cardmember loan portfolio.

Net securitization income decreased $400 million to nil in 2010 compared to 2009, as the Company no longer reports net securitization income, in accordance with new GAAP governing consolidations and VIEs.

Other revenues in 2011 increased $237 million or 12 percent to $2.2 billion compared to 2010, primarily reflecting higher GNS partner-related royalty revenues, a contractual payment from a GNS partner and greater merchant-related fee revenues. Other revenues in 2010 decreased $163 million or 8 percent to $1.9 billion compared to 2009, primarily reflecting the $211 million gain on the sale of 50 percent of the Company's equity holdings in ICBC in 2009, lower insurance premium revenues and higher partner investments reported as a contra-other revenue, partially offset by higher GNS partner-related royalty revenues, greater merchant fee-related revenue and higher publishing revenue.

Interest income decreased $331 million or 5 percent to $7.0 billion in 2011 compared to 2010. Interest and fees on loans decreased $246 million or 4 percent, driven by a lower net yield

[2] Refer to footnote 1 on page 21 under Consolidated Results of Operations for the Three Years Ended December 31, 2011 relating to changes in foreign exchange rates.

on cardmember loans, partially offset by a slight increase in average cardmember loans. The lower net yield reflects lower revolving levels and lower balances at penalty rates due to the implementation of elements of the CARD Act and improved credit performance. These reductions to yield were partially offset by the benefit of certain repricing initiatives effective during 2009 and 2010. Interest and dividends on investment securities decreased $116 million or 26 percent, primarily reflecting decreased levels of investment securities. Interest income from deposits with banks and other increased $31 million or 47 percent, primarily due to higher average deposit balances versus the prior year. Interest income increased $2.0 billion or 37 percent to $7.3 billion in 2010 compared to 2009. Interest and fees on loans increased $2.3 billion or 52 percent, driven by an increase in the average loan balance resulting from the consolidation of securitized receivables beginning January 1, 2010, in accordance with new GAAP governing consolidations and VIEs. Interest income related to securitized receivables was reported in net securitization income in 2009 and prior periods, but beginning January 1, 2010, is reported in interest and fees on loans. The increase related to this consolidation was partially offset by a lower yield on cardmember loans, reflecting higher payment rates and lower revolving levels, and the implementation of elements of the CARD Act. These reductions to yield were partially offset by the benefit of certain repricing initiatives effective during 2009 and 2010. Interest and dividends on investment securities decreased $361 million or 45 percent, primarily reflecting the elimination of interest on retained securities in 2010 driven by new GAAP governing consolidations and VIEs and lower short-term investment levels. Interest income from deposits with banks and other increased $7 million or 12 percent primarily due to higher average deposit balances versus the prior year.

Interest expense decreased $103 million or 4 percent to $2.3 billion in 2011 compared to 2010. Interest expense related to deposits decreased $18 million or 3 percent to $528 million, as lower funding costs were partially offset by an increase in average deposit balances. Interest expense related to long-term debt and other decreased $93 million or 5 percent, reflecting lower average long-term debt balances, partially offset by higher effective funding costs. Interest expense increased $216 million or 10 percent to $2.4 billion in 2010 compared to 2009. Interest expense related to deposits increased $121 million or 28 percent, as higher customer balances were partially offset by a lower cost of funds. Interest expense related to short-term borrowings decreased $34 million or 92 percent, reflecting lower commercial paper levels versus the prior year and a lower cost of funds. Interest expense related to long-term debt and other increased $129 million or 7 percent, reflecting the consolidation of long-term debt associated with securitized loans previously held off-balance sheet beginning January 1, 2010, in accordance with new GAAP governing consolidations and VIEs. Interest expense related to this debt was reported in net securitization income in 2009 and prior periods, but is reported in long-term debt and other interest expense beginning January 1, 2010. The increase was partially offset by lower average long-term debt.

Provisions for Losses

Provisions for losses of $1.1 billion in 2011 decreased $1.1 billion or 50 percent, compared to 2010. Charge card provisions for losses increased $175 million or 29 percent, primarily driven by higher average receivable levels, higher write-offs and a release of reserves in the prior year due to improved credit performance. Cardmember loans provisions for losses decreased $1.3 billion or 83 percent, primarily reflecting lower write-offs and a lower cardmember loan reserve requirement in 2011 compared to 2010. The lending write-off rate was 2.9 percent in 2011 compared to 5.6 percent in 2010. Other provisions for losses increased 5 percent compared to the prior year.

Provisions for losses of $2.2 billion in 2010 decreased $3.1 billion or 58 percent, compared to 2009. Charge card provisions for losses decreased $262 million or 31 percent, driven by lower reserve requirements due to improved credit performance, partially offset by higher receivables. Cardmember loans provisions for losses decreased $2.7 billion or 64 percent, primarily reflecting lower reserve requirements during the year, due to improved credit performance, partially offset by an increase related to the inclusion of the 2010 expense for securitized loan write-offs as a result of new GAAP governing consolidations and VIEs, which in 2009 and prior periods was reported in net securitization income. Other provisions for losses decreased $105 million or 55 percent primarily reflecting lower merchant-related debit balances.

Expenses

Consolidated expenses for 2011 were $21.9 billion, up $2.5 billion or 13 percent from $19.4 billion in 2010. The increase in 2011 reflected higher cardmember rewards expenses, higher salaries and employee benefits expenses, higher other expenses, higher cardmember services expenses, greater professional services expenses and higher occupancy and equipment expenses, partially offset by lower marketing and promotion expenses. Consolidated expenses for 2010 were $19.4 billion, up $3.2 billion or 20 percent from $16.2 billion in 2009. The increase in 2010 reflected higher marketing and promotion expenses, increased cardmember rewards expense, higher salaries and employee benefits, higher professional services expenses, higher other expenses, and increased cardmember services expenses, partially offset by lower occupancy and equipment expense and lower communications expense. Consolidated expenses in 2011, 2010 and 2009 also included $153 million, $127 million and $190 million, respectively, of reengineering costs, of which $119 million, $96 million and $185 million, respectively, represent restructuring charges.

Marketing and promotion expenses decreased $151 million or 5 percent to $3.0 billion in 2011 from $3.1 billion in 2010, due to lower product media and brand spending. Marketing and promotion expenses increased $1.1 billion or 57 percent to $3.1 billion in 2010 from $2.0 billion in 2009, as improved credit and billings trends led to increased investments in growth businesses in 2010.

Cardmember rewards expenses increased $1.2 billion or 24 percent to $6.2 billion in 2011 from $5.0 billion in 2010, reflecting higher rewards-related spending volumes and co-brand expense. Cardmembers' increased engagement with the Company's Membership Rewards program drove an increase in the ultimate redemption rate to 92 percent in 2011 from 91 percent in 2010. This resulted in higher rewards expenses primarily driven by increased recent redemption patterns by U.S. cardmembers. Cardmember rewards expenses increased $995 million or 25 percent to $5.0 billion in 2010 from $4.0 billion in 2009, reflecting higher rewards-related spending volumes and co-brand expense, as well as a benefit in 2009 relating to the adoption of a more restrictive redemption policy for accounts 30 days past due.

Cardmember services expenses increased $125 million or 21 percent to $716 million in 2011 from $591 million in 2010, reflecting increased costs associated with new benefits made available to U.S. cardmembers.

Salaries and employee benefits expenses increased $686 million or 12 percent to $6.3 billion in 2011 from $5.6 billion in 2010, reflecting higher employee levels, merit increases for existing employees, increased benefit-related costs and higher incentive-related compensation. Salaries and employee benefits expenses increased $486 million or 10 percent to $5.6 billion in 2010 from $5.1 billion in 2009, reflecting a 2 percent increase in total employee count, merit increases for existing employees, higher benefit-related costs, including the impact of reinstating certain benefits that were temporarily suspended during the recession, higher management incentive compensation expense and greater volume-related sales incentives, partially offset by lower net reengineering costs in 2010 versus 2009.

Professional services expenses in 2011 increased $145 million or 5 percent compared to 2010, reflecting higher technology development expenditures including various initiatives related to digitizing the business, globalizing operating platforms and enhancing analytical data and capabilities. Higher legal costs and third-party merchant sales-force commissions also contributed to the increase. Professional services expenses in 2010 increased $398 million or 17 percent compared to 2009, reflecting higher technology development expenditures, greater legal costs and higher third-party merchant sales force commissions, partially offset by lower credit and collection agency costs.

Other expenses in 2011 increased $460 million or 20 percent to $2.8 billion compared to 2010, primarily reflecting $300 million of MasterCard settlement payments received in 2010 that ceased in the second quarter of 2011. In addition, higher other expenses are driven by costs associated with Loyalty Partner, data processing and software amortization expense, as well as lease termination costs. Other expenses in 2010 increased $170 million or 8 percent to $2.3 billion compared to 2009, reflecting the $180 million ($113 million after-tax) benefit in the third quarter of 2009 related to the accounting for a net investment in the Company's consolidated foreign subsidiaries, as well as higher investments in business building initiatives and higher travel and entertainment costs in 2010, partially offset by lower postage and telephone-related costs and a charge of $63 million in 2009 for certain property exits.

Income Taxes

The effective tax rate was 30 percent in 2011 compared to 32 percent in 2010 and 25 percent in 2009. The tax rates in all years reflect the level of pretax income in relation to a generally consistent level of recurring permanent tax benefits. In addition, the tax rate in 2011 reflects a benefit related to a distribution of foreign subsidiary earnings with associated tax credits, as well as the favorable resolution of certain prior years' tax items.

CASH FLOWS

Cash Flows from Operating Activities

Cash flows from operating activities primarily include net income adjusted for (i) non-cash items included in net income, including the provision for 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 various payments.

For the year ended December 31, 2011, net cash provided by operating activities of $10.5 billion increased $1.6 billion compared to $8.9 billion in 2010. The increase was primarily due to higher net income in 2011 and increases in other receivables and accounts payable and other liabilities, partially offset by lower provisions for losses and decreases in deferred taxes and other in 2011.

For the year ended December 31, 2010, net cash provided by operating activities of $8.9 billion increased $2.6 billion compared to $6.3 billion in 2009. The increase was primarily due to higher net income in 2010, increases in non-cash expenses for deferred taxes, acquisition costs and increases in accounts payable and other liabilities in 2010, partially offset by lower provisions for losses and an increase in other assets in 2010.

Cash Flows from Investing Activities

The Company's investing activities primarily include funding cardmember loans and receivables, securitizations of cardmember loans and receivables, and activity in the Company's available-for-sale investment portfolio.

For the year ended December 31, 2011, net cash used in investing activities of $0.5 billion decreased $0.7 billion compared to net cash used in investing activities of $1.2 billion in 2010, primarily due to lower purchases of investments and a decrease in restricted cash, partially offset by lower sales, maturity and redemption of investments and increases in cardmember loans and receivables.

For the year ended December 31, 2010, net cash used in investing activities of $1.2 billion decreased $5.6 billion compared to net cash used in investing activities of $6.8 billion in 2009, primarily due to higher maturity and redemption of investments and lower purchases of investments, partially offset by increases in cardmember loans and receivables.

Cash Flows from Financing Activities

The Company's financing activities primarily include issuing and repaying debt, taking customer deposits, paying dividends and repurchasing common and preferred shares.

For the year ended December 31, 2011, net cash used in financing activities of $1.4 billion decreased $6.7 billion compared to $8.1 billion in 2010, due to increases in customer deposits and issuances of long-term debt during 2011 as compared to 2010, partially offset by increases in principal payments of long-term debt and repurchases of common shares and a decrease in short-term borrowings in 2011.

For the year ended December 31, 2010, net cash used in financing activities of $8.1 billion increased $3.5 billion compared to $4.6 billion in 2009, due to a reduced level of growth in customer deposits during 2010 as compared to 2009 and an increase in principal payments of long-term debt, partially offset by a net increase in short-term borrowings in 2010 and the repurchase of preferred shares in 2009.

CERTAIN LEGISLATIVE, REGULATORY AND OTHER DEVELOPMENTS

As a participant in the financial services industry, the Company is subject to a wide array of regulations applicable to its businesses. As a bank holding company and a financial holding company, the Company is subject to comprehensive examination and supervision by the Federal Reserve and to a range of laws and regulations that impact the business and operations. In addition, the extreme disruptions in global capital markets that commenced in mid-2007 and the resulting instability and failure and near failure of numerous financial institutions, as well as reports of widespread consumer abuse, led to a number of changes in the financial services industry, including more intense supervision, enhanced enforcement activity, significant additional regulation and the formation of additional regulatory bodies. Although the long-term impact on the Company of much of the recent and pending legislative and regulatory initiatives remains uncertain, the Company expects that compliance requirements and expenditures will continue to rise for financial services firms, including the Company, as the legislation and rules continue to become effective and implemented over the course of the next several years.

The CARD Act

The Company is subject to the provisions of the legislation known as the CARD Act, which was enacted in May 2009 to fundamentally reform credit card billing practices, pricing and disclosure requirements. The Company has made changes to its product terms and practices that are designed to comply with the CARD Act, including pricing-related actions, while mitigating the impact on Company revenue of the changes required by the CARD Act and the regulatory amendments. Although the

Company believes its actions to mitigate the impact of the CARD Act have, to date, been largely effective, the impacts of certain other provisions of the CARD Act are still subject to some uncertainty such as the requirement to periodically reevaluate annual percentage rate (APR) increases.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Reform Act), which was enacted in July 2010, is comprehensive in scope and contains a wide array of provisions intended to govern the practices and oversight of financial institutions and other participants in the financial markets. Among other matters, the law creates a new independent Consumer Financial Protection Bureau (the CFPB), which has broad rulemaking authority over providers of credit, savings, payment and other consumer financial products and services with respect to certain federal consumer financial laws. Moreover, the CFPB has examination and enforcement authority with respect to certain federal consumer financial laws for some providers of consumer financial products and services, including the Company and its insured depository institution subsidiaries. The CFPB is directed to prohibit "unfair, deceptive or abusive" acts or practices, and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services. Following a review by the FDIC and the Utah Department of Financial Institutions (DFI) of American Express Centurion Bank's (Centurion Bank) card practices for compliance with certain consumer protection laws and regulations, and the FDIC's providing the CFPB with information the FDIC considered relevant and obtained by it in the course of its review, the FDIC notified Centurion Bank that it plans to take formal enforcement action against it, and it appears likely the CFPB and the DFI will take some type of action against Centurion Bank as well. See "Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The Dodd-Frank Reform Act prohibits payment card networks from restricting merchants from offering discounts or incentives to customers to pay with particular forms of payment, such as cash, check, credit or debit card, or restricting merchants from setting certain minimum and maximum transaction amounts for credit cards, as long as any such discounts or incentives or any minimum or maximum transaction amounts do not discriminate on the basis of the issuer or network and comply with applicable federal or state disclosure requirements.

Under the Dodd-Frank Reform Act, the Federal Reserve is also authorized to regulate interchange fees paid to financial institutions on debit card and certain general-use prepaid card transactions to ensure that they are "reasonable and proportional" to the cost of processing individual transactions, and to prohibit payment card networks and issuers from requiring transactions to be processed on a single payment network or fewer than two unaffiliated networks. The Federal Reserve issued its final rule on June 29, 2011, which provides that the regulations on interchange and routing do not apply to a three-party network like American Express when it acts as both the issuer and the network for its prepaid cards, and the Company is therefore not a "payment card network" as that term is defined and used for the specific purposes of this final rule.

The Dodd-Frank Reform Act also authorizes the Federal Reserve to establish heightened capital, leverage and liquidity standards, risk management requirements, concentration limits on credit exposures, mandatory resolution plans (so-called "living wills") and stress tests for, among others, large bank holding companies, such as the Company, that have greater than $50 billion in assets. In addition, certain derivative transactions will be required to be centrally cleared, which may create or increase collateral posting requirements for the Company.

Many provisions of the Dodd-Frank Reform Act require the adoption of rules for implementation. In addition, the Dodd-Frank Reform Act mandates multiple studies, which could result in additional legislative or regulatory action. These new rules and studies will be implemented and undertaken over a period of several years. Accordingly, the ultimate consequences of the Dodd-Frank Reform Act and its implementing regulations on the Company's business, results of operations and financial condition are uncertain at this time.

Department of Justice Litigation

The U.S. Department of Justice (DOJ) and certain states attorneys general have brought an action against the Company alleging that the provisions in the Company's card acceptance agreements with merchants that prohibit merchants from discriminating against the Company's card products at the point of sale violate the U.S. antitrust laws. Visa and MasterCard, which were also defendants in the DOJ and state action, entered into a settlement agreement and have been dismissed as parties pursuant to that agreement. The settlement enjoins Visa and MasterCard from adopting rules or entering into contracts that prohibit merchants from engaging in various actions to steer cardholders to other cards products or payment forms at the point of sale. If similar conditions were imposed on American Express, it could have a material adverse effect on American Express' business.

Other Legislative and Regulatory Initiatives

The payment card sector also faces continuing scrutiny in connection with the fees merchants pay to accept cards. Regulators and legislators outside the United States have focused on the way bankcard network members collectively set the "interchange" (that is, the fee paid by the bankcard merchant acquirer to the card-issuing bank in "four party" payment networks, like Visa and MasterCard). Although, unlike the Visa and MasterCard networks, the American Express network does not collectively set fees, antitrust actions and government regulation relating to merchant pricing could affect all networks.

In certain countries, such as Australia, and in certain member states in Europe, merchants are permitted by law to surcharge card purchases. While surcharging continues to be actively considered in certain jurisdictions, the benefits to customers have not been apparent in countries that have allowed it, and in some cases regulators are addressing concerns about excessive

surcharging by merchants. Excessive surcharging, particularly where it disproportionately impacts American Express cardmembers, could have a material adverse effect on the Company if it becomes widespread. In the European Union (the EU), the Consumer Rights Directive, which was adopted by the EU Council of Ministers in October 2011, would prohibit merchants from surcharging card purchases more than the merchants' cost of acceptance. The EU member states have two years to adopt this legislation.

In addition to the provisions of the Dodd-Frank Reform Act regarding merchants' ability to offer discounts or incentives to encourage customers' use of a particular form of payment, a number of U.S. states have either adopted or are considering legislation that would prohibit card networks from imposing similar conditions and restrictions on merchants.

Also, other countries in which the Company operates have been considering and in some cases adopting similar legislation and rules that would impose changes on certain practices of card issuers, merchant acquirers and bankcard networks.

Changes to the legal and regulatory environment in which the Company operates could have a material adverse effect on the Company's results of operations.

Refer to "Consolidated Capital Resources and Liquidity" for a discussion of the series of international capital and liquidity standards published by the Basel Committee on Banking Supervision.

CONSOLIDATED CAPITAL RESOURCES AND LIQUIDITY

The Company's 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 its assets and meet operating requirements; and
- Liquidity programs that enable the Company to continuously meet expected future financing obligations and business requirements for at least a twelve-month period, even in the event it is unable to continue to raise new funds under its traditional funding programs.

CAPITAL STRATEGY

The Company's objective is to retain sufficient levels of capital generated through earnings and other sources to maintain a solid equity capital base and to provide flexibility to support future business growth. The Company believes capital allocated to growing businesses with a return on risk-adjusted equity in excess of its costs will generate shareholder value.

The level and composition of the Company's consolidated capital position are determined through the Company's internal capital adequacy assessment process, which reflects its business activities, as well as marketplace conditions and credit rating agency requirements. They are also influenced by subsidiary capital requirements. The Company, as a bank holding company, is also subject to regulatory requirements administered by the U.S. federal banking agencies. The Federal Reserve has established specific capital adequacy guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items.

The Company currently calculates and reports its capital ratios under the standards commonly referred to as Basel I. In June 2004, the Basel Committee on Banking Supervision (commonly referred to as Basel) published new international guidelines for determining regulatory capital (Basel II). In December 2007, the U.S. bank regulatory agencies jointly adopted a final rule based on Basel II. The Company has adopted Basel II in certain non-U.S. jurisdictions and is currently taking steps toward Basel II implementation in the U.S.

The Dodd-Frank Reform Act and a series of international capital and liquidity standards known as Basel III published by Basel on December 16, 2010 will in the future change the current quantitative measures. In general, these changes will involve, for the U.S. banking industry as a whole, a reduction in the types of instruments deemed to be capital, along with an increase in the amount of capital that assets, liabilities and certain off-balance sheet items require. These changes will generally serve to reduce reported capital ratios compared to current capital guidelines. The specific U.S. guidelines supporting the new standards and the Basel III capital standards have not been finalized, but are generally expected to be issued in 2012. In addition to these measurement changes, international and U.S. banking regulators could increase the ratio levels at which banks are considered to be "well capitalized".

AMERICAN EXPRESS COMPANY

2011 FINANCIAL REVIEW

The following table presents the regulatory risk-based capital ratios and leverage ratio for the Company and its significant bank subsidiaries, as well as additional ratios widely utilized in the marketplace, as of December 31, 2011. As noted below, certain of these ratios are based on shareholders' equity of $18.8 billion as of December 31, 2011.

	Well-Capitalized Ratios [a]	Ratios as of December 31, 2011
Risk-Based Capital		
Tier 1	6%	
American Express Company		12.3%
Centurion Bank		18.8%
FSB		17.4%
Total	10%	
American Express Company		14.3%
Centurion Bank		20.1%
FSB [b]		19.8%
Tier 1 Leverage	5%	
American Express Company		10.2%
Centurion Bank		19.1%
FSB		18.4%
Common Equity to Risk-Weighted Assets		
American Express Company		15.6%
Tier 1 Common Risk-Based [c]		
American Express Company		12.3%
Tangible Common Equity to Risk-Weighted Assets [c]		
American Express Company		12.0%

(a) As defined by the Company's primary regulator.
(b) Refer to Note 23 to the Consolidated Financial Statements for further discussion of FSB's Total capital ratio.
(c) Refer to page 29 for a reconciliation of Tier 1 common equity and tangible common equity, both non-GAAP measures.

Basel III, when implemented by the U.S. banking agencies and fully phased-in, will require bank holding companies and their bank subsidiaries to maintain substantially more capital than prior requirements, with a greater emphasis on common equity. While final implementation of the rules related to capital ratios will be determined by the Federal Reserve, the Company estimates that had the new rules (as currently proposed) been in place during the fourth quarter of 2011, the reported Tier 1 risk-based capital and Tier 1 common risk-based ratios would decline by approximately 30 basis points. Similarly, the reported Tier 1 leverage ratio would decline by approximately 160 basis points. [3] The estimated impact of the Basel III rules will change over time based upon changes in the size and composition of the Company's balance sheet as well as based on the U.S. implementation of the Basel III rules; and the estimated impact for the fourth quarter of 2011 is not necessarily indicative of the impact in future periods.

[3] The proposed capital ratios are non-GAAP measures. The Company believes the presentation of the proposed capital ratios is helpful to investors by showing the impact of Basel III, assuming the new rules as currently proposed are implemented by the Federal Reserve.

The following provides definitions for the Company's regulatory risk-based capital ratios and leverage ratio, which are calculated as per standard regulatory guidance if applicable:

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. The off-balance sheet items comprise a minimal part of the overall calculation. Risk-weighted assets as of December 31, 2011 were $120.9 billion.

Tier 1 Risk-Based Capital Ratio — The Tier 1 capital ratio is calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of common shareholders' equity, certain perpetual preferred stock (not applicable to the Company), and noncontrolling interests in consolidated subsidiaries, adjusted for ineligible goodwill and intangible assets, as well as certain other comprehensive income items as follows: net unrealized gains/losses on securities and derivatives, and net unrealized pension and other postretirement benefit losses, all net of tax. Tier 1 capital as of December 31, 2011 was $14.9 billion. This ratio is commonly used by regulatory agencies to assess a financial institution's financial strength and is the primary form of capital used to absorb losses beyond current loss accrual estimates.

Total Risk-Based Capital Ratio — The total risk-based capital ratio is 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 receivable and loan losses (limited to 1.25 percent of risk-weighted assets) and 45 percent of the unrealized gains on equity securities, plus a $750 million subordinated hybrid security, for which the Company received approval from the Federal Reserve for treatment as Tier 2 capital. Tier 2 capital as of December 31, 2011 was $2.4 billion.

Tier 1 Leverage Ratio — The Tier 1 leverage ratio is calculated by dividing Tier 1 capital by the Company's average total consolidated assets for the most recent quarter. Average total consolidated assets as of December 31, 2011 were $146.3 billion.

The following provides definitions for capital ratios widely used in the marketplace, although they may be calculated differently by different companies:

Tier 1 Common Risk-Based Capital Ratio — The Tier 1 common risk-based capital ratio is calculated as Tier 1 common equity, a non-GAAP measure, divided by risk-weighted assets. Tier 1 common equity is calculated by reference to total shareholders' equity as shown below:

	December 31,
(Millions)	2011
Total shareholders' equity	$ 18,794
Effect of certain items in accumulated other comprehensive income (loss) excluded from Tier 1 common equity	194
Less: Ineligible goodwill and intangible assets	(4,051)
Less: Ineligible deferred tax assets	(58)
Total Tier 1 common equity	$ 14,879

The Company believes the Tier 1 common risk-based capital ratio may be useful because it can be used to assess and compare the quality and composition of the Company's capital with the capital of other financial services companies. Moreover, the proposed international banking capital standards known as Basel III include measures that rely on the Tier 1 common risk-based capital ratio.

Common Equity and Tangible Common Equity to Risk-Weighted Assets Ratios — Common equity equals the Company's shareholders' equity of $18.8 billion as of December 31, 2011, and tangible common equity, a non-GAAP measure, equals common equity less goodwill and other intangibles of $4.3 billion as of December 31, 2011. The Company believes presenting the ratio of tangible common equity to risk-weighted assets is a useful measure of evaluating the strength of the Company's capital position.

The Company seeks to maintain capital levels and ratios in excess of the minimum regulatory requirements; failure to maintain minimum capital levels could affect the Company's status as a financial holding company and cause the respective regulatory agencies to take actions that could limit the Company's business operations.

The Company's primary source of equity capital has been the generation of net income. Historically, capital generated through net income and other sources, such as the exercise of stock options by employees, has exceeded the annual growth in its capital requirements. To the extent capital has exceeded business, regulatory and rating agency requirements, the Company has historically returned excess capital to shareholders through its regular common share dividend and share repurchase program.

The Company maintains certain flexibility to shift capital across its businesses as appropriate. For example, the Company 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 (Parent Company) level.

SHARE REPURCHASES AND DIVIDENDS

The Company has a share repurchase program to return excess capital to shareholders. The share repurchases reduce shares outstanding and offset, in whole or part, the issuance of new shares as part of employee compensation plans.

During 2011, the Company returned $3.2 billion to its shareholders in the form of dividends ($856 million) and share repurchases ($2.3 billion), which represents approximately 56 percent of total capital generated. During the year, the Company repurchased 48 million common shares at an average price of $48.13. On January 9, 2012, the Company submitted its Comprehensive Capital Plan (CCP) to the Federal Reserve requesting approval to proceed with additional share repurchases in 2012. The CCP includes an analysis of performance and capital availability under certain adverse economic assumptions. The CCP was submitted to the Federal Reserve pursuant to the Federal Reserve's guidance on dividends and capital distributions. The Company expects a response from the Federal Reserve by March 15, 2012.

Since the inception of repurchase programs in December 1994, 732 million shares have been acquired under cumulative Board authorizations to repurchase up to 770 million shares. On a cumulative basis, since 1994, the Company has distributed 63 percent of capital generated through share repurchases and dividends.

FUNDING STRATEGY

The Company's principal funding objective is to maintain broad and well-diversified funding sources to allow it to meet its maturing obligations, cost-effectively finance current and future asset growth in its global businesses as well as to maintain a strong liquidity profile. The diversity of funding sources by type of debt instrument, by maturity and by investor base, among other factors, provides additional insulation from the impact of disruptions in any one type of debt, maturity or investor. The mix of the Company's funding in any period will seek to achieve cost-efficiency consistent with both maintaining diversified sources and achieving its liquidity objectives. The Company's funding strategy and activities are integrated into its asset-liability management activities. The Company has in place a Funding Policy covering American Express Company and all of its subsidiaries.

The Company's proprietary card businesses are the primary asset-generating businesses, with significant assets in both domestic and international cardmember receivable and lending activities. The Company's financing needs are in large part a consequence of its proprietary card-issuing businesses and the maintenance of a liquidity position to support all of its business activities, such as merchant payments. The Company generally pays merchants for card transactions prior to reimbursement by cardmembers and therefore funds the merchant payments during the period cardmember loans and receivables are outstanding. The Company also has additional financing needs associated with general corporate purposes, including acquisition activities.

FUNDING PROGRAMS AND ACTIVITIES

The Company meets its funding needs through a variety of sources, including direct and third-party distributed deposits and debt instruments, such as senior unsecured debentures, asset securitizations, borrowings through a secured financing facility and long-term committed bank borrowing facilities in certain non-U.S. regions.

The Company had the following consolidated debt and customer deposits outstanding as of December 31:

(Billions)	**2011**	2010
Short-term borrowings	**$ 3.4**	$ 3.4
Long-term debt	**59.6**	66.4
Total debt	**63.0**	69.8
Customer deposits	**37.9**	29.7
Total debt and customer deposits	**$ 100.9**	$ 99.5

The Company seeks to raise funds to meet all of its financing needs, including seasonal and other working capital needs, while also seeking to maintain sufficient cash and readily-marketable securities that are easily convertible to cash, in order to meet the scheduled maturities of all long-term funding obligations on a consolidated basis for a 12-month period. Management does not expect to make any major funding or liquidity strategy changes in order to meet Basel III's Liquidity Coverage Ratio standard.

The Company's funding plan for the full year 2012 includes, among other sources, approximately $3 billion to $9 billion of unsecured term debt issuance and $1 billion to $6 billion of secured term debt issuance. The Company's funding plans are subject to various risks and uncertainties, such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by the Company, regulatory changes, ability to securitize and sell receivables, and the performance of receivables previously sold in securitization transactions. Many of these risks and uncertainties are beyond the Company's control.

The Company's 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), Fitch Ratings (Fitch) and Dominion Bond Rating Services (DBRS). Such ratings help to support the Company's access to cost-effective unsecured funding as part of its overall financing programs. The Company's asset-backed securitization (ABS) activities are rated separately.

Credit Agency	Entity Rated	Short-Term Ratings	Long-Term Ratings	Outlook
DBRS	All rated entities	R-1 (middle)	A (high)	Stable
Fitch	All rated entities	F1	A+	Stable
Moody's	TRS [(a)] and rated operating subsidiaries	Prime-1	A2	Stable
Moody's	American Express Company	Prime-2	A3	Stable
S&P	All rated entities	A-2	BBB+	Stable

(a) American Express Travel Related Services Company, Inc.

Downgrades in the Company's unsecured debt or asset securitization program's securities ratings could result in higher funding costs, as well as higher fees related to borrowings under its unused lines of credit. Declines in credit ratings could also reduce the Company's borrowing capacity in the unsecured debt and asset securitization capital markets. The Company believes the change in its funding mix, which now includes an increasing proportion of U.S. retail deposits insured by the Federal Deposit Insurance Corporation (FDIC), should reduce the impact that credit rating downgrades would have on the Company's funding capacity and costs. Downgrades to certain of the Company's unsecured debt ratings in the last several years have not materially impacted the Company's borrowing costs or resulted in a reduction in its borrowing capacity.

SHORT-TERM FUNDING PROGRAMS

Short-term borrowings, such as commercial paper, are defined as any debt with an original maturity of 12 months or less, as well as interest-bearing overdrafts with banks. The Company's short-term funding programs are used primarily to meet working capital needs, such as managing seasonal variations in receivables balances. Short-term borrowings were stable throughout 2011. The amount of short-term borrowings issued in the future will depend on the Company's funding strategy, its needs and market conditions.

The Company had the following short-term borrowings outstanding as of December 31:

(Billions)	**2011**	2010
Commercial paper	**$ 0.6**	$ 0.6
Other short-term borrowings	**2.8**	2.8
Total	**$ 3.4**	$ 3.4

Refer to Note 10 to the Consolidated Financial Statements for further description of these borrowings.

The Company's short-term borrowings as a percentage of total debt as of December 31 were as follows:

	2011	2010
Short-term borrowings as a percentage of total debt	**5.4%**	4.9%

As of December 31, 2011, the Company had $0.6 billion of commercial paper outstanding. Average commercial paper outstanding was $0.6 billion and $0.9 billion in 2011 and 2010, respectively.

American Express Credit Corporation's (Credco) total back-up liquidity coverage, which includes its undrawn committed bank facilities, was 62 percent and over 100 percent of its net short-term borrowings as of December 31, 2011 and 2010, respectively. The undrawn committed bank credit facilities were $2.9 billion as of December 31, 2011.

DEPOSIT PROGRAMS

The Company offers deposits within its American Express Centurion Bank and American Express Bank, FSB subsidiaries (together, the Banks). These funds are currently insured up to $250,000 per account through the FDIC. The Company's ability to obtain deposit funding and offer competitive interest rates is dependent on the Banks' capital levels. The Company, through FSB, has a direct retail deposit program, Personal Savings from American Express, to supplement its distribution of deposit products sourced through third-party distribution channels. The direct retail program makes FDIC-insured certificates of deposit (CDs) and high-yield savings account products available directly to consumers.

During 2011, within U.S. retail deposits the Company focused on continuing to grow both the number of accounts and the total balances outstanding on savings accounts and CDs that were sourced directly with consumers through Personal Savings from American Express. The account and balance growth of Personal Savings from American Express outpaced the maturities of CDs sourced through third-party distribution channels.

The Company held the following deposits as of December 31, 2011 and 2010:

(Billions)	**2011**	2010
U.S. retail deposits:		
Savings accounts – Direct	**$ 14.6**	$ 7.7
Certificates of deposit: [a]		
Direct	**0.9**	1.1
Third party	**10.8**	11.4
Sweep accounts – Third party	**11.0**	8.9
Other deposits	**0.6**	0.6
Total customer deposits	**$ 37.9**	$ 29.7

(a) The weighted average remaining maturity and weighted average rate at issuance on the total portfolio of U.S. retail CDs, issued through direct and third-party programs, were 22 months and 2.2 percent, respectively.

LONG-TERM DEBT PROGRAMS

During 2011, the Company and its subsidiaries issued debt and asset securitizations with maturities ranging from 2 to 5 years. These amounts included approximately $2.0 billion of AAA-rated lending securitization certificates, $0.3 billion of subordinated notes and certificates and $3.8 billion of unsecured debt across a variety of maturities and markets. During the year, the Company retained approximately $0.2 billion of subordinated securities, as the pricing and yields for these securities were not attractive compared to other sources of financing available to the Company.

The Company's 2011 issuances were as follows:

(Billions)	Amount
American Express Credit Corporation:	
Fixed Rate Senior Notes (2.8% coupon)	**$ 2.3**
Floating Rate Senior Note (3-month LIBOR plus 85 basis points)	**0.6**
American Express Canada Credit Corporation	
Fixed Rate Senior Notes (3.6% coupon)	**0.6**
Floating Rate Senior Note (1-month CDOR plus 105 basis points) [a]	**0.3**
American Express Credit Account Master Trust: [b]	
Floating Rate Senior Notes (1-month LIBOR plus 15 basis points on average)	**2.0**
Floating Rate Subordinated Notes and Certificates (1-month LIBOR plus 79 basis points on average)	**0.3**
Total	**$ 6.1**

(a) Canadian Dealer Offered Rate.
(b) Issuances from the Lending Trust do not include $0.2 billion of subordinated securities retained by American Express during the year.

ASSET SECURITIZATION PROGRAMS

The Company periodically securitizes cardmember receivables and loans arising from its card business, as the securitization market provides the Company with cost-effective funding. Securitization of cardmember receivables and loans is accomplished through the transfer of those assets to a trust, which in turn

issues to third-party investors, certificates or notes (securities) collateralized by the transferred assets. The proceeds from issuance are distributed to the Company, through its wholly owned subsidiaries, as consideration for the transferred assets.

The receivables and loans being securitized are reported as assets on the Company's Consolidated Balance Sheets and the related securities issued to third-party investors are reported as long-term debt.

Under the respective terms of the securitization trust agreements, the occurrence of certain triggering events could result in establishment of reserve funds or, in a worst-case scenario, early amortization of investor certificates. During the year ended December 31, 2011, no triggering events occurred that would have resulted in funding of reserve accounts or early amortization.

The ability of issuers of asset-backed securities to obtain necessary credit ratings for their issuances has historically been based, in part, on qualification under the FDIC's safe harbor rule for assets transferred in securitizations. In 2009 and 2010, the FDIC issued a series of changes to its safe harbor rule, with its new final rule for its securitization safe harbor, issued in 2010, requiring issuers to comply with a new set of requirements in order to qualify for the safe harbor. Issuances out of the Lending Trust are grandfathered under the new FDIC final rule. The trust for the Company's cardmember charge receivable securitization (the Charge Trust) does not satisfy the criteria required to be covered by the FDIC's new safe harbor rule, nor did it meet the requirements to be covered by the safe harbor rule existing prior to 2009. It was structured and continues to be structured such that the financial assets transferred to the Charge Trust would not be deemed to be property of the originating banks in the event the FDIC is appointed as a receiver or conservator of the originating banks. The Company has received confirmation from Moody's, S&P and Fitch, which rate issuances from the Charge Trust, that they will continue to rate issuances from such trust in the same manner as they have historically, even though the Charge Trust does not satisfy the requirements to be covered by the FDIC's safe harbor rule. Nevertheless, one or more of the rating agencies may ultimately conclude that in the absence of compliance with the safe harbor rule, the highest rating a Charge Trust security could receive would be based on the originating bank's unsecured debt rating. If one or more rating agencies come to this conclusion, it could adversely impact the Company's capacity and cost of using its Charge Trust as a source of funding for its business.

LIQUIDITY MANAGEMENT

The Company's liquidity objective is to maintain access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that the Company can continuously meet expected future financing obligations and business requirements for at least a twelve-month period, even in the event it is unable to raise new funds under its regular funding programs. The Company has in place a Liquidity Risk Policy that sets out the Company's approach to managing liquidity risk on an enterprise-wide basis.

The Company incurs and accepts liquidity risk arising in the normal course of offering its products and services. The liquidity risks that the Company is exposed to can arise from a variety of sources, and thus its liquidity management strategy includes a variety of parameters, assessments and guidelines, including but not limited to:

- Maintaining a diversified set of funding sources (refer to Funding Strategy section for more details);
- Maintaining unencumbered liquid assets and off-balance sheet liquidity sources; and
- Projecting cash inflows and outflows from a variety of sources and under a variety of scenarios, including contingent liquidity exposures such as unused cardmember lines of credit and collateral requirements for derivative transactions.

The Company's current liquidity target is to have adequate liquidity in the form of excess cash and readily-marketable securities that are easily convertible into cash to satisfy all maturing long-term funding obligations for a 12-month period. In addition to its cash and readily-marketable securities, the Company maintains a variety of contingent liquidity resources, such as access to undrawn amounts under its secured financing facility and the Federal Reserve discount window as well as committed bank credit facilities.

As of December 31, 2011, the Company's excess cash and readily-marketable securities available to fund long-term maturities were as follows:

(Billions)	Total
Cash	$ 17.9[(a)]
Readily-marketable securities	0.9[(b)]
Total Liquidity Portfolio	18.8
Less:	
Short-term obligations outstanding	0.6[(c)]
Cash and readily-marketable securities available to fund maturities	$ 18.2

(a) Includes $24.9 billion classified as cash and cash equivalents, less $7.8 billion of cash available to fund day-to-day operations. Cash as shown in the table above also includes $101 million classified as other assets on the Company's Consolidated Balance Sheets, which is held against certain forthcoming asset-backed securitization maturities and $750 million classified as other receivables on the Company's Consolidated Balance Sheet, which relates to readily marketable securities that matured on December 31, 2011, but which did not settle until January 3, 2012. The $17.9 billion represents cash residing in the United States.

(b) Consists of certain available-for-sale investment securities (U.S. Treasury and agency securities and government-guaranteed debt) that are considered highly liquid.

(c) Consists of commercial paper.

The upcoming approximate maturities of the Company's long-term unsecured debt, debt issued in connection with asset-backed securitizations and long-term certificates of deposit are as follows:

(Billions)	Debt Maturities			
2012 Quarters Ending:	Unsecured Debt	Asset-Backed Securitizations	Certificates of Deposit	Total
March 31	$ 1.0	$ 0.5	$ 1.2	$ 2.7
June 30	1.2	2.0	0.7	3.9
September 30	0.5	3.2	0.4	4.1
December 31	1.6	1.1	0.9	3.6
Total	$ 4.3	$ 6.8	$ 3.2	$14.3

The Company's financing needs for the next 12 months are expected to arise from these debt and deposit maturities as well as changes in business needs, including changes in outstanding cardmember loans and receivables as well as acquisition activities.

The Company considers various factors in determining the amount of liquidity it maintains, such as economic and financial market conditions, seasonality in business operations, growth in its businesses, potential acquisitions or dispositions, the cost and availability of alternative liquidity sources, and regulatory and credit rating agency considerations.

The yield the Company receives on its cash and readily-marketable securities is, generally, less than the interest expense on the sources of funding for these balances. Thus, the Company incurs substantial net interest costs on these amounts.

The level of net interest costs will be dependent on the size of the Company's cash and readily-marketable securities holdings, as well as the difference between its cost of funding these amounts and their investment yields.

Securitized Borrowing Capacity

The Company maintained a $3.0 billion committed, revolving, secured financing facility sponsored by and with liquidity backup provided by a syndicate of banks as of December 31, 2011 (the secured financing facility). The secured financing facility is used in the ordinary course of business to fund seasonal working capital needs, as well as further enhance the Company's contingent funding resources. As of December 31, 2011, $3.0 billion was drawn on this facility.

Federal Reserve Discount Window

The Banks are insured depository institutions that have the ability to borrow from the Federal Reserve Bank of San Francisco, subject to the amount of qualifying collateral pledged. The Federal Reserve has indicated that both credit and charge card receivables are a form of qualifying collateral for secured borrowing made through the discount window. Whether specific assets will be considered qualifying collateral for secured borrowings made through the discount window, and the amount that may be borrowed against the collateral, remain in the discretion of the Federal Reserve.

The Company had approximately $38.4 billion as of December 31, 2011 in U.S. credit card loans and charge card receivables that could be sold over time through its existing 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 Facilities

In addition to the secured financing facility, the Company maintained committed syndicated bank credit facilities as of December 31, 2011, as follows:

(Billions)	Parent Company	Credco	Total
Committed	**$ 0.8**	**$ 6.7**	**$ 7.5**
Outstanding	**$ –**	**$ 4.6**	**$ 4.6**

The Company's committed bank credit facilities expire as follows:

(Billions)	
2012	$ 2.9
2014	2.0
2016	2.6
Total	$ 7.5

The availability of the credit lines is subject to the Company's compliance with certain financial covenants, including the maintenance by the Company of a certain level of consolidated tangible net worth, the maintenance by Credco of a certain ratio of combined earnings and fixed charges to fixed charges, and the compliance by the Banks with applicable regulatory capital adequacy guidelines. As of December 31, 2011, the Company was in compliance with each of its covenants. The drawn balance of the committed credit facilities of $4.6 billion as of December 31, 2011 was used to fund the Company's business activities in the normal course. The remaining capacity of the facilities mainly served to further enhance the Company's contingent funding resources.

The Company's committed bank credit facilities do not contain material adverse change clauses, which might otherwise preclude borrowing under the credit facilities, nor are they dependent on the Company's credit rating.

Parent Company Funding

Parent Company long-term debt outstanding was $10.1 billion and $10.3 billion as of December 31, 2011 and 2010, respectively.

The Parent Company is authorized to issue commercial paper under a program supported by a $0.8 billion multi-purpose committed bank credit facility. The credit facility will expire in 2012. There was no Parent Company commercial paper outstanding during 2011 and 2010 and no borrowings have been made under its bank credit facility.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

The Company has identified both on and off-balance sheet transactions, arrangements, obligations and other relationships that may have a material current or future effect on its financial condition, changes in financial condition, results of operations, or liquidity and capital resources.

CONTRACTUAL OBLIGATIONS

The table below identifies transactions that represent contractually committed future obligations of the Company. Purchase obligations include agreements to purchase goods and services that are enforceable and legally binding on the Company and that specify significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

	Payments due by year				
(Millions)	2012	2013–2014	2015–2016	2017 and thereafter	Total [a]
Long-term debt	$ 11,057	$ 26,437	$ 10,466	$ 10,842	$ 58,802
Interest payments on long-term debt [b]	1,626	2,531	1,584	3,374	9,115
Certificates of deposit	3,703	7,262	874	222	12,061
Other long-term liabilities [c]	86	138	41	30	295
Operating lease obligations	255	422	279	1,048	2,004
Purchase obligations [d]	470	199	116	27	812
Total	$ 17,197	$ 36,989	$ 13,360	$ 15,543	$ 83,089

(a) The above table excludes approximately $1.2 billion of tax liabilities that have been recorded in accordance with GAAP governing the accounting for uncertainty in income taxes as inherent complexities and the number of tax years currently open for examination in multiple jurisdictions do not permit reasonable estimates of payments, if any, to be made over a range of years.

(b) Estimated interest payments were calculated using the effective interest rate in place as of December 31, 2011, and reflects the effect of existing interest rate swaps. Actual cash flows may differ from estimated payments.

(c) As of December 31, 2011, there were no minimum required contributions, and no contributions are currently planned, for the U.S. American Express Retirement Plan. For the U.S. American Express Retirement Restoration Plan and non-U.S. defined benefit pension and postretirement benefit plans, contributions in 2012 are anticipated to be approximately $48 million, and this amount has been included within other long-term liabilities. Remaining obligations under defined benefit pension and postretirement benefit plans aggregating $706 million have not been included in the table above as the timing of such obligations is not determinable. Additionally, other long-term liabilities do not include $5.1 billion of Membership Rewards liabilities, which are not considered long-term liabilities as cardmembers in good standing can redeem points immediately, without restrictions, and because the timing of point redemption is not determinable.

(d) The purchase obligation amounts represent non-cancelable minimum contractual obligations by period under contracts that were in effect as of December 31, 2011. Termination fees are included in these amounts.

The Company also has certain contingent obligations to make payments under contractual agreements entered into as part of the ongoing operation of the Company's business, primarily with co-brand partners. The contingent obligations under such arrangements were approximately $5.3 billion as of December 31, 2011.

In addition to the contractual obligations noted above, the Company has off-balance sheet arrangements that include guarantees, retained interests in structured investments, unconsolidated variable interest entities and other off-balance sheet arrangements as more fully described below.

GUARANTEES

The Company's principal guarantees are associated with cardmember services to enhance the value of owning an American Express card. As of December 31, 2011, the Company had guarantees totaling approximately $52 billion related to cardmember protection plans, as well as other guarantees in the ordinary course of business that are within the scope of GAAP governing the accounting for guarantees. Refer to Note 13 to the Consolidated Financial Statements for further discussion regarding the Company's guarantees.

CERTAIN OTHER OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2011, the Company had approximately $238 billion of unused credit available to cardmembers as part of established lending product agreements. Total unused credit available to cardmembers does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn. The Company's charge card products have no pre-set limit and, therefore, are not reflected in unused credit available to cardmembers.

Refer to Note 24 to the Consolidated Financial Statements for discussion regarding the Company's other off-balance sheet arrangements.

RISK MANAGEMENT

GOVERNANCE

Risk management and key risks identified by management are overseen by the Company's Board of Directors and its Audit and Risk Committee. The Audit and Risk Committee reports regularly to the Board on the matters reviewed at the Committee level. The Board and its Audit and Risk Committee monitor the Company's risk culture, oversee risk management capabilities and risk outcomes in key business units, and review specific risks, as needed.

The Audit and Risk Committee approves the Company's Enterprise-wide Risk Management Policy, which defines risk management objectives, risk appetite, risk limits, and escalation triggers, and establishes the internal governance structure for managing risks. The Policy focuses on the risks that are most important to the Company given its business model — credit risk (individual and institutional), operational risk, and reputational risk. The Audit and Risk Committee also approves the policies governing the areas of individual credit risk, institutional credit risk, market risk, liquidity risk, operational risk, asset/liability management and capital management, as well as the policy governing the launch of new products and services. Internal management committees, including the Enterprise-wide Risk Management Committee (ERMC), chaired by the Company's Chief Risk Officer, and the Asset-Liability Committee (ALCO), chaired by the Company's Chief Financial Officer, are responsible for implementing the policies across the Company. The ERMC approves policies governing reputational risk management, model governance and validation, and economic capital.

The Audit and Risk Committee periodically reviews risk profiles, risk trends and evolution of risk management capabilities of the Company's major business units as well as updates on enterprise-wide operational risk management trends, events and capabilities (including, but not limited to, compliance, fraud, legal, information security, and privacy risks), market risk and funding and liquidity risk. The Audit and Risk Committee receives regular reports discussing emerging risks (including their likelihood and potential impact), key risk escalations, and compliance with the policy-based risk limits. The Audit and Risk Committee meets regularly in private session with the Company's Chief Risk Officer and other senior management with regard to the Company's risk management processes, controls and capabilities.

CREDIT RISK MANAGEMENT PROCESS

Credit risk is defined as loss due to obligor or counterparty default or changes in the credit quality of a security. Credit risks in the Company are divided into two broad categories: individual and institutional. Each has distinct risk management tools and metrics. Business units that create individual or institutional credit risk exposures of significant importance are supported by dedicated risk management teams, each led by a Chief Credit Officer. To preserve independence, Chief Credit Officers for all business units have a solid line reporting relationship to the Company's Chief Risk Officer.

INDIVIDUAL CREDIT RISK

Individual credit risk arises principally from consumer and small business charge cards, credit cards, lines of credit, and loans. These portfolios consist of millions of customers across multiple geographies, occupations, industries and levels of net worth. The Company benefits from the high-quality profile of its customers, which is driven by brand, premium customer servicing, product features and risk management capabilities, which span underwriting, customer management and collections. Externally, the risk in these portfolios is correlated with broad economic trends, such as unemployment rates, GDP growth, and home values, which can affect customer liquidity.

The business unit leaders and their embedded Chief Credit Officers take the lead in managing this process. These Chief Credit Officers are guided by the Individual Credit Risk Committee which is responsible for implementation and enforcement of the Individual Credit Risk Management Policy. This policy is further supported by subordinate policies and operating manuals covering decision logic and processes of credit extension, including prospecting, new account approvals, authorizations, line management and collections. The subordinate risk policies and operating manuals are designed to assure consistent application of risk management principles and standardized reporting of asset quality and loss recognition.

Individual credit risk management is supported by sophisticated proprietary scoring and decision-making models that use the most up-to-date proprietary information on prospects and customers, such as spending and payment history, data feeds from credit bureaus and mortgage information. Additional data, such as new commercial variables, continue to be integrated into the risk models to further mitigate small business risk. The Company has developed data-driven economic decision logic for customer interactions to better serve its customers.

INSTITUTIONAL CREDIT RISK

Institutional credit risk arises principally within the Company's Global Corporate Payments, Global Merchant Services, and Global Network Services, Prepaid Services, Foreign Exchange Services (formerly known as Global Foreign Exchange Services) businesses and investment and liquidity management activities. Unlike individual credit risk, institutional credit risk is characterized by a lower loss frequency but higher severity. It is affected both by general economic conditions and by client-specific events. The absence of large losses in any given year or over several years is not necessarily representative of the level of risk of institutional portfolios, given the infrequency of loss events in such portfolios.

Similar to Individual Credit Risk, business units taking institutional credit risks are supported by Chief Credit Officers. These officers are guided by the Institutional Risk Management Committee (IRMC), which is responsible for implementation and enforcement of the Institutional Credit Risk Management Policy and for providing guidance to the credit officers of each business unit with substantial institutional credit risk exposures. The committee, along with business unit Chief Credit Officers, makes investment decisions in core risk capabilities, ensures proper implementation of the underwriting standards and contractual rights of risk mitigation, monitors risk exposures, and determines risk mitigation actions. The IRMC formally reviews large institutional exposures to ensure compliance with ERMC guidelines and procedures and escalates them to the ERMC as appropriate. At the same time, the IRMC provides guidance to business unit risk teams to optimize risk-adjusted returns on capital. A company-wide risk rating unit and a specialized airline risk group provide risk assessment of institutional obligors.

Exposure to Airline Industry

The Company has multiple important co-brand, rewards and corporate payments arrangements with airlines. The Company's largest airline partner is Delta Air Lines and this relationship includes exclusive co-brand credit card partnerships and other arrangements including Membership Rewards, merchant acceptance, travel and corporate payments. Refer to Note 22 to the Consolidated Financial Statements for further discussion of these relationships.

European Debt Exposure

As part of its ongoing risk management process, the Company monitors its financial exposure to both sovereign and non-sovereign customers and counterparties, and measures and manages concentrations of risk by geographic regions, as well as by economic sectors and industries. Several European countries have been subject to credit deterioration due to weaknesses in their economic and fiscal situations. The Company is closely monitoring its exposures to Italy, Spain, Ireland, Greece and Portugal, which have been determined to be high risk based on the market assessment of the riskiness of their sovereign debt and the Company's assessment of their economic and financial outlook. As of December 31, 2011, the Company did not hold any investments in sovereign debt securities issued by Italy, Spain, Ireland, Greece or Portugal, and the Company's gross credit exposures to government entities, financial institutions and corporations in those countries were individually and collectively not material.

MARKET RISK MANAGEMENT PROCESS

Market risk is the risk to earnings or value resulting from movements in market prices. The Company's market risk exposure is primarily generated by:

- Interest rate risk in its card, insurance and Travelers Cheque businesses, as well as in its investment portfolios; and
- Foreign exchange risk in its operations outside the United States.

Market Risk limits and escalation triggers within the Market Risk and Asset Liability Management Policies are approved by the Audit and Risk Committee and ALCO. Market risk is centrally monitored for compliance with policy and limits by the Market Risk Committee, which reports into the ALCO and is chaired by the Chief Market Risk Officer. Market risk management is also guided by policies covering the use of derivative financial instruments, funding and liquidity and investments.

The Company's market exposures are in large part by-products of the delivery of its products and services. Interest rate risk arises through the funding of cardmember receivables and fixed-rate loans with variable-rate borrowings as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR.

Interest rate exposure within the Company's charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to effectively convert fixed-rate debt to variable-rate or to convert variable-rate debt to fixed-rate. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

The Company does not engage in derivative financial instruments for trading purposes. Refer to Note 12 to the Consolidated Financial Statements for further discussion of the Company's derivative financial instruments.

As of December 31, 2011, the detrimental effect on the Company's annual net interest income of a hypothetical 100 basis point increase in interest rates would be approximately $192 million. To calculate this effect, the Company first measures the potential change in net interest income over the following 12 months taking into consideration anticipated future business growth and market-based forward interest rates. The Company then measures the impact of the assumed forward interest rate plus the 100 basis point increase on the projected net interest income. This effect is primarily driven by the volume of charge card receivables and loans deemed to be fixed-rate and funded by variable-rate liabilities. As of December 31, 2011, the percentage of worldwide charge card accounts receivable and credit card loans that were deemed to be fixed rate was 67.7 percent, or $71.3 billion, with the remaining 32.3 percent, or $34.0 billion, deemed to be variable rate.

The Company is also subject to market risk from changes in the relationship between the benchmark Prime rate that determines the yield on its variable-rate lending receivables and the benchmark LIBOR rate that determines the effective interest cost on a significant portion of its outstanding debt. Differences in the rate of change of these two indices, commonly referred to as basis risk, would impact the Company's variable-rate U.S. lending net interest margins because the Company borrows at rates based on LIBOR but lends to its customers based on the Prime rate. The detrimental effect on the Company's net interest income of a hypothetical 10 basis point decrease in the spread between Prime and one-month LIBOR over the next 12 months is estimated to be $34 million. The Company currently has approximately $34 billion of Prime-based, variable-rate U.S. lending receivables that are funded with LIBOR-indexed debt, including asset securitizations.

Foreign exchange risk is generated by cardmember cross-currency charges, foreign subsidiary equity and foreign currency earnings in units outside the United States. The Company's foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure to the extent it is economically justified through various means, including the use of derivative financial instruments such as foreign exchange forward and cross-currency swap contracts, which can help "lock in" the value of the Company's exposure to specific currencies.

As of December 31, 2011 and 2010, foreign currency derivative instruments with total notional amounts of approximately $23 billion and $22 billion, respectively, were outstanding. Derivative hedging activities related to cross-currency charges, balance sheet exposures and foreign currency earnings generally do not qualify for hedge accounting; however, derivative hedging activities related to translation exposure of foreign subsidiary equity generally do.

With respect to cross-currency charges and balance sheet exposures, including related foreign exchange forward contracts outstanding, the effect on the Company's earnings of a hypothetical 10 percent change in the value of the U.S. dollar would be immaterial as of December 31, 2011. With respect to earnings denominated in foreign currencies, the adverse impact on pretax income of a hypothetical 10 percent strengthening of the U.S. dollar related to anticipated overseas operating results for the next 12 months would be approximately $175 million as of December 31, 2011. With respect to translation exposure of foreign subsidiary equity, including related foreign exchange forward contracts outstanding, a hypothetical 10 percent strengthening in the U.S. dollar would result in an immaterial reduction in equity as of December 31, 2011.

The actual impact of interest rate and foreign exchange rate changes will depend on, among other factors, the timing of rate changes, the extent to which different rates do not move in the same direction or in the same direction to the same degree, and changes in the volume and mix of the Company's businesses.

FUNDING & LIQUIDITY RISK MANAGEMENT PROCESS

Liquidity risk is defined as the inability of the Company to meet its ongoing financial and business obligations as they become due at a reasonable cost. General principles and the overall framework for managing liquidity risk across the Company are defined in the Liquidity Risk Policy approved by the ALCO and Audit and Risk Committee of the Board. Liquidity risk is centrally managed by the Funding and Liquidity Committee, which reports into the ALCO. The Company manages liquidity risk by maintaining access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that the Company can continuously meet its business requirements and expected future financing obligations for at least a twelve-month period, even in the event it is unable to raise new funds under its regular funding programs. The Company balances the trade-offs between maintaining too much liquidity, which can be costly and limit financial flexibility, and having inadequate liquidity, which may result in financial distress during a liquidity event.

Liquidity risk is managed both at an aggregate company level and at the major legal entities in order to ensure that sufficient funding and liquidity resources are available in the amount and in the location needed in a stress event. The Funding and Liquidity Committee reviews the forecasts of the Company's aggregate and subsidiary cash positions and financing requirements, approves the funding plans designed to satisfy those requirements under normal conditions, establishes guidelines to identify the amount of liquidity resources required and monitors positions and determines any actions to be taken. Liquidity planning also takes into account operating cash flexibilities.

OPERATIONAL RISK MANAGEMENT PROCESS

The Company defines operational risk as the risk of not achieving business objectives due to inadequate or failed processes or information systems, human error or the external environment (i.e., natural disasters) including losses due to failures to comply with laws and regulations. Operational risk is inherent in all business activities and can impact an organization through direct or indirect financial loss, brand damage, customer dissatisfaction, or legal and regulatory penalties.

In order to appropriately measure and manage operational risk, the Company has developed a comprehensive operational risk framework that is defined in the Operational Risk Management Policy approved by the Audit and Risk Committee of the Board of Directors. The Operational Risk Management Committee (ORMC) coordinates and oversees the operational risk mitigation efforts by Lead Operational Risk Officers in the business units and staff groups, supported by the control groups.

The Company uses the operational risk framework to identify, measure, monitor and report inherent and emerging operational risks. This framework, supervised by the ORMC, consists of (a) operational risk event capture, (b) a project office to coordinate issue management and control enhancements, (c) key risk indicators, and (d) process and entity-level risk self-assessments.

The framework requires the assessment of operational risk events to determine root causes, impacts and accountability for risk mitigation. The impact on the Company is assessed from a financial, brand, regulatory and legal perspective. The operational risk model also assesses the frequency and likelihood that events may occur again so that the appropriate mitigation steps may be taken.

The process risk self-assessment methodology is used to facilitate compliance with Section 404 of the Sarbanes-Oxley Act, and is also used for non-financial operational risk self-assessments. During the entity risk self-assessment, senior leaders identify key operational risks in a business unit or staff group and determine the Company's risk mitigation plans.

REPUTATIONAL RISK MANAGEMENT PROCESS

The Company defines reputational risk as the risk that negative public perceptions regarding the Company's products, services, business practices, management, clients and partners, whether true or not, could cause a decline in the customer base, costly litigation, or revenue reductions.

The Company views protecting its reputation as core to its vision of becoming the world's most respected service brand and fundamental to its long-term success.

General principles and the overall framework for managing reputational risk across the Company are defined in the Reputational Risk Management Policy. The Reputational Risk Management Committee is responsible for implementation of and adherence to this policy, and for performing periodic assessment of the Company's reputation and brand health based on internal and external assessments.

Business leaders across the Company are responsible for ensuring that reputation risk implications of transactions, business activities and management practices are appropriately considered and relevant subject matter experts are engaged as needed.

BUSINESS SEGMENT RESULTS

The Company is a global service company principally engaged in businesses comprising four reportable operating segments: U.S. Card Services (USCS), International Card Services (ICS), Global Commercial Services (GCS) and Global Network & Merchant Services (GNMS).

The Company considers a combination of factors when evaluating the composition of its reportable operating segments, including the results reviewed by the chief operating decision maker, economic characteristics, products and services offered, classes of customers, product distribution channels, geographic considerations (primarily U.S. versus non-U.S.) and regulatory environment considerations. Refer to Note 25 to the Consolidated Financial Statements for additional discussion of products and services by segment.

Results of the business segments essentially treat each segment as a stand-alone business. The management reporting process that derives these results allocates income and expense using various methodologies as described below.

Beginning in the first quarter of 2011, the Company changed its segment allocation methodology to better align segment reporting with the Company's previously announced management reorganization, which had been implemented over the several prior quarters. The reorganization included the formation of the Enterprise Growth Group, which is reported in Corporate & Other. The group consists of three core business units: Online and Mobile, Fee Based Services and Global Payment Options (formerly known as Global Prepaid). Starting in the first quarter of 2011, certain business activities such as LoyaltyEdge and Foreign Exchange Services that were previously managed and reported in the USCS and GCS operating segments, respectively, are now managed by Enterprise Growth. The reorganization also included consolidation of certain corporate support functions into the Global Services organization. Greater centralization of activities has led to modifications in the costs being allocated from Corporate & Other to the reportable operating segments starting in the first quarter of 2011. Prior period segment results have been revised for these changes.

As discussed more fully below, results are presented on a GAAP basis unless otherwise stated. Refer to "Glossary of Selected Terminology" for the definitions of certain key terms and related information appearing in the tables below.

TOTAL REVENUES NET OF INTEREST EXPENSE

The Company allocates discount revenue and certain other revenues among segments using a transfer pricing methodology. Segments earn discount revenue based on the volume of merchant business generated by cardmembers. Within the USCS, ICS and GCS segments, discount revenue reflects the issuer component of the overall discount rate; within the GNMS segment, discount revenue reflects the network and merchant component of the overall discount rate. Total interest income and net card fees are directly attributable to the segment in which they are reported.

PROVISIONS FOR LOSSES

The provisions for losses are directly attributable to the segment in which they are reported.

EXPENSES

Marketing and promotion expenses are reflected in each segment based on actual expenses incurred, with the exception of brand advertising, which is primarily reflected in the GNMS and USCS segments. Rewards and cardmember services expenses are reflected in each segment based on actual expenses incurred within each segment.

Salaries and employee benefits and other operating expenses, such as professional services, occupancy and equipment and communications, reflect expenses incurred directly within each segment. In addition, expenses related to the Company's support services, such as technology costs, are allocated to each segment based on support service activities directly attributable to the segment. Other overhead expenses, such as staff group support functions, are allocated to segments based on each segment's relative level of pretax income. Financing requirements are managed on a consolidated basis. Funding costs are allocated based on segment funding requirements.

CAPITAL

Each business segment is allocated capital based on established business model operating requirements, risk measures and regulatory capital requirements. Business model operating requirements include capital needed to support operations and specific balance sheet items. The risk measures include considerations for credit, market and operational risk.

INCOME TAXES

Income tax provision (benefit) is allocated to each business segment based on the effective tax rates applicable to various businesses that make up the segment.

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 [a]	**–**	–	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	**687**	1,591	3,769
Total revenues net of interest expense after provisions for losses	**14,384**	12,871	8,322
Expenses			
Marketing, promotion, rewards and cardmember services	**6,593**	5,744	4,362
Salaries and employee benefits and other operating expenses	**3,662**	3,623	3,385
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

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

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	**2011**	2010	2009
Card billed business	**$ 424.3**	$ 378.1	$ 339.4
Total cards-in-force *(millions)*	**40.9**	39.9	39.5
Basic cards-in-force *(millions)*	**30.4**	29.7	29.5
Average basic cardmember spending *(dollars)* *	**$ 14,124**	$ 12,795	$ 10,957
U.S. Consumer Travel:			
Travel sales *(millions)*	**$ 3,603**	$ 3,116	$ 2,561
Travel commissions and fees/sales	**8.3%**	8.2%	8.4%
Total segment assets	**$ 97.8**	$ 91.3	$ 57.6
Segment capital *(millions)*	**$ 8,804**	$ 7,411	$ 6,021
Return on average segment capital [a]	**33.0%**	35.0%	7.9%
Return on average tangible segment capital [a]	**34.8%**	37.8%	8.6%
Cardmember receivables:			
Total receivables	**$ 20.6**	$ 19.2	$ 17.8
30 days past due as a % of total	**1.9%**	1.5%	1.8%
Average receivables	**$ 18.8**	$ 17.1	$ 16.1
Net write-off rate – principal only [b]	**1.7%**	1.6%	3.8%
Net write-off rate – principal and fees [b]	**1.9%**	1.8%	4.2%
Cardmember loans – GAAP basis portfolio:			
Total loans	**$ 53.7**	$ 51.6	$ 23.5
30 days past due loans as a % of total	**1.4%**	2.1%	3.7%
Average loans	**$ 50.3**	$ 49.8	$ 25.9
Net write-off rate – principal only [b]	**2.9%**	5.8%	9.1%
Net write-off rate – principal, interest and fees [b]	**3.2%**	6.3%	10.4%
Net interest income divided by average loans [c][d]	**8.8%**	9.2%	10.2%
Net interest yield on cardmember loans [c]	**8.9%**	9.4%	9.4%
Cardmember loans – Managed basis portfolio:			
Total loans	**$ 53.7**	$ 51.6	$ 52.6
30 days past due loans as a % of total	**1.4%**	2.1%	3.7%
Average loans	**$ 50.3**	$ 49.8	$ 54.9
Net write-off rate – principal only [b]	**2.9%**	5.8%	8.7%
Net write-off rate – principal, interest and fees [b]	**3.2%**	6.3%	9.9%
Net interest yield on cardmember loans [c]	**8.9%**	9.4%	10.1%

* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($2.7 billion, $2.2 billion and $404 million for 2011, 2010 and 2009, respectively) by (ii) one-year average segment capital ($8.1 billion, $6.4 billion and $5.1 billion for 2011, 2010 and 2009, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of $425 million, $459 million and $432 million as of December 31, 2011, 2010 and 2009 respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Refer to “Consolidated Results of Operations — Selected Statistical Information”, footnote (b) on page 20.

(c) See table on the following page for the calculation of net interest yield on cardmember loans, a non-GAAP measure, and net interest income divided by average loans, a GAAP measure.

(d) Refer to “Consolidated Results of Operations — Selected Statistical Information”, footnote (g) on page 20.

Calculation of Net Interest Yield on Cardmember Loans

Years Ended December 31, *(Millions, except percentages and where indicated)*	2011	2010	2009
Calculation based on GAAP information:			
Net interest income	**$ 4,423**	$ 4,578	$ 2,648
Average loans *(billions)*	**$ 50.3**	$ 49.8	$ 25.9
Adjusted net interest income	**$ 4,490**	$ 4,684	$ 2,451
Adjusted average loans *(billions)*	**$ 50.3**	$ 49.8	$ 26.0
Net interest income divided by average loans	**8.8%**	9.2%	10.2%
Net interest yield on cardmember loans	**8.9%**	9.4%	9.4%
Calculation based on managed information:			
Net interest income	**$ 4,423**	$ 4,578	$ 5,501
Average loans *(billions)*	**$ 50.3**	$ 49.8	$ 54.9
Adjusted net interest income	**$ 4,490**	$ 4,684	$ 5,558
Adjusted average loans *(billions)*	**$ 50.3**	$ 49.8	$ 55.0
Net interest yield on cardmember loans	**8.9%**	9.4%	10.1%

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2011

The following discussion of USCS segment results of operations is presented on a GAAP basis.

USCS reported segment income of $2.7 billion for 2011, a $455 million or 20 percent increase from $2.2 billion in 2010, which increased $1.8 billion or greater than 100 percent from 2009.

Total Revenues Net of Interest Expense

In 2011, USCS total revenues net of interest expense increased $609 million or 4 percent to $15.1 billion due to increases in discount revenue, net card fees and other and a decrease in interest expense, partially offset by decreased interest income.

Discount revenue, net card fees and other of $10.6 billion in 2011 increased $764 million or 8 percent from 2010, primarily resulting from higher discount revenue, driven by billed business growth of 12 percent. The growth in billed business was driven by a 10 percent increase in average spending per proprietary basic cards-in-force. This line also reflects higher travel commissions and fees, driven by increased travel sales and was partially offset by lower other commissions and fees primarily due to reduced conversion revenue.

Interest income of $5.2 billion in 2011 was $160 million or 3 percent lower than in 2010, principally due to lower yields on cardmember loans.

Interest expense of $807 million in 2011 decreased $5 million or 1 percent as compared to a year ago, reflecting reduced cost of funds, partially offset by increased average cardmember receivable and loan balances.

Total revenues net of interest expense of $14.5 billion in 2010 were $2.4 billion or 20 percent higher than 2009, primarily as a result of increases in discount revenue, net card fees and other, and interest income, partially offset by increased interest expense.

Provisions for Losses

Provisions for losses decreased $904 million or 57 percent to $687 million for 2011 compared to 2010, principally reflecting lower reserve requirements driven by improving cardmember loan trends, partially offset by higher charge card provision resulting from higher cardmember receivable balances and a higher net write-off rate. The lending net write-off rate decreased to 2.9 percent in 2011 from 5.8 percent in 2010. The charge card net write-off rate increased to 1.7 percent in 2011 from 1.6 percent in 2010.

Provisions for losses decreased $2.2 billion or 58 percent to $1.6 billion for 2010 compared to 2009, principally reflecting lower reserve requirements driven by improving cardmember loan and charge card credit trends, partially offset by the inclusion in 2010 of write-offs on securitized cardmember loans as a result of new GAAP governing consolidations and VIEs and a higher charge card provision.

Expenses

During 2011, USCS expenses increased $888 million or 9 percent to $10.3 billion, due to increased marketing, promotion, rewards and cardmember services expenses, and salaries and employee benefits and total other operating expenses. Expenses included a reengineering net benefit of $8 million in 2011, and charges of $55 million and $12 million in 2010 and 2009, respectively. Expenses in 2010 of $9.4 billion were $1.6 billion or 21 percent higher than in 2009, due to increased marketing, promotion, rewards and cardmember services expenses, and salaries and employee benefits and total operating expenses.

Marketing, promotion, rewards and cardmember services expenses increased $849 million or 15 percent in 2011 to $6.6 billion, driven by increased rewards costs, which reflect greater rewards related spending volumes, higher co-brand expense, increases in the ultimate redemption rate as the result of increased customer engagement, and the previously mentioned increase of the ultimate redemption rate estimate for the U.S. membership rewards program. Cardmember services expense also increased as a result of new benefits provided to cardmembers. These increases were partially offset by lower marketing and promotion expenses resulting from decreased product and media spending. Marketing, promotion, rewards and cardmember services expenses increased $1.4 billion or 32 percent in 2010 to $5.7 billion, due to increased investment spending resulting from better credit and business trends in 2010 and higher rewards expense primarily due to greater rewards-related spending volumes and higher co-brand expense.

Salaries and employee benefits and other operating expenses of $3.7 billion in 2011 increased $39 million or 1 percent from 2010, primarily reflecting increased salary and other employee benefit costs, offset by reengineering expense in the prior year. Salaries and employee benefits and other operating expenses of $3.6 billion in 2010 increased $238 million or 7 percent from 2009, primarily reflecting the higher reengineering-related costs, and higher technology development expenditures and other business building investments.

Income Taxes

The effective tax rate was 35 percent for 2011 compared to 37 percent and 30 percent for 2010 and 2009, respectively. The tax rates for each of these years reflect the benefits from the resolution of certain prior years' tax items and the relationship of recurring permanent tax benefits to varying levels of pretax income.

INTERNATIONAL CARD SERVICES

SELECTED INCOME STATEMENT DATA

Years Ended December 31, *(Millions)*	**2011**	2010	2009
Revenues			
Discount revenue, net card fees and other	**$ 4,361**	$ 3,678	$ 3,442
Interest income	**1,304**	1,393	1,509
Interest expense	**426**	428	427
Net interest income	**878**	965	1,082
Total revenues net of interest expense	**5,239**	4,643	4,524
Provisions for losses	**268**	392	1,211
Total revenues net of interest expense after provisions for losses	**4,971**	4,251	3,313
Expenses			
Marketing, promotion, rewards and cardmember services	**1,857**	1,612	1,221
Salaries and employee benefits and other operating expenses	**2,352**	2,050	1,821
Total	**4,209**	3,662	3,042
Pretax segment income	**762**	589	271
Income tax provision (benefit)	**39**	52	(59)
Segment income	**$ 723**	$ 537	$ 330

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	**2011**	2010	2009
Card billed business	**$ 124.2**	$ 107.9	$ 94.9
Total cards-in-force *(millions)*	**15.3**	15.0	15.0
Basic cards-in-force *(millions)*	**10.5**	10.4	10.5
Average basic cardmember spending *(dollars)* *	**$ 11,935**	$ 10,366	$ 8,758
International Consumer Travel:			
Travel sales *(millions)*	**$ 1,324**	$ 1,126	$ 985
Travel commissions and fees/sales	**7.8%**	8.0%	8.6%
Total segment assets	**$ 29.1**	$ 25.3	$ 23.0
Segment capital *(millions)*	**$ 2,840**	$ 2,199	$ 2,262
Return on average segment capital [(a)]	**25.8%**	25.1%	15.0%
Return on average tangible segment capital [(a)]	**49.8%**	34.8%	20.0%
Cardmember receivables:			
Total receivables	**$ 7.2**	$ 6.7	$ 5.9
90 days past billing as a % of total [(b)]	**0.9%**	1.0%	2.1%
Net loss ratio (as a % of charge volume) [(b)]	**0.15%**	0.24%	0.36%
Cardmember loans:			
Total loans	**$ 8.9**	$ 9.3	$ 9.2
30 days past due loans as a % of total	**1.7%**	2.3%	3.3%
Average loans	**$ 8.8**	$ 8.6	$ 8.9
Net write-off rate — principal only [(c)]	**2.7%**	4.6%	6.8%
Net write-off rate — principal, interest and fees [(c)]	**3.3%**	5.5%	8.0%
Net interest income divided by average loans [(d)(e)]	**10.0%**	11.2%	12.2%
Net interest yield on cardmember loans [(d)]	**9.9%**	11.1%	12.2%

* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($723 million, $537 million and $330 million for 2011, 2010 and 2009, respectively) by (ii) one-year average segment capital ($2.8 billion, $2.1 billion and $2.2 billion for 2011, 2010 and 2009, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of $1.3 billion, $592 million and $551 million as of December 31, 2011, 2010 and 2009, respectively. The Company believes that return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Effective January 1, 2010, the Company revised the time period in which past due cardmember receivables in ICS are written off to when they are 180 days past due or earlier, consistent with applicable bank regulatory guidance and the write-off methodology for USCS. Previously, receivables were written off when they were 360 days past billing or earlier. Therefore, the net write-offs for the first quarter of 2010 include net write-offs of approximately $60 million for ICS resulting from this write-off methodology change, which increased the net loss ratio and decreased the 90 days past billing metric for this segment, but did not have a substantial impact on provisions for losses.

(c) Refer to "Consolidated Results of Operations", footnote (b) on page 20.

(d) See table below for the calculation of net interest yield on cardmember loans, a non-GAAP measure, and net interest income divided by average loans, a GAAP measure.

(e) Refer to "Consolidated Results of Operations — Selected Statistical Information", footnote (g) on page 20.

Calculation of Net Interest Yield on Cardmember Loans

Years Ended December 31, *(Millions, except percentages and where indicated)*	**2011**	2010	2009
Net interest income	**$ 878**	$ 965	$ 1,082
Average loans *(billions)*	**$ 8.8**	$ 8.6	$ 8.9
Adjusted net interest income	**$ 855**	$ 946	$ 1,087
Adjusted average loans *(billions)*	**$ 8.6**	$ 8.5	$ 8.9
Net interest income divided by average loans	**10.0%**	11.2%	12.2%
Net interest yield on cardmember loans	**9.9%**	11.1%	12.2%

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2011

ICS reported segment income of $723 million for 2011, a $186 million or 35 percent increase from $537 million in 2010, which increased $207 million or 63 percent from 2009. The increase in segment income for 2011 is primarily due to an increase in total revenues net of interest expense and a decrease in provisions for losses, partially offset by an increase in expenses. A significant portion of ICS segment income in 2009 is attributable to the Company's internal tax allocation process. See further discussion in the Income Taxes section below.

Total Revenues Net of Interest Expense

In 2011, ICS total revenues net of interest expense increased $596 million or 13 percent to $5.2 billion compared to 2010 due to higher discount revenue, net card fees and other, partially offset by lower interest income.

Discount revenue, net card fees, and other increased $683 million or 19 percent to $4.4 billion in 2011 compared to 2010, primarily driven by a 15 percent increase in billed business and the inclusion of Loyalty Partner's revenues following the closing of the acquisition in the first quarter of 2011. The 15 percent increase in billed business in 2011 reflected a 15 percent increase in average spending per proprietary basic cards-in-force. Assuming no changes in foreign currency exchange rates from 2010 to 2011, billed business and average spending per proprietary basic cards-in-force both increased 9 percent; volumes increased across the major geographic regions, including an increase of 10 percent in Latin America and Canada, 9 percent in Japan, Asia Pacific and Australia, and 7 percent in Europe, the Middle East and Africa [4].

Interest income declined $89 million or 6 percent to $1.3 billion in 2011 compared to 2010, primarily reflecting a lower yield on cardmember loans, partially offset by slightly higher average loans.

Interest expense of $426 million in 2011 was flat compared to 2010, as lower average loan balances offset higher average receivable levels.

[4] Refer to footnote 1 on page 21 under Consolidated Results of Operations for the Three Years Ended December 31, 2011 relating to changes in foreign exchange rates.

Total revenues net of interest expense of $4.6 billion in 2010 was $119 million or 3 percent higher than 2009 due to higher discount revenue, net card fees and other, partially offset by lower interest income.

Provisions for Losses

Provisions for losses decreased $124 million or 32 percent to $268 million in 2011 compared to 2010, primarily reflecting lower reserve requirements due to improving cardmember loan and charge card credit trends, partially offset by increased charge card provision expense driven by higher average receivable balances. The charge card net loss ratio (as a percentage of charge volume) was 0.15 percent in 2011 versus 0.24 percent in 2010. The lending net write-off rate was 2.7 percent in 2011 versus 4.6 percent in 2010.

Provisions for losses decreased $819 million or 68 percent to $392 million in 2010 compared to 2009, primarily reflecting lower reserve requirements due to improving cardmember loan and charge card credit trends.

Expenses

During 2011, ICS expenses increased $547 million or 15 percent to $4.2 billion compared to 2010, due to higher marketing, promotion, rewards and cardmember services and increased salaries and employee benefits and other operating expenses. Expenses in 2011, 2010 and 2009 included $36 million, $19 million and $4 million, respectively, of reengineering costs, primarily related to the Company's reengineering initiatives in 2011, 2010 and 2009. Expenses in 2010 of $3.7 billion were $620 million or 20 percent higher than 2009, due to higher marketing, promotion, rewards and cardmember services and increased salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses increased $245 million or 15 percent to $1.9 billion in 2011 compared to 2010, primarily due to greater volume-related rewards costs and co-brand expenses and the inclusion of Loyalty Partner following the closing of the acquisition in the first quarter of 2011. Marketing, promotion, rewards and cardmember services expenses increased $391 million or 32 percent to $1.6 billion in 2010 compared to 2009, primarily due to higher marketing and promotion expenses and greater volume-related rewards costs.

Salaries and employee benefits and other operating expenses increased $302 million or 15 percent to $2.4 billion in 2011 compared to 2010, reflecting the inclusion of Loyalty Partner expenses following the closing of the acquisition in the first quarter of 2011, as well as increased salary and benefit costs. Salaries and employee benefits and other operating expenses increased $229 million or 13 percent to $2.1 billion in 2010 compared to 2009, reflecting the higher net reengineering costs in 2010, higher technology development expenditures, increased investments in sales-force, closing costs related to the acquisition of Loyalty Partner and other business building investments.

Income Taxes

The effective tax rate was 5 percent in 2011 compared to 9 percent in 2010 and negative 22 percent in 2009. The tax rate in 2011 reflects the allocated share of a tax benefit related to a distribution of foreign subsidiary earnings with associated foreign tax credits. The tax rate in 2010 reflects a benefit from the resolution of certain prior years' tax items. In addition, the tax rates in each of the periods primarily reflect the impact of recurring permanent tax benefits on varying levels of pretax income. This segment reflects the favorable impact of the consolidated tax benefit related to its ongoing funding activities outside the United States, which is allocated to ICS under the Company's internal tax allocation process.

GLOBAL COMMERCIAL SERVICES

SELECTED INCOME STATEMENT DATA

Years Ended December 31, *(Millions)*	**2011**	2010	2009
Revenues			
Discount revenue, net card fees and other	**$ 4,880**	$ 4,347	$ 3,882
Interest income	**9**	7	5
Interest expense	**264**	227	180
Net interest expense	**(255)**	(220)	(175)
Total revenues net of interest expense	**4,625**	4,127	3,707
Provisions for losses	**76**	157	177
Total revenues net of interest expense after provisions for losses	**4,549**	3,970	3,530
Expenses			
Marketing, promotion, rewards and cardmember services	**547**	439	331
Salaries and employee benefits and other operating expenses	**2,927**	2,808	2,724
Total	**3,474**	3,247	3,055
Pretax segment income	**1,075**	723	475
Income tax provision	**337**	273	144
Segment income	**$ 738**	$ 450	$ 331

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	**2011**	2010	2009
Card billed business	**$ 154.2**	$ 132.8	$ 111.2
Total cards-in-force *(millions)*	**7.0**	7.1	7.1
Basic cards-in-force *(millions)*	**7.0**	7.1	7.1
Average basic cardmember spending *(dollars)**	**$ 21,898**	$ 18,927	$ 15,544
Global Corporate Travel:			
Travel sales	**$ 19.6**	$ 17.5	$ 14.6
Travel commissions and fees/sales	**8.0%**	8.2%	8.8%
Total segment assets	**$ 18.8**	$ 18.1	$ 16.1
Segment capital *(millions)*	**$ 3,564**	$ 3,650	$ 3,719
Return on average segment capital [(a)]	**20.4%**	12.6%	9.1%
Return on average tangible segment capital [(a)]	**42.1%**	27.1%	19.6%
Cardmember receivables:			
Total receivables	**$ 12.8**	$ 11.3	$ 9.8
90 days past billing as a% of total	**0.8%**	0.8%	1.4%
Net loss ratio (as a% of charge volume) [(b)]	**0.06%**	0.11%	0.19%

* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($738 million, $450 million and $331 million for 2011, 2010 and 2009, respectively) by (ii) one-year average segment capital ($3.6 billion for each of the years 2011, 2010 and 2009, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of $1.9 billion at December 31, 2011, 2010 and 2009, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Effective January 1, 2010, the Company revised the time period in which past due cardmember receivables in GCS are written off to when they are 180 days past due or earlier, consistent with applicable bank regulatory guidance and the write-off methodology for USCS. Previously, receivables were written off when they were 360 days past billing or earlier. Therefore, the net write-offs for the first quarter of 2010 include net write-offs of approximately $48 million for GCS resulting from this write-off methodology change, which increased the net loss ratio and decreased the 90 days past billing metric for this segment, but did not have a substantial impact on provisions for losses.

AMERICAN EXPRESS COMPANY

2011 FINANCIAL REVIEW

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2011

GCS reported segment income of $738 million for 2011, a $288 million or 64 percent increase from $450 million in 2010, which increased $119 million or 36 percent from 2009.

Total Revenues Net of Interest Expense

In 2011, GCS total revenues net of interest expense increased $498 million or 12 percent to $4.6 billion due to increased discount revenue, net card fees, and other and higher interest income, partially offset by higher interest expense.

Discount revenue, net card fees, and other revenues increased $533 million or 12 percent to $4.9 billion in 2011, primarily driven by higher cardmember spending and greater travel commissions and fees, partially offset by greater client incentives. The 16 percent increase in billed business in 2011 was driven by the 16 percent increase in average spending per proprietary basic cards-in-force. Adjusting for the impact of foreign exchange translation, both billed business and average spending per proprietary basic cards-in-force both grew 14 percent; volume increased 14 percent within the United States compared to an increase of 13 percent outside the United States [5].

Interest income increased $2 million or 29 percent to $9 million in 2011 compared to 2010.

Interest expense increased $37 million or 16 percent to $264 million in 2011 compared to 2010 driven by increased funding requirements due to higher average cardmember receivable balances.

Total revenues net of interest expense of $4.1 billion in 2010 increased $420 million or 11 percent compared to 2009 due to increased discount revenue, net card fees, and other and higher interest income, partially offset by higher interest expense.

Provisions for Losses

Provisions for losses decreased $81 million or 52 percent to $76 million in 2011 compared to 2010, driven by improved credit performance within the underlying portfolio. The charge card net loss ratio (as a percentage of charge volume) was 0.06 percent in 2011 versus 0.11 percent in prior year. Provisions for losses decreased $20 million or 11 percent to $157 million in 2010

[5] Refer to footnote 1 on page 21 under Consolidated Results of Operations for the Three Years Ended December 31, 2011 relating to changes in foreign exchange rates.

compared to 2009, principally reflecting lower reserve requirements driven by improved cardmember loan and charge credit trends.

Expenses

During 2011, GCS expenses increased $227 million or 7 percent to $3.5 billion, due to higher marketing, promotion, rewards and cardmember services expense and increased salaries and employee benefits and other operating expenses. Expenses in 2011, 2010 and 2009 included $37 million, $32 million and $101 million, respectively, of reengineering costs, primarily reflecting the Company's reengineering initiatives in 2011, 2010 and 2009. Expenses in 2010 of $3.2 billion increased $192 million or 6 percent, due to higher marketing, promotion, rewards and cardmember services expense and increased salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses increased $108 million or 25 percent to $547 million in 2011 compared to 2010, primarily reflecting higher volume-related reward costs. Marketing, promotion, rewards and cardmember services expenses increased $108 million or 33 percent to $439 million in 2010 compared to 2009, reflecting higher rewards costs and greater marketing and promotion expenses.

Salaries and employee benefits and other operating expenses increased $119 million or 4 percent to $2.9 billion in 2011 compared to 2010, primarily driven by increased salary and benefit costs. Salaries and employee benefits and other operating expenses increased $84 million or 3 percent to $2.8 billion in 2010 compared to 2009, as higher travel volume-driven personnel costs, greater incentive-based sales-force costs, as well as increased technology development expenditures and other business-building investments were partially offset by the lower reengineering-related costs.

Income Taxes

The effective tax rate was 31 percent in 2011 versus 38 percent in 2010 and 30 percent in 2009. The higher 2010 rate reflects the impact of increasing the valuation allowance against deferred tax assets associated with certain non-U.S. travel operations.

GLOBAL NETWORK & MERCHANT SERVICES

SELECTED INCOME STATEMENT DATA

Years Ended December 31, *(Millions)*	**2011**	2010	2009
Revenues			
Discount revenue, fees and other	**$ 4,713**	$ 4,101	$ 3,586
Interest income	**5**	4	1
Interest expense	**(224)**	(200)	(177)
Net interest income	**229**	204	178
Total revenues net of interest expense	**4,942**	4,305	3,764
Provisions for losses	**75**	61	135
Total revenues net of interest expense after provisions for losses	**4,867**	4,244	3,629
Expenses			
Marketing, promotion, rewards and cardmember services	**755**	755	521
Salaries and employee benefits and other operating expenses	**2,133**	1,900	1,659
Total	**2,888**	2,655	2,180
Pretax segment income	**1,979**	1,589	1,449
Income tax provision	**686**	564	510
Segment income	**$ 1,293**	$ 1,025	$ 939

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	**2011**	2010	2009
Global Card billed business	**$ 822.2**	$ 713.3	$ 619.8
Global Network & Merchant Services:			
Total segment assets	**$ 17.8**	$ 13.6	$ 12.3
Segment capital *(millions)*	**$ 2,037**	$ 1,922	$ 1,443
Return on average segment capital [(a)]	**66.3%**	61.6%	65.8%
Return on average tangible segment capital [(a)]	**74.3%**	64.3%	67.6%
Global Network Services: [(b)]			
Card billed business	**$ 116.8**	$ 91.7	$ 71.8
Total cards-in-force *(millions)*	**34.2**	29.0	26.3

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($1.3 billion, $1.0 billion and $939 million for 2011, 2010 and 2009, respectively) by (ii) one-year average segment capital ($1.9 billion, $1.7 billion and $1.4 billion for 2011, 2010 and 2009, respectively). Return on average tangible segment capital is computed in the same manner as return on average segment capital except the computation of average tangible segment capital, a non-GAAP measure, excludes from average segment capital average goodwill and other intangibles of $209 million, $70 million and $36 million as of December 31, 2011, 2010, and 2009, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Since the third quarter of 2010, for non-proprietary retail co-brand partners, Global Network Services metrics exclude cardmember accounts which have no out-of-store spend activity during the prior 12-month period.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2011

GNMS reported segment income of $1.3 billion in 2011, a $268 million or 26 percent increase from $1.0 billion in 2010, which increased $86 million or 9 percent from 2009.

Total Revenues Net of Interest Expense

GNMS total revenues net of interest expense increased $637 million or 15 percent to $4.9 billion in 2011 compared to 2010, due to increased discount revenue, net card fees and other and increased interest expense credit.

Discount revenue, fees and other increased $612 million or 15 percent to $4.7 billion in 2011 compared to 2010, primarily due to an increase in merchant-related revenues, driven by a 15 percent increase in global card billed business, as well as higher volume-driven GNS-related revenues.

Interest expense credit increased $24 million or 12 percent to $224 million in 2011 compared to 2010, due to a higher funding-driven interest credit related to internal transfer pricing, which recognizes the merchant services' accounts payable-related funding benefit.

Total revenues net of interest expense of $4.3 billion in 2010 increased $541 million or 14 percent compared to 2009 due to increased discount revenue, net card fees and other and increased interest expense credit.

Provisions for Losses

Provisions for losses increased $14 million or 23 percent to $75 million in 2011 compared to 2010, primarily due to higher merchant-related debit balances. Provisions for losses in 2010 decreased $74 million or 55 percent to $61 million compared to 2009, primarily driven by lower merchant-related debit balances.

Expenses

During 2011, GNMS expenses increased $233 million or 9 percent to $2.9 billion compared to 2010 due to higher salaries and employee benefits and other operating expenses. Expenses in 2010 of $2.7 billion were $475 million or 22 percent higher than 2009, due to higher salaries and employee benefits and other operating expenses and an increase in marketing and promotion expenses.

Marketing and promotion expenses were flat year over year at $755 million in 2011 and 2010. Marketing and promotion expenses increased $234 million or 45 percent in 2010 to $755 million compared to 2009, reflecting higher network, merchant-related and brand marketing investments.

Salaries and employee benefits and other operating expenses increased $233 million or 12 percent to $2.1 billion in 2011 compared to 2010, primarily due to increases in salary and other benefit costs, greater third-party merchant sales force commissions and legal costs. Salaries and employee benefits and other operating expenses increased $241 million or 15 percent to $1.9 billion in 2010 compared to 2009, primarily due to greater third-party merchant sales force commissions, higher technology development expenditures and other business building investments.

Income Taxes

The effective tax rate was 35 percent in 2011, 2010 and 2009.

CORPORATE & OTHER

Corporate & Other had net after-tax expense of $535 million and $180 million, and net income of $133 million, in 2011, 2010 and 2009, respectively. Results in 2011, 2010 and 2009 reflected $186 million, $372 million and $372 million of after-tax income related to the MasterCard litigation settlement, respectively, and $172 million of after-tax income for all three years related to the Visa litigation settlement. Reengineering costs after-tax of $49 million, $2 million and $35 million, for 2011, 2010 and 2009, respectively, primarily related to the Company's reengineering initiatives.

Net after-tax expense in 2011 reflected various investments in Enterprise Growth initiatives and expenses related to legal exposures, partially offset by higher global prepaid income.

Net after-tax expense in 2010 reflected higher incentive compensation and benefit reinstatement-related expenses, and various investments in the Global Prepaid business and Enterprise Growth initiatives.

Net income in 2009 reflected $135 million of after-tax income related to the ICBC sale, a $135 million benefit representing the correction of an error related to the accounting for cumulative translation adjustments associated with a net investment in foreign subsidiaries and a $45 million benefit resulting from the change in fair value of certain forward exchange contracts.

OTHER REPORTING MATTERS

ACCOUNTING DEVELOPMENTS

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

GLOSSARY OF SELECTED TERMINOLOGY

Adjusted average loans — Represents average cardmember loans on a GAAP or managed basis, as applicable, in each case excluding the impact of deferred card fees, net of deferred direct acquisition costs of cardmember loans.

Adjusted net interest income — Represents net interest income allocated to the Company's cardmember loans portfolio on a GAAP or managed basis, as applicable, in each case excluding the impact of card fees on loans and balance transfer fees attributable to the Company's cardmember loans.

Asset securitizations — Asset securitization involves the transfer and sale of receivables or loans 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 receivables or loans. The trust uses the proceeds from the sale of such securities to pay the purchase price for the underlying receivables or loans. The receivables and loans of the Company's Charge and Lending Trusts being securitized are reported as assets on the Company's Consolidated Balance Sheets, while the related securities issued to third-party investors are reported as long-term debt.

Average discount rate — This calculation is designed to reflect pricing at merchants accepting general purpose American Express cards. It represents the percentage of billed business (both proprietary and Global Network Services) retained by the Company from merchants it acquires, prior to payments to third parties unrelated to merchant acceptance.

Basic cards-in-force — Proprietary basic consumer cards-in-force includes basic cards issued to the primary account owner and does not include additional supplemental cards issued on that account. Proprietary basic small business and corporate cards-in-force include basic and supplemental cards issued to employee cardmembers. Non-proprietary basic cards-in-force includes cards that are issued and outstanding under network partnership agreements, except for supplemental cards and retail co-brand cardmember accounts which have no out-of-store spend activity during the prior 12-month period.

Billed business — Includes activities (including cash advances) related to proprietary cards, cards issued under network partnership agreements (non-proprietary billed business), corporate payments and certain insurance fees charged on proprietary cards. In-store spend activity within retail co-brand portfolios in Global Network Services, from which the Company earns no revenue, is not included in non-proprietary billed business. Card billed business is reflected in the United States or outside the United States based on where the cardmember is domiciled.

Capital asset pricing model — Generates an appropriate discount rate using internal and external inputs to value future cash flows based on the time value of money and the price for bearing uncertainty inherent in an investment.

Capital ratios — Represents the minimum standards established by the 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.

Card acquisition — Primarily represents the issuance of new cards to either new or existing cardmembers through marketing and promotion efforts.

Cardmember — The individual holder of an issued American Express branded charge or credit card.

Cardmember loans — Represents the outstanding amount due from cardmembers for charges made on their American Express credit cards, as well as any interest charges and card-related fees. Cardmember loans also include balances with extended payment terms on certain American Express charge card products and are net of unearned revenue.

Cardmember receivables — Represents the outstanding amount due from cardmembers for charges made on their American Express charge cards as well as any card-related fees.

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 cardmembers 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 customer's most recent credit information and spend patterns. Some charge card accounts have an additional lending-on-charge feature which allows revolving certain balances.

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

Discount revenue — Represents revenue earned from fees charged to merchants with whom the Company has entered into a card acceptance agreement for processing cardmember transactions. The discount fee generally is deducted from the Company's payment reimbursing the merchant for cardmember purchases. Such amounts are reduced by contra-revenue such as payments to third-party card-issuing partners, cash-back reward costs and corporate incentive payments.

Interest expense — Interest expense includes interest incurred primarily to fund cardmember loans, charge card product receivables, general corporate purposes, and liquidity needs, and is recognized as incurred. Interest expense is divided principally into three categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, (ii) short-term borrowings, which primarily relates to interest expense on commercial paper, federal funds purchased, bank overdrafts and other short-term borrowings, and (iii) long-term debt, which primarily relates to interest expense on the Company's long-term debt.

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

Interest and fees on loans includes interest on loans, which is assessed using the average daily balance method for owned 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. Loan fees are deferred and recognized in interest income on a straight-line basis over the 12-month card membership period, net of deferred direct card acquisition costs and a reserve for projected membership cancellation.

Interest and dividends on investment securities primarily relates to the Company's performing fixed-income securities. Interest income is accrued as earned using the effective interest method, which adjusts the yield for security premiums and discounts, fees and other payments, so that the related investment security recognizes a constant rate of return on the outstanding balance throughout its term. These amounts are recognized until these 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 is recognized as earned, and 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.

Merchant acquisition — Represents the signing of merchants to accept American Express-branded cards.

Net card fees — Represents the charge card membership fees earned during the period. These fees are recognized as revenue over the covered card membership period (typically one year), net of provision for projected refunds for cancellation of card membership.

Net interest yield on cardmember loans — Net interest yield on cardmember loans is computed by dividing adjusted net interest income by adjusted average loans, computed on an annualized basis. The calculation of net interest yield on cardmember loans includes interest that is deemed uncollectible. For all presentations of net interest yield on cardmember loans, reserves and net write-offs related to uncollectible interest are recorded through provisions for losses — cardmember loans; therefore, such reserves and net write-offs are not included in the net interest yield calculation.

Net loss ratio — Represents the ratio of charge card write-offs consisting of principal (resulting from authorized and unauthorized transactions) and fee components, less recoveries, on cardmember receivables expressed as a percentage of gross amounts billed to cardmembers.

Net write-off rate — principal only — Represents the amount of cardmember loans or USCS cardmember receivables written off consisting of principal (resulting from authorized transactions), less recoveries, as a percentage of the average loan balance or USCS average receivables during the period.

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

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

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

Return on average segment capital — Calculated by dividing one-year period segment income by one-year average segment capital.

Return on average tangible segment capital — Computed in the same manner as return on average segment capital except the computation of average tangible segment capital excludes from average segment capital average goodwill and other intangibles.

Risk-weighted assets — Refer to Capital Strategy section for definition.

Securitization income, net — Prior to 2010, includes non-credit provision components of the net gains or losses from securitization activities; changes in fair value of the interest-only strip; excess spread related to securitized cardmember loans; and servicing income, net of related discounts or fees. Excess spread, which is recognized as earned, is the net cash flow from interest and fee collections allocated to the third-party investors' interests in the securitization after deducting the interest paid on the investor certificates, credit losses, contractual servicing fees and other expenses.

Segment capital — Represents capital allocated to a segment based upon specific business operational needs, risk measures, and regulatory capital requirements.

Stored value and prepaid products — Includes Travelers Cheques and other prepaid products such as gift cheques and cards as well as reloadable Travelers Cheque cards. These products are sold as safe and convenient alternatives to currency for purchasing goods and services.

Tier 1 leverage ratio — Refer to Capital Strategy section for definition.

Tier 1 risk-based capital ratio — Refer to Capital Strategy section for definition.

Total cards-in-force — Represents the number of cards that are issued and outstanding. Non-proprietary cards-in-force includes all cards that are issued and outstanding under network partnership agreements, except for retail co-brand cardmember accounts which have no out-of-store spend activity during the prior 12-month period.

Total risk-based capital ratio — Refer to Capital Strategy section for definition.

Travel sales — Represents the total dollar amount of travel transaction volume for airline, hotel, car rental, and other travel arrangements made for consumers and corporate clients. The Company earns revenue on these transactions by charging a transaction or management fee.

AMERICAN EXPRESS COMPANY

2011 FINANCIAL REVIEW

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 the Company's expected business and financial performance, among other matters, contain words such as "believe," "expect," "estimate," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," 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. The Company undertakes 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:

- changes in global economic and business conditions, including consumer and business spending, the availability and cost of credit, unemployment and political conditions, all of which may significantly affect spending on American Express cards, delinquency rates, loan balances and other aspects of the Company's business and results of operations;
- changes in capital and credit market conditions, including sovereign credit worthiness, which may significantly affect the Company's ability to meet its liquidity needs, access to capital and cost of capital, including changes in interest rates; changes in market conditions affecting the valuation of the Company's assets; or any reduction in the Company's credit ratings or those of its subsidiaries, which could materially increase the cost and other terms of the Company's funding, restrict its access to the capital markets or result in contingent payments under contracts;
- litigation, such as class actions or proceedings brought by governmental and regulatory agencies (including the lawsuit filed against the Company by the U.S. Department of Justice and certain state attorneys general), that could result in (i) the imposition of behavioral remedies against the Company or the Company voluntarily making certain changes to its business practices, the effects of which in either case could have a material adverse impact on the Company's financial performance; (ii) the imposition of substantial monetary damages in private actions against the Company; and/or (iii) damage to the Company's global reputation and brand;
- legal and regulatory developments wherever the Company does business, including legislative and regulatory reforms in the United States, such as the Dodd-Frank Reform Act's stricter regulation of large, interconnected financial institutions, changes in requirements relating to securitization and the establishment of the CFPB, which could make fundamental changes to many of the Company's business practices or materially affect its capital requirements, results of operations, or ability to pay dividends or repurchase its stock; actions and potential future actions by the FDIC and credit rating agencies applicable to securitization trusts, which could impact the Company's ABS program; or potential changes in the federal tax system that could substantially alter, among other things, the taxation of the Company's international businesses, the allowance of deductions for significant expenses, or the incidence of consumption taxes on the Company's transactions, products and services;
- the ability of the Company to generate its on-average and over-time growth targets for revenues net of interest expense, earnings per share and return on average equity, which will depend on the factors such as the Company's success in implementing its strategies and initiatives, meeting its targets for operating expenses and on factors outside management's control including changes in the economic and business environment, the effectiveness of marketing and loyalty programs, and the willingness of cardmembers to sustain spending;
- the Company's net interest yield on U.S. cardmember loans not remaining at historical levels, which will be influenced by, among other things, the effects of the CARD Act (including the regulations requiring the Company to periodically reevaluate APR increases), interest rates, changes in consumer behavior that affect loan balances, such as paydown rates, the credit quality of the Company's portfolio and the Company's cardmember acquisition strategy, product mix, cost of funds, credit actions, including line size and other adjustments to credit availability, and potential pricing changes;
- changes in the substantial and increasing worldwide competition in the payments industry, including competitive pressure that may impact the prices the Company charges merchants that accept the Company's cards and the success of marketing, promotion or rewards programs;
- changes in technology or in the Company's ability to protect its intellectual property (such as copyrights, trademarks, patents and controls on access and distribution), and invest in and compete at the leading edge of technological developments across the Company's businesses, including technology and intellectual property of third parties on whom the Company relies, all of which could materially affect the Company's results of operations;
- data breaches and fraudulent activity, which could damage the Company's brand, increase the Company's costs or have regulatory implications, and changes in regulation affecting privacy and data security under federal, state and foreign law, which could result in higher compliance and technology costs to the Company or the Company's vendors;

- changes in the Company's ability to attract or retain qualified personnel in the management and operation of the Company's business, including any changes that may result from increasing regulatory supervision of compensation practices;
- changes in the financial condition and creditworthiness of the Company's business partners, such as bankruptcies, restructurings or consolidations, involving merchants that represent a significant portion of the Company's business, such as the airline industry, or the Company's partners in Global Network Services or financial institutions that the Company relies on for routine funding and liquidity, which could materially affect the Company's financial condition or results of operations;
- uncertainties associated with business acquisitions, including the ability to realize anticipated business retention, growth and cost savings, accurately estimate the value of goodwill and intangibles associated with individual acquisitions, effectively integrate the acquired business into the Company's existing operations or implement or remediate controls, procedures and policies at the acquired company;
- uncertainty relating to the actual growth of operating expenses in 2012 and subsequent years, which will depend in part on the Company's ability to balance the control and management of expenses and the maintenance of competitive service levels to its businesses and customers, unanticipated increases in significant categories of operating expenses, such as consulting or professional fees, compliance or regulatory costs and technology costs, higher than expected employee levels due to lower than expected attrition rates or employee needs not currently anticipated, the impact of changes in foreign currency exchange rates on costs and results, and the level of acquisition activity and related expenses;
- changes affecting the success of the Company's reengineering and other cost control initiatives, such as the ability to execute plans during the year with respect to certain of the Company's facilities, which may result in the Company not realizing all or a significant portion of the benefits that the Company intends;
- the actual amount to be spent by the Company on investments in the business, including on marketing, promotion, rewards and cardmember services and certain operating expenses, which will be based in part on management's assessment of competitive opportunities and the Company's performance and the ability to control and manage operating, infrastructure, advertising, promotion and rewards expenses as business expands or changes, including the changing behavior of cardmembers;
- the effectiveness of the Company's risk management policies and procedures, including credit risk relating to consumer debt, liquidity risk in meeting business requirements and operational risk;
- the Company's lending write-off rates for 2012 not remaining below the average historical levels of the last ten years, which will depend in part on changes in the level of the Company's loan balances, delinquency rates of cardmembers, unemployment rates, the volume of bankruptcies and recoveries of previously written-off loans;
- the ability of the Company to maintain and expand its presence in the digital payments space, including as an online payments provider, which will depend on the Company's success in evolving its business models and processes for the digital environment, building partnerships and executing programs with companies, and utilizing digital capabilities that can be leveraged for future growth;
- changes affecting the Company's ability to accept or maintain deposits due to market demand or regulatory constraints, such as changes in interest rates and regulatory restrictions on the Company's ability to obtain deposit funding or offer competitive interest rates, which could affect the Company's liquidity position and the Company's ability to fund the Company's business;
- the potential failure of the U.S. Congress to renew legislation regarding the active financing exception to Subpart F of the Internal Revenue Code, which could increase the Company's effective tax rate and have an adverse impact on net income;
- factors beyond the Company's control such as fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, terrorism, "hackers" or fraud, which could affect travel-related spending or disrupt the Company's global network systems and ability to process transactions; and
- the Company's funding plan for 2012 being implemented in a manner inconsistent with current expectations, which will depend on various factors such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by the Company, regulatory changes, ability to securitize and sell receivables and the performance of receivables previously sold in securitization transactions.

A further description of these uncertainties and other risks can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and the Company's other reports filed with the SEC.

AMERICAN EXPRESS COMPANY

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP in the United States of America, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework.*

Based on management's assessment and those criteria, we conclude that, as of December 31, 2011, the Company's internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has issued an attestation report appearing on the following page on the effectiveness of the Company's internal control over financial reporting as of December 31, 2011.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMERICAN EXPRESS COMPANY:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of American Express Company and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company adopted new guidance in 2010 relating to transfers of financial assets and consolidation of variable interest entities.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



New York, New York
February 24, 2012

AMERICAN EXPRESS COMPANY

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Includes further details of:
- Other Commissions and Fees
- Other Revenues
- Marketing, Promotion, Rewards and Cardmember Services
- Other, Net Expenses

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AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 *(Millions, except per share amounts)*	2011	2010	2009
Revenues			
Non-interest revenues			
Discount revenue	**$ 16,734**	$ 14,880	$ 13,202
Net card fees	**2,183**	2,102	2,151
Travel commissions and fees	**1,971**	1,773	1,591
Other commissions and fees	**2,269**	2,031	1,778
Securitization income, net	**–**	–	400
Other	**2,164**	1,927	2,090
Total non-interest revenues	**25,321**	22,713	21,212
Interest income			
Interest and fees on loans	**6,537**	6,783	4,468
Interest and dividends on investment securities	**327**	443	804
Deposits with banks and other	**97**	66	59
Total interest income	**6,961**	7,292	5,331
Interest expense			
Deposits	**528**	546	425
Short-term borrowings	**11**	3	37
Long-term debt and other	**1,781**	1,874	1,745
Total interest expense	**2,320**	2,423	2,207
Net interest income	**4,641**	4,869	3,124
Total revenues net of interest expense	**29,962**	27,582	24,336
Provisions for losses			
Charge card	**770**	595	857
Cardmember loans	**253**	1,527	4,266
Other	**89**	85	190
Total provisions for losses	**1,112**	2,207	5,313
Total revenues net of interest expense after provisions for losses	**28,850**	25,375	19,023
Expenses			
Marketing, promotion, rewards and cardmember services	**9,930**	8,738	6,563
Salaries and employee benefits	**6,252**	5,566	5,080
Professional services	**2,951**	2,806	2,408
Other, net	**2,761**	2,301	2,131
Total	**21,894**	19,411	16,182
Pretax income from continuing operations	**6,956**	5,964	2,841
Income tax provision	**2,057**	1,907	704
Income from continuing operations	**4,899**	4,057	2,137
Income (loss) from discontinued operations, net of tax	**36**	–	(7)
Net income	**$ 4,935**	$ 4,057	$ 2,130
Earnings per Common Share – Basic: (Note 18)			
Income from continuing operations attributable to common shareholders [(a)]	**$ 4.11**	$ 3.37	$ 1.55
Income (loss) from discontinued operations	**0.03**	–	(0.01)
Net income attributable to common shareholders [(a)]	**$ 4.14**	$ 3.37	$ 1.54
Earnings per Common Share – Diluted: (Note 18)			
Income from continuing operations attributable to common shareholders [(a)]	**$ 4.09**	$ 3.35	$ 1.54
Income (loss) from discontinued operations	**0.03**	–	–
Net income attributable to common shareholders [(a)]	**$ 4.12**	$ 3.35	$ 1.54
Average common shares outstanding for earnings per common share:			
Basic	**1,178**	1,188	1,168
Diluted	**1,184**	1,195	1,171

(a) Represents income from continuing operations or net income, as applicable, less (i) accelerated preferred dividend accretion of $212 million for the year ended December 31, 2009 due to the repurchase of $3.39 billion of preferred shares issued as part of the Capital Purchase Program, (ii) preferred share dividends and related accretion of $94 million for the year ended December 31, 2009 and (iii) earnings allocated to participating share awards and other items of $58 million, $51 million and $22 million for the years ended December 31, 2011, 2010 and 2009, respectively.

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY

CONSOLIDATED BALANCE SHEETS

December 31 *(Millions, except per share data)*	2011	2010
Assets		
Cash and cash equivalents		
Cash and cash due from banks	**$ 3,514**	$ 2,145
Interest-bearing deposits in other banks (including securities purchased under resale agreements: 2011, $470; 2010, $372)	**20,572**	13,557
Short-term investment securities	**807**	654
Total	**24,893**	16,356
Accounts receivable		
Cardmember receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2011, $8,027; 2010, $8,192), less reserves: 2011, $438; 2010, $386	**40,452**	36,880
Other receivables, less reserves: 2011, $102; 2010, $175	**3,657**	3,554
Loans		
Cardmember loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2011 $33,834; 2010, $34,726), less reserves: 2011, $1,874; 2010, $3,646	**60,747**	57,204
Other, less reserves: 2011, $18; 2010, $24	**419**	412
Investment securities	**7,147**	14,010
Premises and equipment – at cost, less accumulated depreciation: 2011, $4,747; 2010, $4,483	**3,367**	2,905
Other assets (includes restricted cash of consolidated variable interest entities: 2011, $207; 2010, $3,759)	**12,655**	15,368
Total assets	**$ 153,337**	$ 146,689
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits	**$ 37,898**	$ 29,727
Travelers Cheques outstanding	**5,123**	5,618
Accounts payable	**10,458**	9,691
Short-term borrowings	**3,424**	3,414
Long-term debt (includes debt issued by consolidated variable interest entities: 2011, $20,856; 2010, $23,341)	**59,570**	66,416
Other liabilities	**18,070**	15,593
Total liabilities	**$ 134,543**	$ 130,459
Commitments and contingencies (Note 24)		
Shareholders' Equity		
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 1,164 million shares as of December 31, 2011 and 1,197 million shares as of December 31, 2010	**232**	238
Additional paid-in capital	**12,217**	11,937
Retained earnings	**7,221**	4,972
Accumulated other comprehensive (loss) income		
Net unrealized securities gains, net of tax: 2011, $(168); 2010, $(19)	**288**	57
Net unrealized derivatives losses, net of tax: 2011, $1; 2010, $4	**(1)**	(7)
Foreign currency translation adjustments, net of tax: 2011, $459; 2010, $405	**(682)**	(503)
Net unrealized pension and other postretirement benefit losses, net of tax: 2011, $233; 2010, $226	**(481)**	(464)
Total accumulated other comprehensive loss	**(876)**	(917)
Total shareholders' equity	**18,794**	16,230
Total liabilities and shareholders' equity	**$ 153,337**	$ 146,689

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 *(Millions)*	**2011**	2010	2009
Cash Flows from Operating Activities			
Net income	**$ 4,935**	$ 4,057	$ 2,130
(Income) loss from discontinued operations, net of tax	**(36)**	–	7
Income from continuing operations	**4,899**	4,057	2,137
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Provisions for losses	**1,112**	2,207	5,313
Depreciation and amortization	**918**	917	1,070
Deferred taxes and other	**818**	1,135	(1,429)
Stock-based compensation	**301**	287	230
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Other receivables	**663**	(498)	(730)
Other assets	**(635)**	(590)	526
Accounts payable and other liabilities	**2,893**	1,737	(98)
Travelers Cheques outstanding	**(494)**	(317)	(449)
Net cash used in operating activities attributable to discontinued operations	**–**	–	(233)
Net cash provided by operating activities	**10,475**	8,935	6,337
Cash Flows from Investing Activities			
Sale of investments	**1,176**	2,196	2,930
Maturity and redemption of investments	**6,074**	12,066	2,900
Purchase of investments	**(1,158)**	(7,804)	(13,719)
Net (increase) decrease in cardmember loans/receivables	**(8,358)**	(6,389)	6,154
Proceeds from cardmember loan securitizations	**–**	–	2,244
Maturities of cardmember loan securitizations	**–**	–	(4,800)
Purchase of premises and equipment, net of sales: 2011, $16; 2010, $9; 2009, $50	**(1,189)**	(878)	(722)
Acquisitions/Dispositions, net of cash acquired	**(610)**	(400)	–
Net decrease (increase) in restricted cash	**3,574**	(20)	(1,935)
Net cash provided by investing activities attributable to discontinued operations	**–**	–	196
Net cash used in investing activities	**(491)**	(1,229)	(6,752)
Cash Flows from Financing Activities			
Net increase in customer deposits	**8,232**	3,406	11,037
Net (decrease) increase in short-term borrowings	**(2)**	1,056	(6,574)
Issuance of long-term debt	**13,982**	5,918	6,697
Principal payments on long-term debt	**(21,029)**	(17,670)	(15,197)
Issuance of American Express Series A preferred shares and warrants	**–**	–	3,389
Issuance of American Express common shares	**594**	663	614
Repurchase of American Express Series A preferred shares	**–**	–	(3,389)
Repurchase of American Express stock warrants	**–**	–	(340)
Repurchase of American Express common shares	**(2,300)**	(590)	–
Dividends paid	**(861)**	(867)	(924)
Net cash provided by financing activities attributable to discontinued operations	**–**	–	40
Net cash used in financing activities	**(1,384)**	(8,084)	(4,647)
Effect of exchange rate changes on cash	**(63)**	135	7
Net increase (decrease) in cash and cash equivalents	**8,537**	(243)	(5,055)
Cash and cash equivalents at beginning of year includes cash of discontinued operations: 2011, $—; 2010, $—; 2009, $3	**16,356**	16,599	21,654
Cash and cash equivalents at end of year	**$ 24,893**	$ 16,356	$ 16,599

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Years Ended December 31, 2011 *(Millions, except per share amounts)*	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings
Balances as of December 31, 2008	$ 11,841	$ –	$ 232	$ 10,496	$ (1,606)	$ 2,719
Comprehensive income:						
Net income	2,130					2,130
Change in net unrealized securities gains	1,206				1,206	
Change in net unrealized derivatives (losses) gains	52				52	
Foreign currency translation adjustments	(354)				(354)	
Change in net unrealized pension and other postretirement benefit losses	(10)				(10)	
Total comprehensive income	3,024					
Issuance of preferred shares and common stock warrants	3,389	3,157		232		
Preferred share accretion	–	232				(232)
Repurchase of preferred shares	(3,389)	(3,389)				
Repurchase of warrants	(340)			(232)		(108)
Issuance of common shares	531		4	527		
Other changes, primarily employee plans	279		1	121		157
Cash dividends declared:						
Preferred shares	(74)					(74)
Common, $0.72 per share	(855)					(855)
Balances as of December 31, 2009	14,406	–	237	11,144	(712)	3,737
Impact of Adoption of GAAP effective January 1, 2010 [(a)]	(1,769)	–	–	–	(315)	(1,454)
Balances as of January 1, 2010 (Adjusted)	12,637	–	237	11,144	(1,027)	2,283
Comprehensive income:						
Net income	4,057					4,057
Change in net unrealized securities gains	(135)				(135)	
Change in net unrealized derivatives (losses) gains	21				21	
Foreign currency translation adjustments	219				219	
Change in net unrealized pension and other postretirement benefit losses	5				5	
Total comprehensive income	4,167					
Repurchase of common shares	(590)		(3)	(132)		(455)
Other changes, primarily employee plans	883		4	925		(46)
Cash dividends declared common, $0.72 per share	(867)					(867)
Balances as of December 31, 2010	16,230	–	238	11,937	(917)	4,972
Comprehensive income:						
Net income	**4,935**					**4,935**
Change in net unrealized securities gains	**231**				**231**	
Change in net unrealized derivatives (losses) gains	**6**				**6**	
Foreign currency translation adjustments	**(179)**				**(179)**	
Change in net unrealized pension and other postretirement benefit losses	**(17)**				**(17)**	
Total comprehensive income	**4,976**					
Repurchase of common shares	**(2,300)**		**(10)**	**(494)**		**(1,796)**
Other changes, primarily employee plans	**744**		**4**	**774**		**(34)**
Cash dividends declared common, $0.72 per share	**(856)**					**(856)**
Balances as of December 31, 2011	**$ 18,794**	**$ –**	**$ 232**	**$ 12,217**	**$ (876)**	**$ 7,221**

(a) As a result of the adoption of new GAAP governing consolidations and VIEs, shareholders' equity was reduced, primarily for the after-tax effect of establishing the additional reserve for losses on cardmember loans and for reversing the unrealized gains on the retained subordinated securities.

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

American Express Company is a global service company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. The Company has also recently focused on generating alternative sources of revenue on a global basis in areas such as online and mobile payments and fee-based services. The Company's various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, targeted direct and third-party sales forces and direct response advertising.

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements of the Company are prepared in conformity with U.S. generally accepted accounting principles (GAAP). All significant intercompany transactions are eliminated.

Effective January 1, 2010, the Company adopted ASU No. 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets, and ASU No. 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which required the Company to include the securitized cardmember loans and related debt securities issued to third parties by the American Express Credit Account Master Trust (the Lending Trust) in the Consolidated Balance Sheets. Adoption of these standards (generally referred to herein as new GAAP governing consolidations and VIEs) reduced shareholders' equity in the amount of $1.8 billion as of January 1, 2010, primarily for the after-tax effect of establishing the additional reserve for losses on cardmember loans and for reversing the unrealized gains on the retained subordinated securities. The components of securitization income, net for the cardmember loans and long-term debt, are now recorded in other commissions and fees, interest income and interest expense. Results for 2009 and prior periods have not been revised.

The Company consolidates all entities in which the Company holds a "controlling financial interest." For voting interest entities, the Company is considered to hold a controlling financial interest when the Company is able to exercise control over the investees' operating and financial decisions. For variable interest entities (VIEs), the Company is considered to hold a controlling financial interest when it is determined to be the primary beneficiary. A primary beneficiary is a party that has both: (1) the power to direct the activities of a VIE that most significantly impact that entity's economic performance, and (2) the obligation to absorb losses, or the right to receive benefits, from the VIE that could potentially be significant to the VIE. The determination of whether an entity is a VIE is based on the amount and characteristics of the entity's equity.

Entities in which the Company's voting interest in common equity does not provide the Company with control, but allows the Company to exert significant influence over their financial and operating decisions, are accounted for under the equity method. All other investments in equity securities, to the extent that they are not considered marketable securities, are accounted for under the cost method.

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon exchange rates prevailing at the end of each year. The resulting translation adjustments, along with any related qualifying hedge and tax effects, are included in accumulated other comprehensive (loss) income (AOCI), a component of shareholders' equity. Translation adjustments, including qualifying hedge and tax effects, are reclassified to earnings upon the sale or substantial liquidation of investments in foreign operations. Revenues and expenses are translated at the average month-end exchange rates during the year. Gains and losses related to transactions in a currency other than the functional currency, including operations outside the United States where the functional currency is the U.S. dollar, are reported net in the Company's Consolidated Statements of Income, in other non-interest revenue, interest income, interest expense, or other, net expense, depending on the nature of the activity. Net foreign currency transaction gains amounted to approximately $145 million, $138 million and $205 million in 2011, 2010 and 2009, respectively.

AMOUNTS BASED ON ESTIMATES AND ASSUMPTIONS

Accounting estimates are an integral part of the Consolidated Financial Statements. These estimates are based, in part, on management's assumptions concerning future events. Among the more significant assumptions are those that relate to reserves for cardmember losses relating to loans and charge card receivables, reserves for Membership Rewards costs, fair value measurement, goodwill and income taxes. These accounting estimates reflect the best judgment of management, but actual results could differ.

TOTAL REVENUES NET OF INTEREST EXPENSE

Discount Revenue

Discount revenue represents fees charged to merchants with which the Company, or its GNS partners, has entered into card acceptance agreements for facilitating transactions between the merchants and the Company's cardmembers. The discount generally is deducted from the payment to the merchant and recorded as discount revenue at the time the charge is captured.

Net Card Fees

Card fees are deferred and recognized on a straight-line basis over the 12-month card membership period, net of deferred direct card acquisition costs and a reserve for projected membership cancellations. Charge card fees are recognized in net card fees in the Consolidated Statements of Income and the unamortized net card fee balance is reported in other liabilities on the Consolidated Balance Sheets (refer to Note 11). Loan product fees are considered an enhancement to the yield on the product, and are recognized in interest and fees on loans in the Consolidated Statements of Income. The unamortized net card fee balance for lending products is reported net in cardmember loans on the Consolidated Balance Sheets (refer to Note 4).

Travel Commissions and Fees

The Company earns travel commissions and fees by charging clients transaction or management fees for selling and arranging travel and for travel management services. Client transaction fee revenue is recognized at the time the client books the travel arrangements. Travel management services revenue is recognized over the contractual term of the agreement. The Company's travel suppliers (for example, airlines, hotels and car rental companies) pay commissions and fees on tickets issued, sales and other services based on contractual agreements. Commissions and fees from travel suppliers are generally recognized at the time a ticket is purchased or over the term of the contract. Commissions and fees that are based on services rendered (for example, hotel stays and car rentals) are recognized based on usage.

Other Commissions and Fees

Other commissions and fees include foreign currency conversion fees, delinquency fees, service fees and other card related assessments, which are recognized primarily in the period in which they are charged to the cardmember (refer to Note 19). Also included are fees related to the Company's Membership Rewards program, which are deferred and recognized over the period covered by the fee. The unamortized Membership Rewards fee balance is included in other liabilities on the Consolidated Balance Sheets (refer to Note 11).

Contra-revenue

The Company regularly makes payments through contractual arrangements with merchants, corporate payments clients and certain other customers. Payments to customers, including cash rebates paid to cardmembers, are generally classified as contra-revenue unless a specifically identifiable benefit (e.g., goods or services) is received by the Company or its cardmembers in consideration for that payment and the fair value of such benefit is determinable and measurable. If no such benefit is identified, then the entire payment is classified as contra-revenue and included within total non-interest revenues in the Consolidated Statements of Income in the line item where the related transaction revenues are recorded (e.g., discount revenue, travel commissions and fees and other commissions and fees). If such a benefit is identified, then the payment is classified as expense up to the estimated fair value of the benefit.

Interest Income

Interest on owned loans is assessed using the average daily balance method. Unless the loan is classified as non-accrual, interest is recognized based upon the loan 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 the Company's performing fixed-income securities. Interest income is accrued as earned using the effective interest method, which adjusts the yield for security premiums and discounts, fees and other payments, so that a constant rate of return is recognized on the investment security's outstanding balance. Amounts are recognized until such time as a security is in default or when it is likely that future interest payments will not be received as scheduled.

Interest on deposits with banks and other is recognized as earned, and primarily relates to the placement of cash in interest-bearing time deposits, overnight sweep accounts, and other interest-bearing demand and call accounts.

Interest Expense

Interest expense includes interest incurred primarily to fund cardmember loans, charge card product receivables, general corporate purposes, and liquidity needs, and is recognized as incurred. Interest expense is divided principally into three categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, (ii) short-term borrowings, which primarily relates to interest expense on commercial paper, federal funds purchased, bank overdrafts and other short-term borrowings, and (iii) long-term debt, which primarily relates to interest expense on the Company's long-term financing.

BALANCE SHEET

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts due from banks, interest-bearing bank balances, including securities purchased under resale agreements, and other highly liquid investments with original maturities of 90 days or less.

Premises and Equipment

Premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation. Costs incurred during construction are capitalized and are depreciated once an asset is placed in service. Depreciation is generally computed using the straight-line method over the estimated useful lives of assets, which range from 3 to 10 years for equipment, furniture and building improvements. Premises are depreciated based upon their estimated useful life at the acquisition date, which generally ranges from 30 to 50 years.

Leasehold improvements are depreciated using the straight-line method over the lesser of the remaining term of the leased facility or the economic life of the improvement, which ranges from 5 to 10 years. The Company maintains operating leases worldwide for facilities and equipment. Rent expense for facility

leases is recognized ratably over the lease term, and includes adjustments for rent concessions, rent escalations and leasehold improvement allowances. The Company accounts for lease restoration obligations in accordance with applicable GAAP, which requires recognition of the fair value of restoration liabilities when incurred, and amortization of restoration assets over the lease term.

The Company capitalizes certain costs associated with the acquisition or development of internal-use software. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's estimated useful life, generally 5 years.

OTHER SIGNIFICANT ACCOUNTING POLICIES

The following table identifies the Company's other significant accounting policies, the Note and page where the Note can be found.

Significant Accounting Policy	Note Number	Note Title	Page
Fair Value Measurements	Note 3	Fair Values	Page 63
Accounts Receivable	Note 4	Accounts Receivable and Loans	Page 65
Loans	Note 4	Accounts Receivable and Loans	Page 65
Reserves for Losses	Note 5	Reserves for Losses	Page 70
Investment Securities	Note 6	Investment Securities	Page 72
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Derivative Financial Instruments and Hedging Activities	Note 12	Derivatives and Hedging Activities	Page 80
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Stock-based Compensation	Note 20	Stock Plans	Page 91
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Reportable Operating Segments	Note 25	Reportable Operating Segments and Geographic Operations	Page 101

RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This standard requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This standard will not impact the Company's financial position or results of operations. The Company will begin reporting components of other comprehensive income in a separate statement following the Consolidated Statement of Income beginning in the quarter ending March 31, 2012.

CLASSIFICATION OF VARIOUS ITEMS

Beginning the first quarter of 2011, certain payments to business partners previously expensed in other, net expense were reclassified as contra-revenue within total non-interest revenues or as marketing and promotion expense. These partner payments are primarily related to certain co-brand contracts where upfront payments are amortized over the life of the contract. In addition, in the first quarter of 2011, the Company reclassified $353 million, reducing both cash and cash due from banks, and other liabilities, on the December 31, 2010 Consolidated Balance Sheet from amounts previously reported to correct for the effect of a misclassification. Amounts in prior periods for these items have been reclassified to conform to the current presentation and are insignificant to the affected line items.

Certain other reclassifications of prior period amounts have been made to conform to the current presentation. These other reclassifications did not have an impact on the Company's financial position or results of operations.

NOTE 2

ACQUISITIONS

On March 1, 2011, the Company completed the acquisition of a controlling interest in Loyalty Partner. Loyalty Partner is a leading marketing services company best known for the loyalty programs it operates in Germany, Poland and India. Loyalty Partner also provides market analysis, operating platforms and consulting services that help merchants grow their businesses. Total consideration was $616 million ($585 million plus $31 million in cash acquired). The Company has an option to acquire the remaining noncontrolling equity interest (NCI) over a three-year period beginning at the end of 2013 at a price based on business performance, which had an estimated fair value of $150 million at the acquisition date.

In 2010, the Company purchased Accertify and Revolution Money for a total consideration of $151 million and $305 million, respectively. Accertify is an online fraud solution provider and Revolution Money, which was subsequently rebranded by the Company as Serve, is a provider of secure person-to-person payment services through an internet-based platform.

These acquisitions did not have a significant impact on either the Company's consolidated results of operations or the segments in which they are reflected for the years ended December 31, 2011 and 2010.

The following table summarizes the assets acquired and liabilities assumed for these acquisitions as of the acquisition dates:

(Millions)	Loyalty Partner [a]	Accertify	Revolution Money [b]
Goodwill	$ 538	$ 132	$ 184
Definite-lived intangible assets	295	15	119
Other assets	206	10	7
Total assets	1,039	157	310
Total liabilities (including NCI)	423	6	5
Net assets acquired	$ 616	$ 151	$ 305
Reportable operating segment	ICS	GNMS	

(a) Amounts have been updated in the interim quarters of 2011 by revisions to the preliminary purchase price allocation. The final purchase price allocation for Loyalty Partner, which is not expected to be significantly different from the estimate at the date of acquisition, will be completed in the first quarter of 2012.
(b) Included in Corporate & Other.

NOTE 3

FAIR VALUES

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

GAAP provides for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 — Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in markets that are not active
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3 — Inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows).

Financial Assets and Financial Liabilities Carried at Fair Value

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy (as described in the preceding paragraphs), as of December 31:

	2011			2010		
(Millions)	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:						
Investment securities: [a]						
Equity securities	**$ 360**	**$ 360**	**$ –**	$ 475	$ 475	$ –
Debt securities and other [b]	**6,787**	**340**	**6,447**	13,535	–	13,535
Derivatives [c]	**1,516**	**–**	**1,516**	1,089	–	1,089
Total assets	**$ 8,663**	**$ 700**	**$ 7,963**	$ 15,099	$ 475	$ 14,624
Liabilities:						
Derivatives [c]	**$ 108**	**$ –**	**$ 108**	$ 419	$ –	$ 419
Total liabilities	**$ 108**	**$ –**	**$ 108**	$ 419	$ –	$ 419

(a) Refer to Note 6 for the fair values of investment securities on a further disaggregated basis.

(b) Effective October 1, 2011, the significant transfers into Level 1 were $340 million of investment securities related to U.S. Government treasury obligations. This was driven by the Company's quantitative assessment that these investment securities are actively traded in the market and therefore the pricing inputs reflect quoted prices for similar assets within an active market. There were no transfers out of Level 1.

(c) Refer to Note 12 for the fair values of derivative assets and liabilities on a further disaggregated basis, as well as the netting of both (i) cash collateral received or posted under credit support agreements and (ii) derivative assets and derivative liabilities under master netting agreements. These balances have been presented gross in the table above.

The Company did not measure any financial instruments at fair value using significantly unobservable inputs (Level 3) during the years ended December 31, 2011 and 2010.

GAAP requires disclosure of the estimated fair value of all financial instruments. A financial instrument is defined as cash, evidence of an ownership in an entity, or a contract between two entities to deliver cash or another financial instrument or to exchange other financial instruments. The disclosure requirements for the fair value of financial instruments exclude leases, equity method investments, affiliate investments, pension and benefit obligations, insurance contracts and all non-financial instruments.

VALUATION TECHNIQUES USED IN MEASURING FAIR VALUE

For the financial assets and liabilities measured at fair value on a recurring basis (categorized in the valuation hierarchy table on the previous page) the Company applies the following valuation techniques to measure fair value:

Investment Securities

- When available, quoted market prices in active markets are used to determine fair value. Such investment securities are classified within Level 1 of the fair value hierarchy.
- When quoted prices in an active market are not available, the fair values for the Company's investment securities are obtained primarily from pricing services engaged by the Company, and the Company receives one price for each security. The fair values provided by the pricing services are estimated using pricing models, where the inputs to those models are based on observable market inputs. The inputs to the valuation techniques applied by the pricing services vary depending on the type of security being priced but are typically benchmark yields, benchmark security prices, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. The pricing services did not apply any adjustments to the pricing models used. In addition, the Company did not apply any adjustments to prices received from the pricing services. The Company classifies the prices obtained from the pricing services within Level 1 or Level 2 of the fair value hierarchy because the underlying inputs are directly observable from active markets or recent trades of similar securities in inactive markets. However, the pricing models used do entail a certain amount of subjectivity and therefore differing judgments in how the underlying inputs are modeled could result in different estimates of fair value.

The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services to test their reasonableness by comparing their prices to valuations from different pricing sources as well as comparing prices to the sale prices received from sold securities. Refer to Note 6 for additional fair value information.

Derivative Financial Instruments

The fair value of the Company's derivative financial instruments, which could be assets or liabilities on the Consolidated Balance Sheets, is estimated by a third-party valuation service that uses proprietary pricing models or by internal pricing models, where the inputs to those models are readily observable from actively quoted markets. The pricing models used are consistently applied and reflect the contractual terms of the derivatives, including the period of maturity, and market-based parameters such as interest rates, foreign exchange rates, equity indices or prices, and volatility. The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually.

Credit valuation adjustments are necessary when the market parameters, such as a benchmark curve, used to value derivatives are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 12 for additional fair value information.

Financial Assets and Financial Liabilities Carried at Other Than Fair Value

The following table discloses the estimated fair value for the Company's financial assets and financial liabilities that are not carried at fair value, as of December 31:

	2011		2010	
(Billions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Assets for which carrying values equal or approximate fair value	**$ 70**	**$ 70**[a]	$ 61	$ 61[b]
Loans, net	**$ 61**	**$ 62**[a]	$ 58	$ 58[b]
Financial Liabilities:				
Liabilities for which carrying values equal or approximate fair value	**$ 51**	**$ 51**	$ 43	$ 43
Certificates of deposit	**$ 12**	**$ 12**	$ 13	$ 13
Long-term debt	**$ 59**	**$ 62**[a]	$ 66	$ 69[b]

(a) Includes fair values of cardmember receivables, loans and long-term debt of $8.0 billion, $33.3 billion and $21.1 billion, respectively, held by consolidated VIEs as of December 31, 2011. Refer to the Consolidated Balance Sheets for the related carrying values.

(b) Includes fair values of cardmember receivables, loans and long-term debt of $8.1 billion, $33.2 billion and $23.6 billion, respectively, held by consolidated VIEs as of December 31, 2010. Refer to the Consolidated Balance Sheets for the related carrying values.

The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of December 31, 2011 and 2010, and require management judgment. These figures may not be indicative of their future fair values. The fair value of the Company cannot be reliably estimated by aggregating the amounts presented.

The following methods were used to determine estimated fair values:

FINANCIAL ASSETS FOR WHICH CARRYING VALUES EQUAL OR APPROXIMATE FAIR VALUE

Financial assets for which carrying values equal or approximate fair value include cash and cash equivalents, cardmember receivables, accrued interest and certain other assets. For these assets, the carrying values approximate fair value because they are short term in duration or variable rate in nature.

FINANCIAL ASSETS CARRIED AT OTHER THAN FAIR VALUE

Loans, net

Loans are recorded at historical cost, less reserves, on the Consolidated Balance Sheets. In estimating the fair value for the Company's loans the principal market is assumed to be the securitization market and the Company uses the hypothetical securitization price to determine the fair value of the portfolio. The securitization price is estimated from the assumed proceeds of the hypothetical securitization in the current market, adjusted for securitization uncertainties such as market conditions and liquidity.

FINANCIAL LIABILITIES FOR WHICH CARRYING VALUES EQUAL OR APPROXIMATE FAIR VALUE

Financial liabilities for which carrying values equal or approximate fair value include accrued interest, customer deposits (excluding certificates of deposit, which are described further below), Travelers Cheques outstanding, short-term borrowings and certain other liabilities for which the carrying values approximate fair value because they are either short term in duration, have no defined maturity or have an underlying interest rate that is variable.

FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

Certificates of Deposit

Certificates of deposit (CDs) are recorded at their historical issuance cost on the Consolidated Balance Sheets. Fair value is estimated using a discounted cash flow methodology based on the Company's current borrowing rates for similar types of CDs.

Long-term Debt

Long-term debt is recorded at historical issuance cost on the Consolidated Balance Sheets adjusted for the impact of fair value hedge accounting on certain fixed-rate notes. Fair value is estimated using either quoted market prices or discounted cash flows based on the Company's current borrowing rates for similar types of borrowings.

NOTE 4

ACCOUNTS RECEIVABLE AND LOANS

The Company's charge and lending payment card products result in the generation of cardmember receivables (from charge payment products) and cardmember loans (from lending payment products) described below.

CARDMEMBER AND OTHER RECEIVABLES

Cardmember receivables, representing amounts due from charge payment product customers, are recorded at the time a cardmember enters into a point-of-sale transaction with a merchant. Each charge card transaction is authorized based on its likely economics reflecting a cardmember's most recent credit information and spend patterns. Global limits are established to limit the maximum exposure for the Company from high risk and some high spend charge cardmembers, and accounts of high risk, out-of-pattern charge cardmembers can be monitored even if they are current. Charge card customers generally must pay the full amount billed each month.

Cardmember receivable balances are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 5), and include principal and any related accrued fees.

Accounts receivable as of December 31, 2011 and 2010 were as follows:

(Millions)	**2011**	2010
U.S. Card Services [a]	**$ 20,645**	$ 19,155
International Card Services	**7,222**	6,673
Global Commercial Services [b]	**12,829**	11,259
Global Network & Merchant Services [c]	**194**	179
Cardmember receivables, gross [d]	**40,890**	37,266
Less: Cardmember receivables reserves for losses	**438**	386
Cardmember receivables, net	**$ 40,452**	$ 36,880
Other receivables, net [e]	**$ 3,657**	$ 3,554

(a) Includes $7.5 billion and $7.7 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of December 31, 2011 and 2010, respectively.
(b) Includes $0.5 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of December 31, 2011 and 2010. Includes $563 million and $106 million due from airlines, of which Delta Air Lines (Delta) comprises $340 million and $68 million, as of December 31, 2011 and 2010, respectively.
(c) Includes receivables primarily related to the Company's International Currency Card portfolios.
(d) Includes approximately $12.8 billion and $11.7 billion of cardmember receivables outside the United States as of December 31, 2011 and 2010, respectively.
(e) Other receivables primarily represent amounts related to purchased joint venture receivables, amounts due from certain merchants for billed discount revenue, amounts due from the Company's travel customers and suppliers, amounts due from third-party issuing partners, amounts for tax-related receivables, accrued interest on investments and other receivables due to the Company in the ordinary course of business. As of December 31, 2011, other receivables also included investments that matured on December 31, 2011, but which did not settle until January 3, 2012. Other receivables are presented net of reserves for losses of $102 million and $175 million as of December 31, 2011 and 2010, respectively.

CARDMEMBER AND OTHER LOANS

Cardmember loans, representing amounts due from lending payment product customers, are recorded at the time a cardmember enters into a point-of-sale transaction with a merchant or when a charge card customer enters into an extended payment arrangement with the Company. The Company's lending portfolios primarily include revolving loans to cardmembers obtained through either their credit card accounts or the lending on charge feature of their charge card accounts. These loans have a range of terms such as credit limits, interest rates, fees and payment structures, which can be revised over time based on new information about cardmembers and in accordance with applicable regulations and the respective product's terms and conditions. Cardmembers holding revolving loans are typically required to make monthly payments greater than or equal to certain pre-established amounts. The amounts that cardmembers choose to revolve are subject to finance charges. When cardmembers fall behind their required payments, their accounts are monitored.

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

Loans as of December 31, 2011 and 2010 consisted of:

(Millions)	**2011**	2010
U.S. Card Services [a]	**$ 53,686**	$ 51,565
International Card Services	**8,901**	9,255
Global Commercial Services	**34**	30
Cardmember loans, gross [b]	**62,621**	60,850
Less: Cardmember loans reserves for losses	**1,874**	3,646
Cardmember loans, net	**$ 60,747**	$ 57,204
Other loans, net [c]	**$ 419**	$ 412

(a) Includes approximately $33.8 billion and $34.7 billion of gross cardmember loans available to settle obligations of a consolidated VIE as of December 31, 2011 and 2010, respectively.
(b) Cardmember loan balance includes unamortized net card fees of $140 million and $134 million as of December 31, 2011 and 2010, respectively.
(c) Other loans primarily represent small business installment loans and a store card portfolio whose billed business is not processed on the Company's network. Other loans are presented net of reserves for losses of $18 million and $24 million as of December 31, 2011 and 2010, respectively.

CARDMEMBER LOANS AND CARDMEMBER RECEIVABLES AGING

Generally, a cardmember account is considered past due if payment is not received within 30 days after the billing statement date. The following table represents the aging of cardmember loans and receivables as of December 31, 2011 and 2010:

2011 *(Millions)*	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Cardmember Loans:					
U.S. Card Services	**$ 52,930**	**$ 218**	**$ 165**	**$ 373**	**$ 53,686**
International Card Services	**8,748**	**52**	**32**	**69**	**8,901**
Cardmember Receivables:					
U.S. Card Services	**$ 20,246**	**$ 122**	**$ 81**	**$ 196**	**$ 20,645**
International Card Services [a]	**(b)**	**(b)**	**(b)**	**63**	**7,222**
Global Commercial Services [a]	**(b)**	**(b)**	**(b)**	**109**	**12,829**

2010 *(Millions)*	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Cardmember Loans:					
U.S. Card Services	$ 50,508	$ 282	$ 226	$ 549	$ 51,565
International Card Services	9,044	66	48	97	9,255
Cardmember Receivables:					
U.S. Card Services	$ 18,864	$ 104	$ 55	$ 132	$ 19,155
International Card Services [a]	(b)	(b)	(b)	64	6,673
Global Commercial Services [a]	(b)	(b)	(b)	96	11,259

(a) For cardmember receivables in International Card Services (ICS) and Global Commercial Services (GCS), delinquency data is tracked based on days past billing status rather than days past due. A cardmember account is considered 90 days past billing if payment has not been received within 90 days of the cardmember's billing statement date. In addition, if the Company initiates collection procedures on an account prior to the account becoming 90 days past billing the associated cardmember receivable balance is considered as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes.
(b) Historically, data for periods prior to 90 days past billing are not available due to system constraints. Therefore, it has not been utilized for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

CREDIT QUALITY INDICATORS FOR LOANS AND RECEIVABLES

The following tables present the key credit quality indicators as of or for the years ended December 31:

	2011			2010		
	Net Write-Off Rate			Net Write-Off Rate		
	Principal Only [a]	Principal, Interest, & Fees [a]	30 Days Past Due as a % of Total	Principal Only [a]	Principal, Interest, & Fees [a]	30 Days Past Due as a % of Total
U.S. Card Services – Cardmember Loans	**2.9%**	**3.2%**	**1.4%**	5.8%	6.3%	2.1%
International Card Services – Cardmember Loans	**2.7%**	**3.3%**	**1.7%**	4.6%	5.5%	2.3%
U.S. Card Services – Cardmember Receivables	**1.7%**	**1.9%**	**1.9%**	1.6%	1.8%	1.5%

	2011		2010	
	Net Loss Ratio as a % of Charge Volume	90 Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume [b]	90 Days Past Billing as a % of Receivables
International Card Services – Cardmember Receivables	**0.15%**	**0.9%**	0.24%	1.0%
Global Commercial Services – Cardmember Receivables	**0.06%**	**0.8%**	0.11%	0.8%

(a) The Company presents a net write-off rate based on principal losses only (i.e. excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company's practice is to include uncollectible interest and/or fees as part of its total provision for losses, a net write-off rate including principal, interest and/or fees is also presented.

(b) In the first quarter of 2010, the Company modified its reporting in the ICS and GCS segments to write off past due cardmember receivables when 180 days past due or earlier, versus its prior methodology of writing them off when 360 days past billing or earlier. This change is consistent with bank regulatory guidance and the write-off methodology for the cardmember receivables portfolio in the U.S. Card Services (USCS) segment. This change resulted in approximately $60 million and $48 million of net write-offs for ICS and GCS, respectively, being included in the first quarter of 2010, which increased the net loss ratios and decreased the 90 days past billing metrics for these segments, but did not have a substantial impact on provisions for losses.

Refer to Note 5 for other factors, including external environmental factors, that management considers as part of its evaluation process for reserves for losses.

PLEDGED LOANS AND RECEIVABLES

Certain cardmember loans and receivables totaling approximately $41.9 billion as of December 31, 2011 are pledged by the Company to its Lending and Charge Trusts (including certain loans sold to the Trusts by the Company's bank subsidiaries; refer to Note 7).

IMPAIRED LOANS AND RECEIVABLES

Impaired loans and receivables are defined by GAAP as individual larger balance or homogeneous pools of smaller balance restructured loans and receivables for which it is probable that the lender will be unable to collect all amounts due according to the original contractual terms of the loan and receivable agreement. The Company considers impaired loans and receivables to include: (i) loans over 90 days past due still accruing interest, (ii) non-accrual loans, and (iii) loans and receivables modified as troubled debt restructurings (TDRs).

The Company may modify, through various company sponsored programs, cardmember loans and receivables in instances where the cardmember is experiencing financial difficulty to minimize losses to the Company while providing cardmembers with temporary or permanent financial relief. The Company has classified cardmember loans and receivables in these modification programs as TDRs. Such modifications to the loans and receivables may include (i) reducing the interest rate (as low as zero percent, in which case the loan is characterized as

non-accrual in the Company's TDR disclosures), (ii) reducing the outstanding balance (in the event of a settlement), (iii) suspending delinquency fees until the cardmember exits the TDR program, and (iv) placing the cardmember on a fixed payment plan not exceeding 60 months. Upon entering the modification program, the cardmember's ability to make future purchases is either cancelled, or in certain cases suspended until the cardmember successfully exits the TDR program. In accordance with the modification agreement with the cardmember, loans with modified terms will revert back to their original contractual terms (including their contractual interest rate) when they exit the TDR program, either (i) when all payments have been made in accordance with the modification agreement or (ii) in the event that a payment is not made in accordance with the modification agreement and the cardmember defaults out of the program. In either case, in accordance with its normal policy, the Company establishes a reserve for cardmember interest charges that it believes will not be collected.

The performance of a loan or a receivable modified as a TDR is closely monitored to understand its impact on the Company's reserve for losses. Though the ultimate success of these modification programs remains uncertain, the Company believes the programs improve the cumulative loss performance of such loans and receivables.

Reserves for cardmember loans and receivables modified as TDRs are determined by the difference between the cash flows expected to be received from the cardmember, taking into consideration the probability of subsequent defaults, discounted at the original effective interest rates, and the carrying value of the cardmember loan or receivable balance. The Company determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty rate. All changes in the impairment measurement, including the component due to the passage of time are included in the provision for losses within the Consolidated Statements of Income.

The following tables provide additional information with respect to the Company's impaired cardmember loans and receivables as of December 31:

(Millions)	Loans over 90 Days Past Due & Accruing Interest [a]	Non-Accrual Loans [b]	Loans & Receivables Modified as a TDR [c][d]	Total Impaired Loans & Receivables	Unpaid Principal Balance [e]	Allowance for TDRs [f]
2011						
U.S. Card Services – Cardmember Loans	**$ 64**	**$ 529**	**$ 736**	**$ 1,329**	**$ 1,268**	**$ 174**
International Card Services – Cardmember Loans	**67**	**6**	**8**	**81**	**80**	**2**
U.S. Card Services – Cardmember Receivables	**–**	**–**	**174**	**174**	**165**	**118**
Total [g]	**$ 131**	**$ 535**	**$ 918**	**$ 1,584**	**$ 1,513**	**$ 294**

(Millions)	Loans over 90 Days Past Due & Accruing Interest [a]	Non-Accrual Loans [b]	Loans & Receivables Modified as a TDR [c]	Total Impaired Loans & Receivables	Unpaid Principal Balance [e]	Allowance for TDRs [f]
2010						
U.S. Card Services – Cardmember Loans	$ 90	$ 628	$ 1,076	$ 1,794	$ 1,704	$ 274
International Card Services – Cardmember Loans	95	8	11	114	112	5
U.S. Card Services – Cardmember Receivables	–	–	114	114	109	63
Total [g]	$ 185	$ 636	$ 1,201	$ 2,022	$ 1,925	$ 342

(a) The Company's policy is generally to accrue interest through the date of charge-off (at 180 days past due). The Company establishes reserves for interest that the Company believes will not be collected.

(b) Non-accrual loans not in modification programs include certain cardmember loans placed with outside collection agencies for which the Company has ceased accruing interest. The Company's policy is not to resume the accrual of interest on these loans. Payments received are applied against the recorded loan balance. Interest income is recognized on a cash basis for any payments received after the loan balance has been paid in full.

(c) The total loans and receivables modified as a TDR include $410 million and $655 million that are non-accrual and $4 million and $7 million that are past due 90 days and still accruing interest as of December 31, 2011 and 2010, respectively. These amounts are excluded from the previous two columns.

(d) During the third quarter of 2011, the Company reassessed all cardmember loans and receivables modifications that occurred on or after January 1, 2011, to determine whether any such modifications met the definition of a TDR under new GAAP effective July 1, 2011. As a result, in the third quarter of 2011 the Company began classifying its short-term settlement programs as TDRs which had an outstanding balance of $5.8 million and associated reserves for losses of $3.7 million.

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

(f) Represents the reserve for losses for TDRs, which are evaluated separately for impairment. The Company records a reserve for losses for all impaired loans. Refer to Cardmember Loans Evaluated Separately and Collectively for Impairment in Note 5 for further discussion of the reserve for losses on loans over 90 days past due and accruing interest and non-accrual loans, which are evaluated collectively for impairment.

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

The following table provides information with respect to the Company's interest income recognized and average balances of impaired cardmember loans and receivables for the years ended December 31:

	2011	
(Millions)	Interest Income Recognized	Average Balance
U.S. Card Services – Cardmember Loans	**$ 67**	**$ 1,498**
International Card Services – Cardmember Loans	**26**	**98**
U.S. Card Services – Cardmember Receivables	**–**	**145**
Total [a]	**$ 93**	**$ 1,741**

	2010	
(Millions)	Interest Income Recognized	Average Balance
U.S. Card Services – Cardmember Loans	$ 101	$ 2,256
International Card Services – Cardmember Loans	30	142
U.S. Card Services – Cardmember Receivables	–	110
Total [a]	$ 131	$ 2,508

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

CARDMEMBER LOANS AND RECEIVABLES MODIFIED AS TDRS

The following table provides additional information with respect to the cardmember loans and receivables modified as TDRs during the year ended December 31, 2011:

(Accounts in thousands, Dollars in millions)	Number of Accounts	Aggregated Pre-Modification Outstanding Balances [a][b]	Aggregated Post-Modification Outstanding Balances [a][b]
Troubled Debt Restructurings:			
U.S. Card Services – Cardmember Loans	**147**	**$ 1,110**	**$ 1,064**
U.S. Card Services – Cardmember Receivables	**50**	**402**	**388**
Total [c]	**197**	**$ 1,512**	**$ 1,452**

(a) The outstanding balance includes principal and accrued interest.
(b) The difference between the pre- and post-modification outstanding balances is solely attributable to amounts charged off for cardmember loans and receivables being resolved through the Company's short-term settlement programs.
(c) These disclosures are not significant for cardmember loans modifications in ICS.

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

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

- Interest Rate Reduction: For the year ended December 31, 2011, the average interest rate reduction was 11 percentage points, which did not have a significant impact on interest and fees on loans in the Consolidated Statements of Income. The Company does not offer interest rate reduction programs for USCS cardmember receivables as these receivables are non-interest bearing.
- Outstanding Balance Reduction: The table above presents the financial effects on the Company as a result of reducing the outstanding balance for Short-Term Settlement Programs. The difference between the pre- and post-modification outstanding balances represents the amount that either has been written off or will be written off upon successful completion of the settlement program.
- Payment Term Extension: For the year ended December 31, 2011, the average payment term extension was approximately 15 months for USCS cardmember receivables. For USCS cardmember loans, there have been no extension of payment terms.

The following table provides information with respect to the cardmember loans and receivables modified as TDRs on which there was a default within 12 months of modification during the year ended December 31, 2011. A cardmember will default from a modification program after between one and up to three consecutive missed payments, depending on the terms of the modification program.

(Accounts in thousands, Dollars in millions)	Number of Accounts	Aggregated Outstanding Balances Upon Default [a]
Troubled Debt Restructurings That Subsequently Defaulted:		
U.S. Card Services – Cardmember Loans	**46**	**$ 343**
U.S. Card Services – Cardmember Receivables	**6**	**45**
Total [b]	**52**	**$ 388**

(a) The outstanding balance includes principal and accrued interest.
(b) During the periods presented, the ICS cardmember loan modifications on which there was a default from the modification program within 12 months of modification were not significant.

NOTE 5

RESERVES FOR LOSSES

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

Reserves for these losses are primarily based upon statistical models that analyze portfolio performance and reflect management's judgment regarding overall reserve adequacy. The models take into account several factors, including loss migration rates and average losses and recoveries over an appropriate historical period. Management considers whether to adjust the models for specific factors such as increased risk in certain portfolios, impact of risk management initiatives on portfolio performance and concentration of credit risk based on factors such as vintage, industry or geographic regions. In addition, management may increase or decrease the reserves for losses on cardmember loans for other external environmental factors including leading economic and market indicators such as the unemployment rate, home price indices, Gross Domestic Product (GDP), non-farm payrolls, personal consumption expenditures index, consumer confidence index, bankruptcy filings and the legal and regulatory environment. Generally, due to the short-term nature of cardmember receivables, the impact of additional external factors on the losses inherent within the cardmember receivable portfolio is not significant. As part of this evaluation process, management also considers various reserve coverage metrics, such as reserves as a percentage of past due amounts, reserves as a percentage of cardmember receivables or loans and net write-off coverage.

Cardmember loans and receivables balances are written off when management deems amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days. Cardmember loans and receivables in bankruptcy or owed by deceased individuals are written off upon notification. Recoveries are recognized on a cash basis.

Changes in Cardmember Receivables Reserve for Losses

The following table presents changes in the cardmember receivables reserve for losses for the years ended December 31:

(Millions)	**2011**	2010	2009
Balance, January 1	**$ 386**	$ 546	$ 810
Additions:			
Cardmember receivables provisions [a]	**603**	439	773
Cardmember receivables provisions – other [b]	**167**	156	84
Total provision	**770**	595	857
Deductions:			
Cardmember receivables net write-offs [c][d]	**(560)**	(598)	(1,131)
Cardmember receivables – other [e]	**(158)**	(157)	10
Balance, December 31	**$ 438**	$ 386	$ 546

(a) Represents loss provisions for cardmember receivables consisting of principal (resulting from authorized transactions) and fee reserve components.
(b) Primarily represents loss provisions for cardmember receivables resulting from unauthorized transactions.
(c) Represents write-offs consisting of principal (resulting from authorized transactions) and fee components, less recoveries of $349 million, $357 million and $349 million for 2011, 2010 and 2009, respectively. For the year ended December 31, 2009, these amounts also include net write-offs for cardmember receivables resulting from unauthorized transactions.
(d) Through December 31, 2009, cardmember receivables in the ICS and GCS segments were written off when 360 days past billing or earlier. During the first quarter of 2010, consistent with applicable bank regulatory guidance, the Company modified its methodology to write off cardmember receivables in the ICS and GCS segments when 180 days past due or earlier. Therefore, net write-offs for cardmember receivables for the first quarter of 2010 included approximately $108 million resulting from this change in write-off methodology. The impact of this change to the provision for charge card losses was not material.
(e) For the years ended December 31, 2011 and 2010, these amounts include net write-offs related to unauthorized transactions and, for all periods, foreign currency translation adjustments.

Cardmember Receivables Evaluated Separately and Collectively for Impairment

The following table presents cardmember receivables evaluated separately and collectively for impairment and related reserves as of December 31:

(Millions)	**2011**	2010	2009
Cardmember receivables evaluated separately for impairment [a]	**$ 174**	$ 114	$ 94
Reserves on cardmember receivables evaluated separately for impairment [a]	**$ 118**	$ 63	$ 64
Cardmember receivables evaluated collectively for impairment	**$ 40,716**	$ 37,152	$ 33,649
Reserves on cardmember receivables evaluated collectively for impairment	**$ 320**	$ 323	$ 482

(a) Represents receivables modified in a TDR and related reserves. Refer to the Impaired Loans and Receivables discussion in Note 4 for further information.

Changes in Cardmember Loans Reserve for Losses

The following table presents changes in the cardmember loans reserve for losses for the years ended December 31:

(Millions)	**2011**	2010	2009
Balance, January 1	**$ 3,646**	$ 3,268	$ 2,570
Reserves established for consolidation of a variable interest entity [a]	**–**	2,531	–
Total adjusted balance, January 1	**3,646**	5,799	2,570
Additions:			
Cardmember loans provisions [b]	**145**	1,445	4,209
Cardmember loans provisions – other [c]	**108**	82	57
Total provision	**253**	1,527	4,266
Deductions:			
Cardmember loans net write-offs – principal [d]	**(1,720)**	(3,260)	(2,949)
Cardmember loans net write-offs – interest and fees [d]	**(201)**	(359)	(448)
Cardmember loans – other [e]	**(104)**	(61)	(171)
Balance, December 31	**$ 1,874**	$ 3,646	$ 3,268

(a) Represents the establishment of cardmember reserves for losses for cardmember loans issued by the American Express Credit Account Master Trust (the Lending Trust) for the securitized loan portfolio that was consolidated under accounting guidance for consolidation of VIEs effective January 1, 2010. The establishment of the $2.5 billion reserve for losses for the securitized loan portfolio was determined by applying the same methodology as is used for the Company's unsecuritized loan portfolio. There was no incremental reserve required nor were any charge-offs recorded in conjunction with the consolidation of the Lending Trust.
(b) Represents loss provisions for cardmember loans consisting of principal (resulting from authorized transactions), interest and fee reserves components.
(c) Primarily represents loss provisions for cardmember loans resulting from unauthorized transactions.
(d) Cardmember loans net write-offs — principal for 2011, 2010 and 2009 include recoveries of $578 million, $568 million and $327 million, respectively. Recoveries of interest and fees were de minimis.
(e) These amounts include net write-offs related to unauthorized transactions and foreign currency translation adjustments.

Cardmember Loans Evaluated Separately and Collectively for Impairment

The following table presents cardmember loans evaluated separately and collectively for impairment and related reserves as of December 31:

(Millions)	**2011**	2010	2009
Cardmember loans evaluated separately for impairment [a]	**$ 744**	$ 1,087	$ 721
Reserves on cardmember loans evaluated separately for impairment [a]	**$ 176**	$ 279	$ 187
Cardmember loans evaluated collectively for impairment [b]	**$ 61,877**	$ 59,763	$ 32,051
Reserves on cardmember loans evaluated collectively for impairment [b]	**$ 1,698**	$ 3,367	$ 3,081

(a) Represents loans modified in a TDR and related reserves. Refer to the Impaired Loans and Receivables discussion in Note 4 for further information.
(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans and related reserves. The reserves include the results of analytical models that are specific to individual pools of loans and reserves for external environmental factors that apply broadly to all loans collectively evaluated for impairment and are not specific to any individual pool of loans.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6

INVESTMENT SECURITIES

Investment securities include debt and equity securities and are classified as available for sale. The Company's investment securities, principally debt securities, are carried at fair value on the Consolidated Balance Sheets with unrealized gains (losses) recorded in AOCI, net of income tax provisions (benefits). Realized gains and losses are recognized in results of operations upon disposition of the securities using the specific identification method on a trade date basis. Refer to Note 3 for a description of the Company's methodology for determining the fair value of its investment securities.

The following is a summary of investment securities as of December 31:

	2011				2010			
(Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State and municipal obligations	**$4,968**	**$ 103**	**$ (72)**	**$ 4,999**	$ 6,140	$ 24	$ (367)	$ 5,797
U.S. Government agency obligations	**352**	**2**	**–**	**354**	3,402	12	(1)	3,413
U.S. Government treasury obligations	**330**	**10**	**–**	**340**	2,450	6	–	2,456
Corporate debt securities [(a)]	**626**	**9**	**(3)**	**632**	1,431	15	(1)	1,445
Mortgage-backed securities [(b)]	**261**	**17**	**–**	**278**	272	6	(2)	276
Equity securities [(c)]	**95**	**265**	**–**	**360**	98	377	–	475
Foreign government bonds and obligations	**120**	**10**	**–**	**130**	95	4	–	99
Other	**54**	–	–	**54**	49	–	–	49
Total	**$6,806**	**$ 416**	**$ (75)**	**$ 7,147**	$13,937	$ 444	$ (371)	$ 14,010

(a) The December 31, 2011 and 2010 balances include, on a cost basis, $0.6 billion and $1.3 billion, respectively, of corporate debt obligations issued under the Temporary Liquidity Guarantee Program (TLGP) that are guaranteed by the Federal Deposit Insurance Corporation (FDIC).
(b) Represents mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.
(c) Primarily represents the Company's investment in the Industrial and Commercial Bank of China (ICBC).

OTHER-THAN-TEMPORARY IMPAIRMENT

Realized losses are recognized upon management's determination that a decline in fair value is other than temporary. The determination of other-than-temporary impairment is a subjective process, requiring the use of judgments and assumptions regarding the amount and timing of recovery. The Company reviews and evaluates its investments at least quarterly and more often, as market conditions may require, to identify investments that have indications of other-than-temporary impairments. It is reasonably possible that a change in estimate could occur in the near term relating to other-than-temporary impairment. Accordingly, the Company considers several factors when evaluating debt securities for other-than-temporary impairment including the determination of the extent to which the decline in fair value of the security is due to increased default risk for the specific issuer or market interest rate risk. With respect to increased default risk, the Company assesses the collectibility of principal and interest payments by monitoring issuers' credit ratings, related changes to those ratings, specific credit events associated with the individual issuers as well as the credit ratings of a financial guarantor, where applicable, and the extent to which amortized cost exceeds fair value and the duration and size of that difference. With respect to market interest rate risk, including benchmark interest rates and credit spreads, the Company assesses whether it has the intent to sell the securities and whether it is more likely than not that the Company will not be required to sell the securities before recovery of any unrealized losses.

The following table provides information about the Company's investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of December 31:

	2011				2010			
(Millions)	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
Description of Securities	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
State and municipal obligations	**$ –**	**$ –**	**$ 1,094**	**$ (72)**	$ 2,535	$ (156)	$ 1,076	$ (211)
U.S. Government agency obligations	**–**	**–**	**–**	**–**	299	(1)	–	–
Corporate debt securities	**15**	**(2)**	**2**	**(1)**	–	–	3	(1)
Mortgage-backed securities	**–**	**–**	**–**	**–**	71	(2)	–	–
Total	**$ 15**	**$ (2)**	**$ 1,096**	**$ (73)**	$ 2,905	$ (159)	$ 1,079	$ (212)

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

(Dollars in millions)	Less than 12 months			12 months or more			Total		
Ratio of Fair Value to Amortized Cost	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
2011:									
90% – 100%	**–**	**$ –**	**$ –**	**114**	**$ 884**	**$ (35)**	**114**	**$ 884**	**$ (35)**
Less than 90%	**1**	**15**	**(2)**	**22**	**212**	**(38)**	**23**	**227**	**(40)**
Total as of December 31, 2011	**1**	**$ 15**	**$ (2)**	**136**	**$ 1,096**	**$ (73)**	**137**	**$ 1,111**	**$ (75)**
2010:									
90% – 100%	457	$ 2,554	$ (113)	31	$ 79	$ (7)	488	$ 2,633	$ (120)
Less than 90%	48	351	(46)	115	1,000	(205)	163	1,351	(251)
Total as of December 31, 2010	505	$ 2,905	$ (159)	146	$ 1,079	$ (212)	651	$ 3,984	$ (371)

The gross unrealized losses on state and municipal securities and all other debt securities can be attributed to higher credit spreads generally for state and municipal securities, higher credit spreads for specific issuers, changes in market benchmark interest rates, or a combination thereof, all as compared to those prevailing when the investment securities were acquired.

In assessing default risk on these investment securities, the Company has qualitatively considered the key factors identified above and determined that it expects to collect all of the contractual cash flows due on the investment securities.

Overall, for the investment securities in gross unrealized loss positions identified above, (i) the Company does not intend to sell the investment securities, (ii) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (iii) the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairments during the periods presented.

SUPPLEMENTAL INFORMATION

Gross realized gains and losses on the sales of investment securities, included in other non-interest revenues, were as follows:

(Millions)	**2011**	2010	2009
Gains	**$ 16**	$ 1	$ 226
Losses	**–**	(6)	(1)
Total	**$ 16**	$ (5)	$ 225

Contractual maturities of investment securities, excluding equity securities and other securities, as of December 31, 2011 were as follows:

(Millions)	Cost	Estimated Fair Value
Due within 1 year	**$ 973**	**$ 983**
Due after 1 year but within 5 years	**421**	**429**
Due after 5 years but within 10 years	**217**	**227**
Due after 10 years	**5,046**	**5,094**
Total	**$ 6,657**	**$ 6,733**

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

NOTE 7
ASSET SECURITIZATIONS

CHARGE TRUST AND LENDING TRUST

The Company periodically securitizes cardmember receivables and loans arising from its card business through the transfer of those assets to securitization trusts. The trusts then issue securities to third-party investors, collateralized by the transferred assets.

Cardmember receivables are transferred to the American Express Issuance Trust (the Charge Trust) and cardmember loans are transferred to the Lending Trust. The Charge Trust and the Lending Trust are consolidated by American Express Travel Related Services Company, Inc. (TRS), which is a consolidated subsidiary of the Company. The trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue securities that are collateralized by the underlying cardmember receivables and loans.

TRS, in its role as servicer of the Charge Trust and the Lending Trust, has the power to direct the most significant activity of the trusts, which is the collection of the underlying cardmember receivables and loans in the trusts. In addition, TRS owns approximately $1.0 billion of subordinated securities issued by the Lending Trust as of December 31, 2011. These subordinated securities have the obligation to absorb losses of the Lending Trust and provide the right to receive benefits from the Lending Trust, both of which are significant to the VIE. TRS' role as servicer for the Charge Trust does not provide it with a significant obligation to absorb losses or a significant right to receive benefits. However, TRS' position as the parent company of the entities that transferred the receivables to the Charge Trust makes it the party most closely related to the Charge Trust. Based on these considerations, TRS was determined to be the primary beneficiary of both the Charge Trust and the Lending Trust.

The debt securities issued by the Charge Trust and the Lending Trust are non-recourse to the Company. Securitized cardmember receivables and loans held by the Charge Trust and the Lending Trust are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions. The long-term debt of each trust is payable only out of collections on their respective underlying securitized assets.

There was approximately $15 million and $9 million of restricted cash held by the Charge Trust as of December 31, 2011 and 2010, respectively, and approximately $192 million and $3.7 billion of restricted cash held by the Lending Trust as of December 31, 2011 and 2010, respectively, included in other assets on the Company's Consolidated Balance Sheets. These amounts relate to collections of cardmember receivables and loans to be used by the trusts to fund future expenses, and obligations, including interest paid on investor certificates, credit losses and upcoming debt maturities.

As a result of the adoption of new GAAP on consolidations and VIEs, the Lending Trust was consolidated onto the Company's Consolidated Balance Sheets effective January 1, 2010. The primary changes made to the Consolidated Balance Sheets upon consolidation include an increase to cardmember loans of $29 billion, along with associated loss reserves of $2.5 billion. Other adjustments included the elimination of the interest-only strip, as well as the elimination of the Company's retained subordinated securities issued by the Lending Trust. Long-term debt increased by $25 billion for the debt securities issued by the Lending Trust, and shareholders' equity was reduced by $1.8 billion related to the after-tax effect of establishing the additional reserve for losses on cardmember loans and for the reversal of unrealized gains on retained subordinated securities. The components of securitization income, net for the cardmember loans and long-term debt, are now recorded in other commissions and fees, interest income and interest expense.

CHARGE TRUST AND LENDING TRUST TRIGGERING EVENTS

Under the respective terms of the Charge Trust and the Lending Trust agreements, the occurrence of certain triggering events could result in establishment of reserve funds, or in a worst-case scenario, early amortization of investor certificates. During the year ended December 31, 2011, no triggering events occurred that would have resulted in funding of reserve accounts or early amortization.

NOTE 8

OTHER ASSETS

The following is a summary of other assets as of December 31:

(Millions)	2011	2010
Goodwill	**$ 3,172**	$ 2,639
Deferred tax assets, net [a]	**2,875**	3,397
Prepaid expenses [b]	**2,378**	1,802
Other intangible assets, at amortized cost	**1,149**	972
Derivative assets [a]	**915**	1,071
Restricted cash [c]	**584**	4,172
Other	**1,582**	1,315
Total	**$ 12,655**	$ 15,368

(a) Refer to Notes 17 and 12 for a discussion of deferred tax assets, net, and derivative assets, respectively, as of December 31, 2011 and 2010. Derivative assets reflect the impact of master netting agreements.
(b) Includes prepaid miles and reward points acquired primarily from airline partners of approximately $1.8 billion and $1.2 billion, as of December 31, 2011 and 2010, respectively, including approximately $1.5 billion and $0.8 billion, respectively, from Delta.
(c) Includes restricted cash of $0.2 billion and $3.7 billion, respectively, as of December 31, 2011 and 2010, which is primarily held for certain asset-backed securitization maturities.

GOODWILL

Goodwill represents the excess of acquisition cost of an acquired company over the fair value of assets acquired and liabilities assumed. The Company assigns goodwill to its reporting units for the purpose of impairment testing. A reporting unit is defined as an operating segment, or a business that is one level below an operating segment for which discrete financial information is regularly reviewed by the operating segment manager. The Company evaluates goodwill for impairment annually as of June 30 and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The goodwill impairment test utilizes a two-step approach. The first step identifies whether there is potential impairment by comparing the fair value of a reporting unit to the carrying amount, including goodwill. If the fair value of a reporting unit is less than its carrying amount, the second step of the impairment test is required to measure the amount of any impairment loss. As of December 31, 2011 and 2010, goodwill was not impaired and there were no accumulated impairment losses.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by its fair value using widely accepted valuation techniques. The Company uses a combination of the income approach (discounted cash flow method) and market approach (market multiples).

When preparing discounted cash flow models under the income approach, the Company uses internal forecasts to estimate future cash flows expected to be generated by the reporting units. Actual results may differ from forecasted results. The Company uses the expected cost of equity financing, estimated using a capital asset pricing model, to discount future cash flows for each reporting unit. The Company believes the discount rates used appropriately reflect the risks and uncertainties in the financial markets generally and specifically in the Company's internally developed forecasts. Further, to assess the reasonableness of the valuations derived from the discounted cash flow models, the Company also analyzes market-based multiples for similar industries of the reporting unit, where available.

The changes in the carrying amount of goodwill reported in the Company's reportable operating segments and Corporate & Other were as follows:

(Millions)	USCS	ICS	GCS	GNMS	Corporate & Other	Total
Balance as of January 1, 2010	$ 175	$ 512	$ 1,547	$ 28	$ 66	$ 2,328
Acquisitions [a]	–	–	–	131	184	315
Dispositions	–	–	(2)	–	–	(2)
Other, including foreign currency translation	–	(1)	(1)	–	–	(2)
Balance as of December 31, 2010	$ 175	$ 511	$ 1,544	$ 159	$ 250	$ 2,639
Acquisitions [b]	**–**	**538**	**–**	**1**	**20**	**559**
Dispositions	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Other, including foreign currency translation	**–**	**(26)**	**–**	**–**	**1**	**(25)**
Balance as of December 31, 2011	**$ 175**	**$ 1,023**	**$ 1,543**	**$ 160**	**$ 271**	**$ 3,172**

(a) Comprised of $131 million and $184 million for the acquisition of Accertify Inc. and Revolution Money Inc., respectively. Refer to Note 2 for further discussion.
(b) Primarily comprised of $538 million for the acquisition of Loyalty Partner. Refer to Note 2 for further discussion.

OTHER INTANGIBLE ASSETS

Intangible assets are amortized over their estimated useful lives of 1 to 22 years. The Company reviews intangible assets for impairment quarterly and whenever events and circumstances indicate that their carrying amounts may not be recoverable. In addition, on an annual basis, the Company performs an impairment evaluation of all intangible assets by assessing the recoverability of the asset values based on the cash flows generated by the relevant assets or asset groups. An impairment is recognized if the carrying amount is not recoverable and exceeds the asset's fair value.

The components of other intangible assets were as follows:

	2011			2010		
(Millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships [a]	**$ 1,223**	**$ (407)**	**$ 816**	$ 1,125	$ (332)	$ 793
Other	**445**	**(112)**	**333**	262	(83)	179
Total	**$ 1,668**	**$ (519)**	**$ 1,149**	$ 1,387	$ (415)	$ 972

(a) Includes intangibles acquired from airline partners of $410 million and $478 million as of December 31, 2011 and 2010, respectively, including approximately $195 million and $230 million, respectively, from Delta.

Amortization expense for the years ended December 31, 2011, 2010 and 2009 was $189 million, $176 million and $140 million, respectively. Intangible assets acquired in 2011 and 2010 are being amortized, on average, over 13 years and 8 years, respectively.

Estimated amortization expense for other intangible assets over the next five years is as follows:

(Millions)	2012	2013	2014	2015	2016
Estimated amortization expense	**$ 200**	**$ 190**	**$ 165**	**$ 146**	**$ 120**

OTHER

The Company had $332 million and $197 million in affordable housing partnership interests as of December 31, 2011 and 2010, respectively, included in other assets in the table above.

The Company is a limited partner and typically has a less than 50 percent interest in the affordable housing partnerships. These partnership interests are accounted for in accordance with GAAP governing equity method investments and joint ventures.

NOTE 9

CUSTOMER DEPOSITS

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

(Millions)	2011	2010
U.S.:		
Interest-bearing	**$ 37,271**	$ 29,053
Non-interest-bearing	**4**	17
Non-U.S.:		
Interest-bearing	**612**	640
Non-interest-bearing	**11**	17
Total customer deposits	**$ 37,898**	$ 29,727

Customer deposits were aggregated by deposit type offered by the Company as of December 31 as follows:

(Millions)	2011	2010
U.S. retail deposits:		
Savings accounts – Direct	**$ 14,649**	$ 7,725
Certificates of deposit:		
Direct	**893**	1,052
Third party	**10,781**	11,411
Sweep accounts – Third party	**10,948**	8,865
Other deposits	**627**	674
Total customer deposits	**$ 37,898**	$ 29,727

The scheduled maturities of all certificates of deposit as of December 31, 2011 were as follows:

(Millions)	U.S.	Non-U.S.	Total
2012	**$ 3,317**	**$ 386**	**$ 3,703**
2013	**4,820**	**1**	**4,821**
2014	**2,441**	**–**	**2,441**
2015	**267**	**–**	**267**
2016	**607**	**–**	**607**
After 5 years	**222**	**–**	**222**
Total	**$ 11,674**	**$ 387**	**$ 12,061**

As of December 31, certificates of deposit in denominations of $100,000 or more were as follows:

(Millions)	2011	2010
U.S.	**$ 580**	$ 689
Non-U.S.	**304**	291
Total	**$ 884**	$ 980

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10

DEBT

SHORT-TERM BORROWINGS

The Company's short-term borrowings outstanding, defined as borrowings with original maturities of less than one year, as of December 31 were as follows:

	2011		2010	
(Millions, except percentages)	Outstanding Balance	Year-End Stated Rate on Debt [a][b]	Outstanding Balance	Year-End Stated Rate on Debt [a][b]
Commercial paper	**$ 608**	**0.03%**	$ 645	0.16%
Other short-term borrowings [c]	**2,816**	**1.73%**	2,769	1.23%
Total	**$ 3,424**	**1.43%**	$ 3,414	1.03%

(a) For floating-rate debt issuances, the stated interest rates are based on the floating rates in effect as of December 31, 2011 and 2010, respectively. These rates may not be indicative of future interest rates.

(b) Effective interest rates are only presented if swaps are in place to hedge the underlying debt. There were no swaps in place as of December 31, 2011 and 2010.

(c) Includes interest-bearing overdrafts with banks of $821 million and $966 million as of December 31, 2011 and 2010, respectively. In addition, balances include certain book overdrafts (i.e., primarily timing differences arising in the ordinary course of business), short-term borrowings from banks, as well as interest-bearing amounts due to merchants in accordance with merchant service agreements.

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LONG-TERM DEBT

The Company's long-term debt outstanding, defined as debt with original maturities of one year or greater, as of December 31 was as follows:

		2011			2010		
(Millions, except percentages)	Maturity Dates	Outstanding Balance [a]	Year-End Stated Rate on Debt [b]	Year-End Effective Interest Rate with Swaps [b][c]	Outstanding Balance [a]	Year-End Stated Rate on Debt [b]	Year-End Effective Interest Rate with Swaps [b][c]
American Express Company (Parent Company only)							
Fixed Rate Senior Notes	**2013-2038**	**$ 9,364**	**6.90%**	6.06%	$ 9,604	6.83%	6.02%
Subordinated Debentures [d]	**2036**	**749**	**6.80%**	–	745	6.80%	–
American Express Travel Related Services Company Inc.							
Fixed Rate Senior Notes		**–**	**–**	–	700	5.25%	–
Floating Rate Senior Notes		**–**	**–**	–	500	0.47%	5.63%
American Express Credit Corporation							
Fixed Rate Senior Notes	**2012-2016**	**14,188**	**4.78%**	2.80%	12,406	5.15%	3.07%
Floating Rate Senior Notes	**2012-2014**	**2,444**	**1.24%**	–	2,480	1.51%	–
Borrowings under Bank Credit Facilities	**2014-2016**	**4,579**	**6.38%**	6.27%	4,118	5.33%	5.38%
American Express Centurion Bank							
Fixed Rate Senior Notes	**2012-2017**	**2,149**	**5.83%**	3.32%	2,166	5.83%	3.31%
Floating Rate Senior Notes	**2012**	**400**	**0.43%**	–	400	0.41%	–
American Express Bank, FSB							
Fixed Rate Senior Notes	**2012-2017**	**3,581**	**5.65%**	3.11%	7,168	4.40%	2.72%
Floating Rate Senior Notes	**2012-2017**	**1,100**	**0.47%**	–	2,750	0.92%	–
American Express Charge Trust							
Floating Rate Senior Notes	**2012-2013**	**4,488**	**0.52%**	–	3,988	0.51%	–
Floating Rate Subordinated Notes	**2012**	**72**	**0.75%**	–	72	0.74%	–
American Express Lending Trust							
Fixed Rate Senior Notes		**–**	**–**	–	437	5.35%	–
Floating Rate Senior Notes	**2012-2018**	**15,065**	**0.95%**	–	17,516	0.89%	–
Fixed Rate Subordinated Notes		**–**	**–**	–	63	5.61%	–
Floating Rate Subordinated Notes	**2012-2018**	**1,245**	**0.85%**	–	1,275	0.66%	–
Other							
Fixed Rate Instruments [e]	**2014-2022**	**123**	**5.74%**	–	141	5.64%	–
Floating Rate Borrowings	**2014**	**129**	**0.66%**	–			
Unamortized Underwriting Fees		**(106)**			(113)		
Total Long-Term Debt		**$ 59,570**	**3.69%**		$ 66,416	3.48%	

(a) The outstanding balances include (i) unamortized discount and premium, (ii) the impact of movements in exchange rates on foreign currency denominated debt and (iii) the impact of fair value hedge accounting on certain fixed-rate notes that have been swapped to floating rate through the use of interest rate swaps. Under fair value hedge accounting, the outstanding balances on these fixed-rate notes are adjusted to reflect the impact of changes in fair value due to changes in interest rates. Refer to Note 12 for more details on the Company's treatment of fair value hedges.

(b) For floating-rate debt issuances, the stated and effective interest rates are based on the floating rates in effect as of December 31, 2011 and 2010, respectively. These rates may not be indicative of future interest rates.

(c) Effective interest rates are only presented when swaps are in place to hedge the underlying debt.

(d) The maturity date will automatically be extended to September 1, 2066, except in the case of either (i) a prior redemption or (ii) a default. See further discussion on the following page.

(e) Includes $123 million and $132 million as of December 31, 2011 and 2010, respectively, related to capitalized lease transactions.

As of December 31, 2011 and 2010, the Parent Company had $750 million principal outstanding of Subordinated Debentures that accrue interest at an annual rate of 6.8 percent until September 1, 2016, and at an annual rate of three-month LIBOR plus 2.23 percent thereafter. At the Company's option, the Subordinated Debentures are redeemable for cash after September 1, 2016 at 100 percent of the principal amount plus any accrued but unpaid interest. If the Company fails to achieve specified performance measures, it will be required to issue common shares and apply the net proceeds to make interest payments on the Subordinated Debentures. No dividends on the Company's common or preferred shares could be paid until such interest payments are made. The Company would fail to meet these specific performance measures if (i) the Company's tangible common equity is less than 4 percent of total adjusted assets for the most recent quarter or (ii) if the trailing two quarters' consolidated net income is equal to or less than zero and tangible common equity as of the trigger determination date, and as of the end of the quarter end six months prior, has in each case declined by 10 percent or more from tangible common equity as of the end of the quarter 18 months prior to the trigger determination date. The Company met the specified performance measures in 2011.

Aggregate annual maturities on long-term debt obligations (based on final maturity dates) as of December 31, 2011 were as follows:

(Millions)	2012	2013	2014	2015	2016	Thereafter	Total
American Express Company (Parent Company only)	$ –	$ 1,000	$ 1,250	$ –	$ 600	$ 7,000	$ 9,850
American Express Credit Corporation	1,575	4,846	6,442	2,477	5,434	–	20,774
American Express Centurion Bank	1,150	–	–	5	–	1,302	2,457
American Express Bank, FSB	1,550	1,750	–	–	–	1,300	4,600
American Express Charge Trust	1,560	3,000	–	–	–	–	4,560
American Express Lending Trust	5,222	4,056	3,882	1,950	–	1,200	16,310
Other	–	–	211	–	–	40	251
	$ 11,057	$ 14,652	$ 11,785	$ 4,432	$ 6,034	$ 10,842	58,802
Unamortized Underwriting Fees							(106)
Unamortized Discount and Premium							(36)
Impacts due to Fair Value Hedge Accounting							910
Total Long-Term Debt							$ 59,570

As of December 31, 2011 and 2010, the Company maintained total bank lines of credit of $7.5 billion and $10.6 billion, respectively. Of the total credit lines, $2.9 billion and $6.5 billion were undrawn as of December 31, 2011 and 2010, respectively. Undrawn amounts of $2.9 billion and $5.7 billion supported commercial paper borrowings and contingent funding needs as of December 31, 2011 and 2010, respectively. In 2012, 2014 and 2016, respectively, $2.9 billion, $2.0 billion and $2.6 billion of these credit facilities will expire. Additionally, the Company maintained a 3-year committed, revolving, secured financing facility which gives the Company the right to sell up to $3.0 billion face amount of eligible notes issued from the Charge Trust at any time through December 16, 2013. As of December 31, 2011, $3.0 billion was drawn on this facility. The Company paid $22.2 million and $7.7 million in fees to maintain these lines in 2011 and 2010, respectively.

The availability of these credit lines is subject to the Company's compliance with certain financial covenants, including the maintenance by the Company of consolidated tangible net worth of at least $4.1 billion, the maintenance by American Express Credit Corporation (Credco) of a 1.25 ratio of combined earnings and fixed charges to fixed charges, and the compliance by American Express Centurion Bank (Centurion Bank) and American Express Bank, FSB (FSB) with applicable regulatory capital adequacy guidelines. As of December 31, 2011 and 2010, the Company was not in violation of any of its debt covenants.

These committed facilities do not contain material adverse change clauses, which might otherwise preclude borrowing under the credit facilities, nor are they dependent on the Company's credit rating.

The Company paid total interest primarily related to short- and long-term debt, corresponding interest rate swaps and customer deposits of $2.4 billion in both 2011 and 2010 and $2.3 billion in 2009.

NOTE 11

OTHER LIABILITIES

The following is a summary of other liabilities as of December 31:

(Millions)	2011	2010
Membership Rewards reserves	**$ 5,066**	$ 4,500
Book overdraft balances	**3,091**	1,185
Employee-related liabilities [(a)]	**2,192**	2,026
Rebate and reward accruals [(b)]	**1,866**	1,555
Deferred charge card fees, net	**1,063**	1,036
Other [(c)]	**4,792**	5,291
Total	**$ 18,070**	$ 15,593

(a) Employee-related liabilities include employee benefit plan obligations and incentive compensation.
(b) Rebate and reward accruals include payments to third-party card-issuing partners and cash-back reward costs.
(c) Other includes accruals for general operating expenses, litigation, client incentives, advertising and promotion, derivatives, restructuring and reengineering reserves.

MEMBERSHIP REWARDS

The Membership Rewards program allows enrolled cardmembers to earn points that can be redeemed for a broad range of rewards including travel, entertainment, retail certificates and merchandise. The Company establishes balance sheet reserves which represent management's best estimate of the future cost of points earned that are expected to be redeemed. An ultimate redemption rate and weighted average cost per point are key factors used to approximate Membership Rewards reserves. Management uses statistical and actuarial models to estimate ultimate redemption rates based on historical redemption trends, current enrollee redemption behavior, card product type, year of program enrollment, enrollment tenure and card spend levels. The weighted-average cost per point is determined using actual redemptions during the previous 12 months, revised as appropriate for recent changes in redemption costs.

The provision for the cost of Membership Rewards points is included in marketing, promotion, rewards and cardmember services expenses. The Company continually evaluates its reserve methodology and assumptions based on developments in redemption patterns, cost per point redeemed, contract changes and other factors.

DEFERRED CHARGE CARD FEES

The carrying amount of deferred charge card and other fees, net of direct acquisition costs and reserves for membership cancellations as of December 31 were as follows:

(Millions)	2011	2010
Deferred charge card and other fees [(a)]	**$ 1,228**	$ 1,194
Deferred direct acquisition costs	**(75)**	(67)
Reserves for membership cancellations	**(90)**	(91)
Deferred charge card fees and other, net of direct acquisition costs and reserves	**$ 1,063**	$ 1,036

(a) Includes deferred fees for Membership Rewards program participants.

NOTE 12

DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative financial instruments (derivatives) to manage exposure to various market risks. Derivatives derive their value from an underlying variable or multiple variables, including interest rate, foreign exchange, and equity indices or prices. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of the Company's market risk management. The Company does not engage in derivatives for trading purposes.

Market risk is the risk to earnings or value resulting from movements in market prices. The Company's market risk exposure is primarily generated by:

- Interest rate risk in its card, insurance and Travelers Cheque businesses, as well as its investment portfolios; and
- Foreign exchange risk in its operations outside the United States.

The Company centrally monitors market risks using market risk limits and escalation triggers as defined in its market risk policy.

The Company's market exposures are in large part byproducts of the delivery of its products and services. Interest rate risk arises through the funding of cardmember receivables and fixed-rate loans with variable-rate borrowings as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR.

Interest rate exposure within the Company's charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by short-term and variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to economically convert fixed-rate debt obligations to variable-rate obligations or to convert variable-rate debt obligations to fixed-rate obligations. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

Foreign exchange risk is generated by cardmember cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. The Company's foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure to the extent it is economically justified through various means, including the use of derivatives such as foreign exchange forwards, and cross-currency swap contracts, which can help "lock in" the value of the Company's exposure to specific currencies.

In addition to the exposures identified above, effective August 1, 2011, the Company entered into a total return contract (TRC) to hedge its exposure to changes in the fair value of its equity investment in ICBC in local currency. Under the terms of the TRC, the Company receives from the TRC counterparty an amount equivalent to any reduction in the fair value of its

investment in ICBC in local currency, and in return the Company pays to the TRC counterparty an amount equivalent to any increase in the fair value of its investment in local currency, along with all dividends paid by ICBC, as well as on-going hedge costs.

Derivatives may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company manages this risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months, considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved and rated as investment grade. Counterparty risk exposures are centrally monitored and the Company takes risk mitigation actions, when necessary. Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, the Company has in certain instances entered into master netting agreements with its derivative counterparties, which provide a right of offset for certain exposures between the parties. To further mitigate bilateral counterparty credit risk, the Company exercises its rights under executed credit support agreements with certain of its derivative counterparties. These agreements require that, in the event the fair value change in the net derivatives position between the two parties exceeds certain dollar thresholds, the party in the net liability position posts collateral to its counterparty.

In relation to the Company's credit risk, under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of a specified credit risk-related event.

The Company's derivatives are carried at fair value on the Consolidated Balance Sheets. The accounting for changes in fair value depends on the instruments' intended use and the resulting hedge designation, if any, as discussed below. Refer to Note 3 for a description of the Company's methodology for determining the fair value of its derivatives.

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

	Other Assets Fair Value		Other Liabilities Fair Value	
(Millions)	**2011**	2010	**2011**	2010
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	**$ 999**	$ 909	**$ –**	$ 38
Cash flow hedges	**–**	2	**1**	13
Total return contract				
Fair value hedge	**13**	–	**–**	–
Foreign exchange contracts				
Net investment hedges	**344**	66	**44**	272
Total derivatives designated as hedging instruments	**$ 1,356**	$ 977	**$ 45**	$ 323
Derivatives not designated as hedging instruments:				
Interest rate contracts	**$ 1**	$ 3	**$ –**	$ 3
Foreign exchange contracts, including certain embedded derivatives [a]	**159**	109	**60**	91
Equity-linked embedded derivative [b]	**–**	–	**3**	2
Total derivatives not designated as hedging instruments	**160**	112	**63**	96
Total derivatives, gross	**$ 1,516**	$ 1,089	**$ 108**	$ 419
Cash collateral netting [c]	**(587)**	–	**–**	–
Derivative asset and derivative liability netting [c]	**(14)**	(18)	**(14)**	(18)
Total derivatives, net	**$ 915**	$ 1,071	**$ 94**	$ 401

(a) Includes foreign currency derivatives embedded in certain operating agreements.
(b) Represents an equity-linked derivative embedded in one of the Company's investment securities.
(c) As permitted under GAAP, balances represent the netting of cash collateral received and posted under credit support agreements, and the netting of derivative assets and derivative liabilities under master netting agreements.

DERIVATIVE FINANCIAL INSTRUMENTS THAT QUALIFY FOR HEDGE ACCOUNTING

Derivatives executed for hedge accounting purposes are documented and designated as such when the Company enters into the contracts. In accordance with its risk management policies, the Company structures its hedges with very similar terms to the hedged items. The Company formally assesses, at inception of the hedge accounting relationship and on a quarterly basis, whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of the hedged items. These assessments usually are made through the application of a regression analysis method. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

FAIR VALUE HEDGES

A fair value hedge involves a derivative designated to hedge the Company's exposure to future changes in the fair value of an asset or a liability, or an identified portion thereof that is attributable to a particular risk.

Interest Rate Contracts

The Company is exposed to interest rate risk associated with its fixed-rate long-term debt. The Company uses interest rate swaps to economically convert certain fixed-rate long-term debt obligations to floating-rate obligations at the time of issuance. As of December 31, 2011 and 2010, the Company hedged $17.1 billion and $15.9 billion, respectively, of its fixed-rate debt to floating-rate debt using interest rate swaps.

To the extent the fair value hedge is effective, the gain or loss on the hedging instrument offsets the loss or gain on the hedged item attributable to the hedged risk. Any difference between the changes in the fair value of the derivative and the hedged item is referred to as hedge ineffectiveness and is reflected in earnings as a component of other, net expenses. Hedge ineffectiveness may be caused by differences between the debt's interest coupon and the benchmark rate, which are primarily due to credit spreads at inception of the hedging relationship that are not reflected in the valuation of the interest rate swap. Furthermore, hedge ineffectiveness may be caused by changes in the relationship between 3-month LIBOR and 1-month LIBOR rates, as these so-called basis spreads may impact the valuation of the interest rate swap without causing an offsetting impact in the value of the hedged debt. If a fair value hedge is de-designated or no longer considered to be effective, changes in fair value of the derivative continue to be recorded through earnings but the hedged asset or liability is no longer adjusted for changes in fair value due to changes in interest rates. The existing basis adjustment of the hedged asset or liability is then amortized or accreted as an adjustment to yield over the remaining life of that asset or liability.

Total Return Contract

The Company is hedging the exposure to changes in the fair value of its equity investment in ICBC in local currency. The Company uses a TRC to transfer this exposure to its derivative counterparty. As of December 31, 2011 and 2010, the fair value of the equity investment in ICBC was $359 million (605.4 million shares) and $475 million (638.1 million shares), respectively. Effective August 1, 2011, the Company hedged the full local currency amount of its investment in ICBC. To the extent the hedge is effective, the gain or loss on the TRC offsets the loss or gain on the investment in ICBC. Any difference between the changes in the fair value of the derivative and the hedged item results in hedge ineffectiveness and is recognized in other, net expenses in the Consolidated Statements of Income. As of December 31, 2010, the Company's investment in ICBC was not hedged.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company's hedges of fixed-rate long-term debt and its investment in ICBC for the years ended December 31:

(Millions)	Gains (losses) recognized in income											
	Derivative contract				Hedged item				Net hedge ineffectiveness [a]			
		Amount				Amount						
Derivative relationship	Location	**2011**	2010	2009	Location	**2011**	2010	2009	**2011**	2010	2009
Interest rate contracts	Other, net expenses	**$ 128**	$ 246	$ (446)	Other, net expenses	**$ (102)**	$ (233)	$ 437	**$ 26**	$ 13	$ (9)
Total return contract	Other non-interest revenues	**$ 100**	$ –	$ –	Other non-interest revenues	**$ (112)**	$ –	$ –	**$ (12)**	$ –	$ –

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

The Company also recognized a net reduction in interest expense on long-term debt and other of $503 million, $522 million and $464 million for the years ended December 31, 2011, 2010 and 2009, respectively, primarily related to the net settlements (interest accruals) on the Company's interest rate derivatives designated as fair value hedges.

CASH FLOW HEDGES

A cash flow hedge involves a derivative designated to hedge the Company's exposure to variable future cash flows attributable to a particular risk. Such exposures may relate to either an existing recognized asset or liability or a forecasted transaction. The Company hedges existing long-term variable-rate debt, the rollover of short-term borrowings and the anticipated forecasted issuance of additional funding through the use of derivatives, primarily interest rate swaps. These derivative instruments synthetically convert floating-rate debt obligations to fixed-rate obligations for the duration of the instrument. As of December 31, 2011 and 2010, the Company hedged $305 million and $1.3 billion of its floating-rate debt using interest rate swaps, respectively.

For derivatives designated as cash flow hedges, the effective portion of the gain or loss on the derivatives is recorded in AOCI and reclassified into earnings when the hedged cash flows are recognized in earnings. The amount that is reclassified into earnings is presented in the Consolidated Statements of Income in the same line item in which the hedged instrument or transaction is recognized, primarily in interest expense. Any ineffective portion of the gain or loss on the derivatives is reported as a component of other, net expenses. If a cash flow hedge is de-designated or terminated prior to maturity, the amount previously recorded in AOCI is recognized into earnings over the period that the hedged item impacts earnings. If a hedge relationship is discontinued because it is probable that the forecasted transaction will not occur according to the original strategy, any related amounts previously recorded in AOCI are recognized into earnings immediately.

In the normal course of business, as the hedged cash flows are recognized into earnings, the Company expects to reclassify $1 million of net pretax losses on derivatives from AOCI into earnings during the next 12 months.

NET INVESTMENT HEDGES

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. The Company primarily designates foreign currency derivatives, typically foreign exchange forwards, and on occasion foreign currency denominated debt, as hedges of net investments in certain foreign operations.

These instruments reduce exposure to changes in currency exchange rates on the Company's investments in non-U.S. subsidiaries. The effective portion of the gain or loss on net investment hedges is recorded in AOCI as part of the cumulative translation adjustment. Any ineffective portion of the gain or loss on net investment hedges is recognized in other, net expenses during the period of change.

The following table summarizes the impact of cash flow hedges and net investment hedges on the Consolidated Statements of Income for the years ended December 31:

	Gains (losses) recognized in income							
		Amount reclassified from AOCI into income				Net hedge ineffectiveness		
(Millions)	Location	**2011**	2010	2009	Location	**2011**	2010	2009
Cash flow hedges: [a]								
Interest rate contracts	Interest expense	**$ (13)**	$ (36)	$ (115)	Other, net expenses	**$ –**	$ –	$ –
Net investment hedges:								
Foreign exchange contracts	Other, net expenses	**$ –**	$ 2	$ –	Other, net expenses	**$ (3)**	$ (3)	$ (1)

(a) During the years ended December 31, 2011, 2010 and 2009, there were no forecasted transactions that were considered no longer probable to occur.

DERIVATIVES NOT DESIGNATED AS HEDGES

The Company has derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions and non-U.S. dollar cash flow exposures from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards, options and cross-currency swaps. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of a designated currency at an agreed upon rate for settlement on a specified date. The changes in the fair value of the derivatives effectively offset the related foreign exchange gains or losses on the underlying balance sheet exposures. From time to time, the Company may enter into interest rate swaps to specifically manage funding costs related to its proprietary card business.

The Company has certain operating agreements whose payments may be linked to a market rate or price, primarily foreign currency rates. The payment components of these agreements may meet the definition of an embedded derivative, which is assessed to determine if it requires separate accounting and reporting. If so, the embedded derivative is accounted for separately and is classified as a foreign exchange contract based on its primary risk exposure. In addition, the Company also holds an investment security containing an embedded equity-linked derivative.

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

The following table summarizes the impact of derivatives not designated as hedges on the Consolidated Statements of Income for the years ended December 31:

		Gains (losses) recognized in income		
		Amount		
(Millions)	Location	**2011**	2010	2009
Interest rate contracts	Other, net expenses	**$ 3**	$ (8)	$ 17
Foreign exchange contracts [a]	Other non-interest revenues	**–**	–	(1)
	Interest and dividends on investment securities	**9**	4	4
	Interest expense on short-term borrowings	**3**	7	5
	Interest expense on long-term debt and other	**130**	93	35
	Other, net expenses	**51**	(3)	(8)
Equity-linked contract	Other non-interest revenues	**–**	(6)	1
Total		**$ 196**	$ 87	$ 53

(a) For the years ended December 31, 2011, 2010 and 2009, foreign exchange contracts include embedded foreign currency derivatives. Gains (losses) on these embedded derivatives are included in other, net expenses.

NOTE 13

GUARANTEES

The Company provides cardmember protection plans that cover losses associated with purchased products, as well as certain other guarantees in the ordinary course of business which are within the scope of GAAP governing the accounting for guarantees. For the Company, guarantees primarily consist of card and travel protection programs, including:

- Return Protection — refunds the price of eligible purchases made with the card where the merchant will not accept the return for up to 90 days from the date of purchase;
- Account Protection — provides account protection in the event that a cardmember is unable to make payments on the account due to unforeseen hardship;
- Merchant Protection — protects cardmembers primarily against non-delivery of goods and services, usually in the event of bankruptcy or liquidation of a merchant. In the event that a dispute is resolved in the cardmember's favor, the Company will generally credit the cardmember account for the amount of the purchase and will seek recovery from the merchant. If the Company is unable to collect the amount from the merchant, it will bear the loss for the amount credited to the cardmember. The Company mitigates this risk by withholding settlement from the merchant or obtaining deposits and other guarantees from merchants considered higher risk due to various factors. The amounts being held by the Company are not significant when compared to the maximum potential amount of undiscounted future payments; and,
- Credit Card Registry — cancels and requests replacement of lost or stolen cards, and provides for fraud liability coverage.

In relation to its maximum amount of undiscounted future payments as seen in the table that follows, to date the Company has not experienced any significant losses related to guarantees. The Company's initial recognition of guarantees is at fair value, which has been determined in accordance with GAAP governing fair value measurement. In addition, the Company establishes reserves when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

The following table provides information related to such guarantees as of December 31:

	Maximum amount of undiscounted future payments [a] *(Billions)*		Amount of related liability [b] *(Millions)*	
Type of Guarantee	**2011**	2010	**2011**	2010
Card and travel operations [c]	**$ 51**	$ 67	**$ 96**	$ 114
Other [d]	**1**	1	**98**	99
Total	**$ 52**	$ 68	**$ 194**	$ 213

(a) Represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed parties. The Merchant Protection guarantee is calculated using management's best estimate of maximum exposure based on all eligible claims as measured against annual billed business volumes.
(b) Included as part of other liabilities on the Company's Consolidated Balance Sheets.
(c) Includes Return Protection, Account Protection, Merchant Protection and Credit Card Registry as of December 31, 2010, all of which the Company offers directly to cardmembers.
(d) Primarily includes guarantees related to the Company's business dispositions and real estate, each of which are individually smaller indemnifications.

Refer to Note 26 for a discussion of additional guarantees of the Company as of December 31, 2011 and 2010.

NOTE 14

COMMON AND PREFERRED SHARES AND WARRANTS

The following table shows authorized shares and provides a reconciliation of common shares issued and outstanding for the years ended December 31:

(Millions, except where indicated)	**2011**	2010	2009
Common shares authorized *(billions)* [a]	**3.6**	3.6	3.6
Shares issued and outstanding at beginning of year	**1,197**	1,192	1,160
(Repurchases) Issuances of common shares	**(48)**	(14)	22
Other, primarily stock option exercises and restricted stock awards granted	**15**	19	10
Shares issued and outstanding as of December 31	**1,164**	1,197	1,192

(a) Of the common shares authorized but unissued as of December 31, 2011, approximately 90 million shares were reserved for issuance under employee stock and employee benefit plans.

During 2011 and 2010, the Company repurchased 48 million common shares with a cost basis of $2.3 billion and 14 million common shares with a cost basis of $0.6 billion, respectively. The cost basis includes commissions paid in 2011 and 2010 of $1.0 million and $0.2 million, respectively. As of December 31, 2011, the Company has 38 million common shares remaining under Board share repurchase authorizations. Such authorizations do not have an expiration date, and at present, there is no intention to modify or otherwise rescind the current authorizations. Future share repurchases are subject to approval by the Federal Reserve.

Common shares are generally retired by the Company upon repurchase (except for 4.2 million, 4.7 million and 5.0 million shares held as treasury shares as of December 31, 2011, 2010 and 2009, respectively); retired common shares and treasury shares are excluded from the shares outstanding in the table above. The treasury shares, with a cost basis of $217 million, $219 million and $235 million as of December 31, 2011, 2010 and 2009, respectively, are included as a reduction to additional paid-in capital in shareholders' equity on the Consolidated Balance Sheets.

The Board of Directors is authorized to permit the Company to issue up to 20 million preferred shares at a par value of $1.66 2/3 without further shareholder approval.

On January 9, 2009, under the United States Department of the Treasury (Treasury Department) Capital Purchase Program (CPP), the Company issued to the Treasury Department as consideration for aggregate proceeds of $3.39 billion: (1) 3.39 million shares of Fixed Rate (5 percent) Cumulative Perpetual Preferred Shares Series A (the Preferred Shares), and (2) a ten-year warrant (the Warrant) for the Treasury Department to purchase up to 24 million common shares at an exercise price of $20.95 per share.

On June 17, 2009, the Company repurchased the Preferred Shares at their face value of $3.39 billion and the $212 million in excess of the amortized carrying amount represented an in-substance Preferred Share dividend that reduced earnings per share (EPS) attributable to common shareholders by $0.18 for the year ended December 31, 2009. Refer to Note 18.

On July 29, 2009, the Company repurchased the Warrant for $340 million. There were no preferred shares or warrants issued and outstanding as of December 31, 2011 and 2010.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

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

(Millions), net of tax [a]	Net Unrealized Gains (Losses) on Investment Securities	Net Unrealized Gains (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments	Net Unrealized Pension and Other Postretirement Benefit Losses	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2008	$ (699)	$ (80)	$ (368)	$ (459)	$ (1,606)
Net unrealized gains (losses)	1,351	(22)			1,329
Reclassification for realized (gains) losses into earnings	(145)	74			(71)
Net translation of investments in foreign operations [b]			523		523
Net losses related to hedges of investment in foreign operations			(877)		(877)
Pension and other postretirement benefit losses				(10)	(10)
Net change in accumulated other comprehensive (loss) income	1,206	52	(354)	(10)	894
Balances as of December 31, 2009	507	(28)	(722)	(469)	(712)
Impact of the adoption of GAAP [c]	(315)				(315)
Net unrealized gains (losses)	(139)	(2)			(141)
Reclassification for realized (gains) losses into earnings	4	23	(2)		25
Net translation of investments in foreign operations			189		189
Net gains related to hedges of investment in foreign operations			32		32
Pension and other postretirement benefit losses				5	5
Net change in accumulated other comprehensive (loss) income	(450)	21	219	5	(205)
Balances as of December 31, 2010	57	(7)	(503)	(464)	(917)
Net unrealized gains (losses)	**245**	**(2)**			**243**
Reclassification for realized (gains) losses into earnings	**(14)**	**8**			**(6)**
Net translation of investments in foreign operations			**(153)**		**(153)**
Net losses related to hedges of investment in foreign operations			**(26)**		**(26)**
Pension and other postretirement benefit losses				**(17)**	**(17)**
Net change in accumulated other comprehensive (loss) income	**231**	**6**	**(179)**	**(17)**	**41**
Balances as of December 31, 2011	**$ 288**	**$ (1)**	**$ (682)**	**$ (481)**	**$ (876)**

(a) The following table shows the tax impact for the three years ended December 31 for the changes in each component of accumulated other comprehensive (loss) income:

(Millions)	**2011**	2010	2009
Investment securities	**$ 149**	$ (272)	$ 749
Cash flow hedges	**3**	11	29
Foreign currency translation adjustments	**(40)**	22	33
Net investment hedges	**(14)**	(396)	–
Pension and other postretirement benefit losses	**(7)**	18	(28)
Total tax impact	**$ 91**	$ (617)	$ 783

(b) Includes a $190 million other comprehensive loss, recorded in the third quarter of 2009, representing the correction of an error related to the accounting in prior periods for cumulative translation adjustments associated with a net investment in foreign subsidiaries. Refer to Note 19 for further details.

(c) As a result of the adoption of new GAAP governing consolidations and VIEs, the Company no longer presents within its Consolidated Financial Statements the effects of the retained subordinated securities issued by previously unconsolidated VIEs related to the Company's cardmember loan securitization programs.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16

RESTRUCTURING CHARGES

During 2011, the Company recorded $119 million of restructuring charges, net of revisions to prior estimates. The 2011 activity primarily relates to $105 million of restructuring charges the Company recorded throughout the year to further reduce its operating costs by reorganizing certain operations that occurred across all business units, markets and staff groups. The remaining 2011 activity includes $41 million of employee compensation and lease exit costs related to the facilities consolidation within the Company's global servicing network which were announced in the fourth quarter of 2010. In addition, the Company expects to record further charges in one or more quarterly periods during 2012 relating to lease exit costs for these facility consolidations totaling between $5 million and $15 million in Corporate & Other. The Company also recorded revisions to prior estimates of $(27) million for higher employee redeployments to other positions within the Company and to a lesser extent modifications to existing initiatives.

During 2010, the Company recorded $96 million of restructuring charges, net of revisions to prior estimates. The 2010 activity primarily relates to a $98 million charge reflecting employee severance obligations to consolidate certain facilities within the Company's global servicing network. As a result of this initiative, approximately 3,200 positions were to be eliminated; however, overall staffing levels were expected to decrease by approximately 400 positions on a net basis as new employees were hired at the locations to which work is being transferred. The remaining 2010 activity includes $25 million of additional charges comprised of several smaller initiatives which were more than offset by revisions to prior estimates of $(27) million for higher employee redeployments to other positions within the Company and to a lesser extent modifications to existing initiatives.

During 2009, the Company recorded $185 million of restructuring charges, net of revisions to prior estimates. The 2009 activity primarily relates to the $199 million of restructuring charges the Company recorded in the second quarter to further reduce its operating costs by downsizing and reorganizing certain operations. These restructuring activities were for the elimination of approximately 4,000 positions or about 6 percent of the Company's total worldwide workforce and occurred across all business units, markets and staff groups. Additional restructuring charges of $38 million taken in the third and fourth quarters of 2009 relate principally to the reorganization of certain senior leadership positions, as well as the exit of a business in the GNMS segment. The Company also recorded revisions to prior estimates of $(52) million during 2009 for higher employee redeployments to other positions within the Company, and to a lesser extent business changes and modifications to existing initiatives. These modifications do not constitute a significant change in the original restructuring plan from an overall Company perspective.

Restructuring charges related to severance obligations are included in salaries and employee benefits in the Company's Consolidated Statements of Income, while charges pertaining to other exit costs are included in occupancy and equipment, professional services and other, net expenses.

The following table summarizes the Company's restructuring reserves activity for the years ended December 31, 2011, 2010 and 2009:

(Millions)	Severance [a]	Other [b]	Total
Liability balance as of December 31, 2008	$ 365	$ 62	$ 427
Restructuring charges, net of $52 in revisions [c]	161	24	185
Payments	(287)	(45)	(332)
Other non-cash [d]	14	(9)	5
Liability balance as of December 31, 2009	253	32	285
Restructuring charges, net of $27 in revisions [c]	98	(2)	96
Payments	(141)	(14)	(155)
Other non-cash [d]	(11)	–	(11)
Liability balance as of December 31, 2010	199	16	215
Restructuring charges, net of $27 in revisions [e]	**96**	**23**	**119**
Payments	**(121)**	**(8)**	**(129)**
Other non-cash [d]	**(4)**	**(1)**	**(5)**
Liability balance as of December 31, 2011 [f]	**$ 170**	**$ 30**	**$ 200**

(a) Accounted for in accordance with GAAP governing the accounting for nonretirement postemployment benefits and for costs associated with exit or disposal activities.
(b) Other primarily includes facility exit, asset impairment and contract termination costs.
(c) Revisions primarily relate to higher than anticipated redeployments of displaced employees to other positions within the Company.
(d) Consists primarily of foreign exchange impacts. During 2009, the amounts in other also include asset impairments directly related to restructuring activity.
(e) Net revisions of $27 million were recorded in the Company's reportable operating segments and Corporate & Other as follows: $21 million in USCS, $(2) million in ICS, $(5) million in GCS, $8 million in GNMS and $5 million in Corporate & Other. These revisions primarily relate to higher employee redeployments to other positions within the Company, business changes and modifications to existing initiatives.
(f) The majority of cash payments related to the remaining restructuring liabilities are expected to be completed in 2012, and to a lesser extent certain contractual long-term severance arrangements and lease obligations are expected to be completed in 2013 and 2019, respectively.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the Company's restructuring charges, net of revisions, by reportable operating segment and Corporate & Other for the year ended December 31, 2011, and the cumulative amounts relating to the restructuring programs that were in progress during 2011 and initiated at various dates between 2008 and 2011.

	2011	Cumulative Restructuring Expense Incurred To Date On In-Progress Restructuring Programs		
(Millions)	Total Restructuring Charges, net of revisions	Severance	Other	Total
USCS	**$ (10)**	$ 58	$ 6	$ 64
ICS	**29**	84	2	86
GCS	**37**	239	18	257
GNMS	**(1)**	30	9	39
Corporate & Other	**64**	72	40	112[a]
Total	**$ 119**	$ 483	$ 75	$ 558[b]

(a) Corporate & Other includes certain severance and other charges of $108 million, related to Company-wide support functions which were not allocated to the Company's reportable operating segments, as these were corporate initiatives, which is consistent with how such charges were reported internally.

(b) As of December 31, 2011, the total expenses to be incurred for previously approved restructuring activities that were in progress are not expected to be materially different than the cumulative expenses incurred to date for these programs, except for those 2012 charges noted above.

NOTE 17

INCOME TAXES

The components of income tax expense for the years ended December 31 included in the Consolidated Statements of Income were as follows:

(Millions)	**2011**	2010	2009
Current income tax expense:			
U.S. federal	**$ 958**	$ 532	$ 661
U.S. state and local	**156**	110	40
Non-U.S.	**434**	508	295
Total current income tax expense	**1,548**	1,150	996
Deferred income tax expense (benefit):			
U.S. federal	**464**	782	(231)
U.S. state and local	**68**	78	24
Non-U.S.	**(23)**	(103)	(85)
Total deferred income tax expense (benefit)	**509**	757	(292)
Total income tax expense on continuing operations	**$ 2,057**	$ 1,907	$ 704
Income tax (benefit) expense from discontinued operations	**$ (36)**	$ –	$ 4

A reconciliation of the U.S. federal statutory rate of 35 percent to the Company's actual income tax rate for the years ended December 31 on continuing operations was as follows:

	2011	2010	2009
Combined tax at U.S. statutory federal income tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
Tax-exempt income	**(1.5)**	(1.9)	(4.6)
State and local income taxes, net of federal benefit	**2.6**	2.7	2.7
Non-U.S. subsidiaries earnings [a]	**(4.4)**	(3.1)	(6.8)
Tax settlements [b]	**(1.9)**	(1.3)	(1.4)
All other	**(0.2)**	0.6	(0.1)
Actual tax rates	**29.6%**	32.0%	24.8%

(a) Results for all years primarily include tax benefits associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely.

(b) Relates to the resolution of tax matters in various jurisdictions.

The Company records a deferred income tax (benefit) provision when there are differences between assets and liabilities measured for financial reporting and for income tax return purposes. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

The significant components of deferred tax assets and liabilities as of December 31 are reflected in the following table:

(Millions)	**2011**	2010
Deferred tax assets:		
Reserves not yet deducted for tax purposes	**$ 3,435**	$ 3,789
Employee compensation and benefits	**760**	741
Other	**626**	290
Gross deferred tax assets	**4,821**	4,820
Valuation allowance	**(112)**	(104)
Deferred tax assets after valuation allowance	**4,709**	4,716
Deferred tax liabilities:		
Intangibles and fixed assets	**1,013**	834
Deferred revenue	**382**	36
Asset securitizations	**39**	43
Net unrealized securities gains	**25**	19
Other	**375**	387
Gross deferred tax liabilities	**1,834**	1,319
Net deferred tax assets	**$ 2,875**	$ 3,397

A valuation allowance is established when management determines that it is more likely than not that all or some portion of the benefit of the deferred tax assets will not be realized. The valuation allowances as of December 31, 2011 and 2010 are associated with net operating losses and other deferred tax

assets in certain non-U.S. operations of the Company.

Accumulated earnings of certain non-U.S. subsidiaries, which totaled approximately $7.7 billion as of December 31, 2011, are intended to be permanently reinvested outside the United States. The Company does not provide for federal income taxes on

foreign earnings intended to be permanently reinvested outside the United States. Accordingly, federal taxes, which would have aggregated approximately $2.3 billion as of December 31, 2011, have not been provided on those earnings.

Net income taxes paid by the Company (including amounts related to discontinued operations) during 2011, 2010 and 2009, were approximately $0.7 billion, $0.8 billion and $0.4 billion, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

The Company is subject to the income tax laws of the United States, its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex, and the manner in which they apply to the taxpayer's facts is sometimes open to interpretation. Given these inherent complexities, the Company must make judgments in assessing the likelihood that a tax position will be sustained upon examination by the taxing authorities based on the technical merits of the tax position. A tax position is recognized only when, based on management's judgment regarding the application of income tax laws, it is more likely than not that the tax position will be sustained upon examination. The amount of benefit recognized for financial reporting purposes is based on management's best judgment of the largest amount of benefit that is more likely than not to be realized on ultimate settlement with the taxing authority given the facts, circumstances and information available at the reporting date. The Company adjusts the level of unrecognized tax benefits when there is new information available to assess the likelihood of the outcome.

The Company is under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which the Company has significant business operations. The tax years under examination and open for examination vary by jurisdiction. The IRS has completed its field examination of the Company's federal tax returns for years through 2004, and in April 2011, unagreed issues for 1997 through 2004 were resolved at IRS Appeals. Additional refund claims for those years continue to be reviewed by the IRS. In addition, the Company is currently under examination by the IRS for the years 2005 through 2007.

The following table presents changes in unrecognized tax benefits:

(Millions)	**2011**	2010	2009
Balance, January 1	**$ 1,377**	$ 1,081	$ 1,176
Increases:			
Current year tax positions	**77**	182	39
Tax positions related to prior years	**247**	403	161
Effects of foreign currency translations	**–**	–	1
Decreases:			
Tax positions related to prior years	**(457)**	(145)	(197)
Settlements with tax authorities	**(2)**	(138)	(97)
Lapse of statute of limitations	**(19)**	(6)	(2)
Balance, December 31	**$ 1,223**	$ 1,377	$ 1,081

Included in the $1.2 billion, $1.4 billion and $1.1 billion of unrecognized tax benefits as of December 31, 2011, 2010 and 2009, respectively, are approximately $440 million, $476 million and $480 million, respectively, that, if recognized, would favorably affect the effective tax rate in a future period.

The Company believes it is reasonably possible that the unrecognized tax benefits could decrease within the next 12 months by as much as $867 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 $867 million of unrecognized tax benefits, approximately $640 million relates to amounts recorded to equity that, if recognized, would not impact the effective tax rate. With respect to the remaining $227 million, it is not possible to quantify the impact that the decrease could have on the effective tax rate and net income due to the inherent complexities and the number of tax years open for examination in multiple jurisdictions. Resolution of the prior years' items that comprise this remaining amount could have an impact on the effective tax rate and on net income, either favorably (principally as a result of settlements that are less than the liability for unrecognized tax benefits) or unfavorably (if such settlements exceed the liability for unrecognized tax benefits).

Interest and penalties relating to unrecognized tax benefits are reported in the income tax provision. During the years ended December 31, 2011, 2010 and 2009, the Company recognized approximately $(63) million, $31 million and $1 million, respectively, of interest and penalties. The Company has approximately $163 million and $226 million accrued for the payment of interest and penalties as of December 31, 2011 and 2010, respectively.

Discontinued operations for 2011 included the impact of a $36 million tax benefit related to the favorable resolution of certain prior years' tax items related to American Express Bank, Ltd., which was sold to Standard Chartered PLC during the quarter ended March 31, 2008.

NOTE 18

EARNINGS PER COMMON SHARE

The computations of basic and diluted EPS for the years ended December 31 were as follows:

(Millions, except per share amounts)	**2011**	2010	2009
Numerator:			
Basic and diluted:			
Income from continuing operations	**$ 4,899**	$ 4,057	$ 2,137
Preferred shares dividends, accretion and recognition of remaining unaccreted dividends [a]	**–**	–	(306)
Earnings allocated to participating share awards and other items [b]	**(58)**	(51)	(22)
Income (loss) from discontinued operations, net of tax	**36**	–	(7)
Net income attributable to common shareholders	**$ 4,877**	$ 4,006	$ 1,802
Denominator:			
Basic: Weighted-average common stock	**1,178**	1,188	1,168
Add: Weighted-average stock options and warrants [c]	**6**	7	3
Diluted	**1,184**	1,195	1,171
Basic EPS:			
Income from continuing operations attributable to common shareholders	**$ 4.11**	$ 3.37	$ 1.55
Income (loss) from discontinued operations	**0.03**	–	(0.01)
Net income attributable to common shareholders	**$ 4.14**	$ 3.37	$ 1.54
Diluted EPS:			
Income from continuing operations attributable to common shareholders	**$ 4.09**	$ 3.35	$ 1.54
Income (loss) from discontinued operations	**0.03**	–	–
Net income attributable to common shareholders	**$ 4.12**	$ 3.35	$ 1.54

(a) Includes the accelerated preferred dividend accretion of $212 million for the year ended December 31, 2009, due to the repurchase of $3.39 billion of preferred shares on June 17, 2009 issued as part of the CPP. Also includes $74 million of preferred dividends paid and $20 million of preferred dividend accretion during 2009.

(b) The Company's unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method (i) exclude any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities from the numerator and (ii) exclude the participating securities from the denominator.

(c) For the years ended December 31, 2011, 2010 and 2009, the dilutive effect of unexercised stock options excludes 19 million, 36 million and 71 million options, respectively, from the computation of EPS because inclusion of the options would have been anti-dilutive.

Subordinated debentures of $750 million issued by the Company in 2006 would affect the EPS computation only in the unlikely event the Company fails to achieve specified performance measures related to the Company's tangible common equity and consolidated net income. In that circumstance the Company would reflect the additional common shares in the EPS computation.

NOTE 19

DETAILS OF CERTAIN CONSOLIDATED STATEMENTS OF INCOME LINES

The following is a detail of other commissions and fees for the years ended December 31:

(Millions)	**2011**	2010	2009
Foreign currency conversion revenue	**$ 861**	$ 838	$ 672
Delinquency fees	**567**	605	526
Service fees	**355**	328	335
Other	**486**	260	245
Total other commissions and fees	**$ 2,269**	$ 2,031	$ 1,778

The following is a detail of other revenues for the years ended December 31:

(Millions)	**2011**	2010	2009
Global Network Services partner revenues	**$ 655**	$ 530	$ 463
Insurance premium revenue	**241**	255	293
Gain (Loss) on investment securities	**16**	(5)	225
Other	**1,252**	1,147	1,109
Total other revenues	**$ 2,164**	$ 1,927	$ 2,090

Other revenues include revenues arising from contracts with Global Network Services (GNS) partners including royalties and signing fees, insurance premiums earned from cardmember travel and other insurance programs, publishing revenues and other miscellaneous revenue and fees.

The following is a detail of marketing, promotion, rewards and cardmember services for the years ended December 31:

(Millions)	**2011**	2010	2009
Marketing and promotion	**$ 2,996**	$ 3,147	$ 2,010
Cardmember rewards	**6,218**	5,000	4,005
Cardmember services	**716**	591	548
Total marketing, promotion, rewards and cardmember services	**$ 9,930**	$ 8,738	$ 6,563

Marketing and promotion expense includes advertising costs, which are expensed in the year in which the advertising first takes place. Cardmember rewards expense includes the costs of rewards programs (including Membership Rewards, discussed in Note 11). Cardmember services expense includes protection plans and complimentary services provided to cardmembers.

The following is a detail of other, net expense for the years ended December 31:

(Millions)	**2011**	2010	2009
Occupancy and equipment	**$ 1,685**	$ 1,562	$ 1,619
Communications	**378**	383	414
MasterCard and Visa settlements, net of legal fees	**(562)**	(852)	(852)
Other [(a)]	**1,260**	1,208	950
Total other, net expense	**$ 2,761**	$ 2,301	$ 2,131

(a) Includes in 2009, (i) a $135 million benefit representing the correction of an error related to the accounting for cumulative translation adjustments associated with a net investment in foreign subsidiaries, (ii) a $45 million benefit resulting from the change in the fair value of certain forward exchange contracts, (iii) a $59 million benefit related to the completion of certain account reconciliations and (iv) lower travel and entertainment and other expenses due to the Company's reengineering activities.

Other, net expense includes general operating expenses, gains (losses) on sale of assets or businesses not classified as discontinued operations, litigation and insurance costs or settlements and Loyalty Partner expenses.

NOTE 20
STOCK PLANS

STOCK OPTION AND AWARD PROGRAMS

Under the 2007 Incentive Compensation Plan and previously under the 1998 Incentive Compensation Plan, awards may be granted to employees and other key individuals who perform services for the Company and its participating subsidiaries. These awards may be in the form of stock options, restricted stock awards or units (RSAs), portfolio grants (PGs) or other incentives, and similar awards designed to meet the requirements of non-U.S. jurisdictions.

For the Company's Incentive Compensation Plans, there were a total of 38 million, 40 million and 37 million common shares unissued and available for grant as of December 31, 2011, 2010 and 2009, respectively, as authorized by the Company's Board of Directors and shareholders.

The Company granted stock option awards to its Chief Executive Officer (CEO) in November 2007 and January 2008 that have performance-based and market-based conditions. These option awards are separately disclosed and are excluded from the information and tables presented in the following paragraphs.

A summary of stock option and RSA activity as of December 31, 2011, and changes during the year is presented below:

	Stock Options		RSAs	
(Shares in thousands)	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Price
Outstanding as of December 31, 2010	56,963	$ 39.54	15,074	$ 28.97
Granted	**1,197**	**$ 44.78**	**4,759**	**$ 45.11**
Exercised/vested	**(14,813)**	**$ 33.97**	**(4,986)**	**$ 30.74**
Forfeited	**(349)**	**$ 29.24**	**(851)**	**$ 31.44**
Expired	**(541)**	**$ 44.90**	–	**$ –**
Outstanding as of December 31, 2011	**42,457**	**$ 41.63**	**13,996**	**$ 33.69**
Options vested and expected to vest as of December 31, 2011	**42,359**	**$ 41.64**	–	–
Options exercisable as of December 31, 2011	**35,275**	**$ 43.10**	–	–

The Company recognizes the cost of employee stock awards granted in exchange for employee services based on the grant-date fair value of the award, net of expected forfeitures. Those costs are recognized ratably over the vesting period.

STOCK OPTIONS

Each stock option has an exercise price equal to the market price of the Company's common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 25 percent per year beginning with the first anniversary of the grant date.

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of the Company's stock exceeds the exercise price of the option) of the stock options outstanding, exercisable, and vested and expected to vest as of December 31, 2011 were as follows:

	Outstanding	Exercisable	Vested and Expected to Vest
Weighted-average remaining contractual life *(in years)*	**4.7**	**4.2**	**4.7**
Aggregate intrinsic value *(millions)*	**$ 338**	**$ 239**	**$ 337**

The intrinsic value for options exercised during 2011, 2010 and 2009 was $206 million, $130 million and $11 million, respectively (based upon the fair value of the Company's stock price at the date of exercise). Cash received from the exercise of stock options in 2011, 2010 and 2009 was $503 million, $619 million and $83 million, respectively. The tax benefit realized from income tax deductions from stock option exercises, which was recorded in additional paid-in capital, in 2011, 2010 and 2009 was $60 million, $35 million and $2 million, respectively.

The fair value of each option is estimated on the date of grant using a Black-Scholes-Merton option-pricing model. The following weighted-average assumptions are used for grants issued in 2011, 2010 and 2009, the majority of which were granted in the beginning of each year:

	2011	2010	2009
Dividend yield	**1.6%**	1.8%	4.1%
Expected volatility [a]	**40%**	41%	36%
Risk-free interest rate	**2.3%**	2.8%	2.1%
Expected life of stock option (*in years*) [b]	**6.2**	6.2	4.8
Weighted-average fair value per option	**$ 16.21**	$ 14.11	$ 4.54

(a) The expected volatility is based on weighted historical and implied volatilities of the Company's common stock price.
(b) In 2011 and 2010, the expected life of stock options was determined using historical data and expectations of option exercise behavior. In 2009, the expected life of stock options was determined using historical data.

STOCK OPTIONS WITH PERFORMANCE-BASED AND MARKET-BASED CONDITIONS

On November 30, 2007 and January 31, 2008, the Company's CEO was granted in the aggregate 2,750,000 of non-qualified stock option awards with performance-based and market-based conditions. Both awards have a contractual term of 10 years and a vesting period of 6 years.

The aggregate grant date fair value of options with performance based conditions was approximately $33.8 million. Compensation expense for these awards will be recognized over the vesting period when it is determined it is probable that the performance metrics will be achieved. No compensation expense for these awards was recorded in 2011, 2010 and 2009.

The aggregate grant date fair value of options with market-based conditions was approximately $10.5 million. Compensation expense for these awards is recognized ratably over the vesting period irrespective of the probability of the market metric being achieved. Total compensation expense of approximately $2.4 million was recorded in each of the years 2011, 2010 and 2009.

RESTRICTED STOCK AWARDS

RSAs are valued based on the stock price on the date of grant and generally vest 25 percent per year, beginning with the first anniversary of the grant date. RSA holders receive non-forfeitable dividends or dividend equivalents. The total fair value of shares vested during 2011, 2010 and 2009 was $221 million, $175 million and $44 million, respectively (based upon the Company's stock price at the vesting date).

The weighted-average grant date fair value of RSAs granted in 2011, 2010 and 2009, is $45.11, $38.63 and $18.04, respectively.

LIABILITY-BASED AWARDS

Certain employees are awarded PGs and other incentive awards that can be settled with cash or equity shares at the Company's discretion and final Compensation and Benefits Committee payout approval. These awards earn value based on performance and service conditions and vest over periods of one to three years.

PGs and other incentive awards are classified as liabilities and, therefore, the fair value is determined at the date of grant and remeasured quarterly as part of compensation expense over the performance and service periods. Cash paid upon vesting of these awards was $64 million, $64 million and $71 million in 2011, 2010 and 2009, respectively.

SUMMARY OF STOCK PLAN EXPENSE

The components of the Company's total stock-based compensation expense (net of cancellations) for the years ended December 31 are as follows:

(Millions)	**2011**	2010	2009
Restricted stock awards [a]	**$ 176**	$ 163	$ 135
Stock options [a]	**40**	58	55
Liability-based awards	**83**	64	38
Performance/market-based stock options	**2**	2	2
Total stock-based compensation expense [b]	**$ 301**	$ 287	$ 230

(a) As of December 31, 2011, the total unrecognized compensation cost related to unvested RSAs and options was $259 million and $39 million, respectively. The unrecognized cost for RSAs and options will be recognized ratably over the remaining vesting period. The weighted-average remaining vesting period for both RSAs and options is 1.6 years.
(b) The total income tax benefit recognized in the Consolidated Statements of Income for stock-based compensation arrangements for the years ended December 31, 2011, 2010 and 2009 was $105 million, $100 million and $81 million, respectively.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21

RETIREMENT PLANS

The Company sponsors defined benefit pension plans, defined contribution plans, and other postretirement benefit plans for its employees. The following table provides a summary of the total cost related to these plans for the years ended December 31:

(Millions)	**2011**	2010	2009
Defined benefit pension plan cost	**$ 51**	$ 40	$ 21
Defined contribution plan cost	**252**	217	118
Other postretirement benefit plan cost	**23**	25	29
Net periodic benefit cost	**$ 326**	$ 282	$ 168

The expenses in the above table are recorded in salaries and employee benefits in the Consolidated Statements of Income.

DEFINED BENEFIT PENSION PLANS

The Company's significant defined benefit pension plans cover certain employees in the United States and United Kingdom. Most employees outside the United States and United Kingdom are covered by local retirement plans, some of which are funded, while other employees receive payments at the time of retirement or termination under applicable labor laws or agreements. The Company complies with the minimum funding requirements in all countries.

The Company sponsors the U.S. American Express Retirement Plan (the Plan) for eligible employees in the United States. The Plan is a noncontributory defined benefit plan and a tax-qualified retirement plan subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan is closed to new entrants and existing participants no longer accrue future benefits. The Company funds retirement costs through a trust and complies with the applicable minimum funding requirements specified by ERISA.

The Plan is a cash balance plan and employees' accrued benefits are based on notional account balances, which are maintained for each individual. Employees' balances are credited daily with interest at a fixed rate. The interest rate varies from a minimum of 5 percent to a maximum equal to the lesser of (i) 10 percent or (ii) the applicable interest rate set forth in the Plan.

The Company also sponsors an unfunded non-qualified plan, the Retirement Restoration Plan (the RRP), for employees compensated above a certain level to supplement their pension benefits that are limited by the Internal Revenue Code. The RRP's terms generally parallel those of the Plan, except that the definitions of compensation and payment options differ.

For each plan, the net funded status is defined by GAAP governing retirement benefits as the difference between the fair value of plan assets and the respective plan's projected benefit obligation.

As of December 31, 2011, the net funded status related to the defined benefit pension plans was underfunded by $443 million, as shown in the following table:

(Millions)	**2011**	2010
Net funded status, beginning of year	**$ (383)**	$ (406)
Increase in fair value of plan assets	**17**	63
Increase in projected benefit obligation	**(77)**	(40)
Net change	**(60)**	23
Net funded status, end of year	**$ (443)**	$ (383)

The net funded status amounts as of December 31, 2011 and 2010 are recognized in the Consolidated Balance Sheets in other liabilities.

Plan Assets and Obligations

The following tables provide a reconciliation of changes in the fair value of plan assets and projected benefit obligations for all defined benefit pension plans as of December 31:

Reconciliation of Change in Fair Value of Plan Assets

(Millions)	**2011**	2010
Fair value of plan assets, beginning of year	**$ 2,052**	$ 1,989
Actual return on plan assets	**89**	177
Employer contributions	**35**	50
Benefits paid	**(60)**	(55)
Settlements	**(68)**	(81)
Foreign currency exchange rate changes	**21**	(28)
Net change	**17**	63
Fair value of plan assets, end of year	**$ 2,069**	$ 2,052

Reconciliation of Change in Projected Benefit Obligation

(Millions)	**2011**	2010
Projected benefit obligation, beginning of year	**$ 2,435**	$ 2,395
Service cost	**22**	19
Interest cost	**126**	126
Benefits paid	**(60)**	(55)
Actuarial loss	**33**	66
Settlements	**(68)**	(81)
Foreign currency exchange rate changes	**24**	(35)
Net change	**77**	40
Projected benefit obligation, end of year	**$ 2,512**	$ 2,435

Accumulated Other Comprehensive Loss

The following table provides the amounts comprising accumulated other comprehensive loss, which are not yet recognized as components of net periodic pension benefit cost as of December 31:

(Millions)	**2011**	2010
Net actuarial loss	**$ 690**	$ 648
Net prior service cost	**(2)**	(2)
Total, pretax effect	**688**	646
Tax impact	**(229)**	(213)
Total, net of taxes	**$ 459**	$ 433

The estimated portion of the net actuarial loss and net prior service cost that is expected to be recognized as a component of net periodic pension benefit cost in 2012 is $65 million and nil, respectively.

The following table lists the amounts recognized in other comprehensive loss in 2011:

(Millions)	**2011**
Net actuarial loss:	
Reclassified to earnings from equity [a]	**$ (51)**
Losses in current year [b]	**93**
Net actuarial loss, pretax	**$ 42**

(a) Amortization of actuarial losses and recognition of losses related to lump sum settlements.
(b) Deferral of actuarial losses.

Benefit Obligations

The accumulated benefit obligation in a defined benefit pension plan is the present value of benefits earned to date by plan participants computed based on current compensation levels as contrasted to the projected benefit obligation, which is the present value of benefits earned to date by plan participants based on their expected future compensation at their projected retirement date.

The accumulated and projected benefit obligations for all defined benefit pension plans as of December 31 were as follows:

(Millions)	**2011**	2010
Accumulated benefit obligation	**$ 2,459**	$ 2,353
Projected benefit obligation	**$ 2,512**	$ 2,435

The accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligation that exceeds the fair value of plan assets were as follows:

(Millions)	**2011**	2010
Accumulated benefit obligation	**$ 2,418**	$ 1,407
Fair value of plan assets	**$ 2,028**	$ 1,091

The amounts disclosed in the table above will vary year to year based on whether plans meet the disclosure requirement.

The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligation that exceeds the fair value of plan assets as of December 31 were as follows:

(Millions)	**2011**	2010
Projected benefit obligation	**$ 2,512**	$ 2,435
Fair value of plan assets	**$ 2,069**	$ 2,052

Net Periodic Pension Benefit Cost

The components of the net periodic pension benefit cost for all defined benefit pension plans for the years ended December 31 were as follows:

(Millions)	**2011**	2010	2009
Service cost	**$ 22**	$ 19	$ 14
Interest cost	**126**	126	127
Expected return on plan assets	**(148)**	(145)	(146)
Amortization of prior service cost	**–**	(1)	–
Recognized net actuarial loss	**36**	23	10
Settlements losses	**15**	18	19
Curtailment gains	**–**	–	(3)
Net periodic pension benefit cost	**$ 51**	$ 40	$ 21

Assumptions

The weighted-average assumptions used to determine defined benefit pension obligations as of December 31 were as follows:

	2011	2010
Discount rates	**4.7%**	5.3%
Rates of increase in compensation levels	**3.7%**	4.0%

The weighted-average assumptions used to determine net periodic pension benefit costs as of December 31 were as follows:

	2011	2010	2009
Discount rates	**5.0%**	5.3%	5.9%
Rates of increase in compensation levels	**4.0%**	3.6%	3.9%
Expected long-term rates of return on assets	**6.9%**	6.9%	6.9%

The Company assumes a long-term rate of return on assets on a weighted-average basis. In developing this assumption, management considers expected and historical returns over 5 to 15 years based on the mix of assets in its plans.

The discount rate assumptions are determined using a model consisting of bond portfolios that match the cash flows of the plan's projected benefit payments based on the plan participants' service to date and their expected future compensation. Use of the rate produced by this model generates a projected benefit obligation that equals the current market value of a portfolio of high-quality zero-coupon bonds whose maturity dates and amounts match the timing and amount of expected future benefit payments.

Asset Allocation and Fair Value

The Benefit Plans Investment Committee (BPIC) is appointed by the Company's Chief Executive Officer and has the responsibility of reviewing and approving the investment policies related to plan assets for the Company's defined benefit pension plans; evaluating the performance of the investments in accordance with the investment policy; reviewing the investment objectives, risk characteristics, expenses and historical performance; and selecting, removing and evaluating the investment managers. The BPIC typically meets quarterly to review the performance of the various investment managers and service providers as well as other investment related matters. The Company's significant defined benefit pension plans have investment policies, which prescribe targets for the amount of assets that can be invested in a security class in order to mitigate the detrimental impact of adverse or unexpected results with respect to any individual security class on the overall portfolio. The portfolios are diversified by asset type, risk characteristics and concentration of investments. Refer to Note 3 for a discussion related to valuation techniques used to measure fair value, including a description of the three-level fair value hierarchy of inputs.

The following tables summarize the target allocation and categorization of all defined benefit pension plan assets measured at fair value on a recurring basis by GAAP's valuation hierarchy:

As of December 31, 2011:

(Millions, except percentages)	Target Allocation 2012	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. equity securities	**15%**	**$ 250**	**$ 250**	**$ –**	**$ –**
International equity securities [a]	**30%**	**644**	**644**	**–**	**–**
U.S. fixed income securities	**30%**	**582**	**–**	**582**	**–**
International fixed income securities [a]	**15%**	**406**	**–**	**406**	**–**
Balanced funds	**5%**	**69**	**–**	**69**	**–**
Cash	**–**	**12**	**12**	**–**	**–**
Other [b]	**5%**	**106**	**–**	**–**	**106**
Total	**100%**	**$ 2,069**	**$ 906**	**$ 1,057**	**$ 106**

As of December 31, 2010:

(Millions, except percentages)	Target Allocation 2011	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. equity securities	15%	$ 331	$ 331	$ –	$ –
International equity securities [a]	30%	704	704	–	–
U.S. fixed income securities	30%	522	–	522	–
International fixed income securities [a]	15%	318	–	318	–
Balanced funds	5%	65	–	65	–
Cash	–	11	11	–	–
Other [b]	5%	101	–	–	101
Total	100%	$ 2,052	$ 1,046	$ 905	$ 101

(a) A significant portion of international investments are in U.K. companies and U.K. government and agency securities.
(b) Consists of investments in private equity and real estate funds measured at reported net asset value.

The fair value measurement of all defined benefit pension plan assets using significant unobservable inputs (Level 3) changed during the years ended December 31:

(Millions)	**2011**	2010
Beginning fair value, January 1	**$ 101**	$ 98
Actual net gains on plan assets:		
Held at the end of the year	**12**	11
Sold during the year	**2**	–
Total net gains	**14**	11
Net purchases (sales and settlements)	**(9)**	(8)
Net increase	**5**	3
Ending fair value, December 31	**$ 106**	$ 101

Benefit Payments

The Company's defined benefit pension plans expect to make benefit payments to retirees as follows:

(Millions)	2012	2013	2014	2015	2016	2017 –2021
Expected payments	**$ 152**	**$ 155**	**$ 160**	**$ 168**	**$ 182**	**$ 931**

In addition, the Company expects to contribute $26 million to its defined benefit pension plans in 2012.

DEFINED CONTRIBUTION RETIREMENT PLANS

The Company sponsors defined contribution retirement plans, the principal plan being the Retirement Savings Plan (RSP), a 401(k) savings plan with a profit sharing component. The RSP is a tax-qualified retirement plan subject to ERISA and covers most employees in the United States. The RSP held 11 million and 12 million shares of American Express Common Stock as of December 31, 2011 and 2010, respectively, beneficially for employees. The Company matches employee contributions to the plan up to a maximum of 5 percent of total pay, subject to the limitations under the Internal Revenue Code (IRC). Additional annual conversion contributions of up to 8 percent of total pay are provided into the RSP for eligible employees. The Company also sponsors an RSP RRP, which is an unfunded non-qualified plan for employees whose RSP benefits are limited by the IRC and its terms generally parallel those of the RSP, except that the definitions of compensation and payment options differ. In addition, the RSP RRP was amended effective January 1, 2011 such that the Company matches employee contributions up to a maximum of 5 percent of total pay in excess of IRC compensation limits only to the extent the employee contributes to the plan.

The total expense for all defined contribution retirement plans globally was $252 million, $217 million and $118 million in 2011, 2010 and 2009, respectively. The increase in expense in 2010 primarily reflects the Company's reinstatement in January of the employer match and conversion contributions.

OTHER POSTRETIREMENT BENEFIT PLANS

The Company sponsors unfunded other postretirement benefit plans that provide health care and life insurance to certain retired U.S. employees.

Accumulated Other Comprehensive Loss

The following table provides the amounts comprising accumulated other comprehensive loss which are not yet recognized as components of net periodic benefit cost as of December 31:

(Millions)	**2011**	2010
Net actuarial loss	**$ 35**	$ 50
Total, pretax effect	**35**	50
Tax impact	**(13)**	(19)
Total, net of taxes	**$ 22**	$ 31

The estimated portion of the net actuarial loss above that is expected to be recognized as a component of net periodic benefit cost in 2012 is nil.

The following table lists the amounts recognized in other comprehensive loss in 2011:

(Millions)	**2011**
Net actuarial gain:	
Reclassified to earnings from equity [a]	**$ (3)**
Gains in current year [b]	**(5)**
Curtailment gain	**(5)**
Early Retiree Reinsurance Program subsidy	**(2)**
Net actuarial gain, pretax	**$ (15)**

(a) Amortization of actuarial losses.
(b) Deferral of actuarial gains.

Benefit Obligations

The projected benefit obligation represents a liability based upon estimated future medical and other benefits to be provided to retirees.

The following table provides a reconciliation of the changes in the projected benefit obligation:

(Millions)	**2011**	2010
Projected benefit obligation, beginning of year	**$ 319**	$ 324
Service cost	**5**	6
Interest cost	**16**	17
Benefits paid	**(18)**	(20)
Actuarial gain	**(5)**	(8)
Curtailment gain	**(6)**	–
Net change	**(8)**	(5)
Projected benefit obligation, end of year	**$ 311**	$ 319

The plans are unfunded and the obligations as of December 31, 2011 and 2010 are recognized in the Consolidated Balance Sheets in other liabilities.

Net Periodic Benefit Cost

GAAP provides for the delayed recognition of the net actuarial loss and the net prior service credit remaining in accumulated other comprehensive (loss) income.

The components of the net periodic benefit cost for all other postretirement benefit plans for the years ended December 31 were as follows:

(Millions)	**2011**	2010	2009
Service cost	**$ 5**	$ 6	$ 5
Interest cost	**16**	17	18
Amortization of prior service cost	**–**	–	(2)
Recognized net actuarial loss	**3**	2	2
Curtailment (gain) loss	**(1)**	–	6
Net periodic benefit cost	**$ 23**	$ 25	$ 29

Assumptions

The weighted-average assumptions used to determine benefit obligations were:

	2011	2010
Discount rates	**4.5%**	5.2%
Health care cost increase rate:		
Following year	**8.0%**	8.5%
Decreasing to the year 2018	**5.0%**	5.0%

The weighted-average discount rate used to determine net periodic benefit cost was 4.9 percent, 5.4 percent and 6.0 percent in 2011, 2010 and 2009, respectively. The discount rate assumption is determined by using a model consisting of bond portfolios that match the cash flows of the plan's projected benefit payments. Use of the rate produced by this model generates a projected benefit obligation that equals the current market value of a portfolio of high-quality zero-coupon bonds whose maturity dates and amounts match the timing and amount of expected future benefit payments.

A one percentage-point change in assumed health care cost trend rates would have the following effects:

	One percentage-point increase		One percentage-point decrease	
(Millions)	**2011**	2010	**2011**	2010
Increase (decrease) on benefits earned and interest cost for U.S. plans	**$ 1**	$ 1	**$ (1)**	$ (1)
Increase (decrease) on postretirement benefit obligation for U.S. plans	**$ 13**	$ 15	**$ (12)**	$ (13)

Benefit Payments

The Company's other postretirement benefit plans expect to make benefit payments as follows:

(Millions)	2012	2013	2014	2015	2016	2017 – 2021
Expected payments	**$ 22**	**$ 23**	**$ 23**	**$ 23**	**$ 24**	**$ 118**

In addition, the Company expects to contribute $22 million to its other postretirement benefit plans in 2012.

NOTE 22

SIGNIFICANT CREDIT CONCENTRATIONS

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to American Express' total credit exposure. The Company's customers operate in diverse industries, economic sectors and geographic regions.

The following table details the Company's maximum credit exposure by category, including the credit exposure associated with derivative financial instruments, as of December 31:

(Billions)	2011	2010
On-balance sheet:		
Individuals [a]	**$ 92**	$ 88
Financial institutions [b]	**28**	23
U.S. Government and agencies [c]	**6**	12
All other [d]	**16**	15
Total on-balance sheet [e]	**$ 142**	$ 138
Unused lines-of-credit – individuals [f]	**$ 238**	$ 226

(a) Individuals primarily include cardmember loans and receivables.
(b) Financial institutions primarily include debt obligations of banks, broker-dealers, insurance companies and savings and loan associations.
(c) U.S. Government and agencies represent debt obligations of the U.S. Government and its agencies, states and municipalities and government sponsored entities.
(d) All other primarily includes cardmember receivables from other corporate institutions.
(e) Certain distinctions between categories require management judgment.
(f) Because charge card products have no preset spending limit, the associated credit limit on cardmember receivables is not quantifiable. Therefore, the quantified unused line-of-credit amounts only include the approximate credit line available on cardmember loans.

As of December 31, 2011 and 2010, the Company's most significant concentration of credit risk was with individuals, including cardmember receivables and loans. These amounts are generally advanced on an unsecured basis. However, the Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. The Company also considers credit performance by customer tenure, industry and geographic location in managing credit exposure.

The following table details the Company's cardmember loans and receivables exposure (including unused lines-of-credit on cardmember loans) in the United States and outside the United States as of December 31:

(Billions)	**2011**	2010
On-balance sheet:		
United States	**$ 82**	$ 77
Non-U.S.	**22**	21
On-balance sheet [a][b]	**$ 104**	$ 98
Unused lines-of-credit – individuals:		
United States	**$ 195**	$ 184
Non-U.S.	**43**	42
Total unused lines-of-credit – individuals	**$ 238**	$ 226

(a) Represents cardmember loans to individuals as well as receivables from individuals and corporate institutions as discussed in footnotes (a) and (d) from the previous table.
(b) The remainder of the Company's on-balance sheet exposure includes cash, investments, other loans, other receivables and other assets including derivative financial instruments. These balances are primarily within the United States.

EXPOSURE TO AIRLINE INDUSTRY

The Company has multiple important co-brand, rewards and corporate payment arrangements with airlines. The Company's largest airline partner is Delta and this relationship includes exclusive co-brand credit card partnerships and other arrangements including Membership Rewards, merchant acceptance, travel and corporate payment programs. American Express' Delta SkyMiles Credit Card co-brand portfolio accounts for approximately 5 percent of the Company's worldwide billed business and less than 15 percent of worldwide cardmember loans. Refer to Notes 4 and 8 for further information on receivables and other assets recorded by the Company relating to these relationships.

In recent years, there have been a significant number of airline bankruptcies and liquidations, driven in part by volatile fuel costs and weakening economies around the world. Historically, the Company has not experienced significant revenue declines when a particular airline scales back or ceases operations due to a bankruptcy or other financial challenges because volumes generated by that airline are typically shifted to other participants in the industry that accept the Company's card products. The Company's exposure to business and credit risk in the airline industry is primarily through business arrangements where the Company has remitted payment to the airline for a cardmember purchase of tickets that have not yet been used or "flown". The Company mitigates this risk by delaying payment to the airlines with deteriorating financial situations, thereby increasing cash withheld to protect the Company in the event the airline is liquidated. To date, the Company has not experienced significant losses from airlines that have ceased operations.

NOTE 23
REGULATORY MATTERS AND CAPITAL ADEQUACY

The Company is supervised and regulated by the Federal Reserve and is subject to the Federal Reserve's requirements for risk-based capital and leverage ratios. The Company's two U.S. bank operating subsidiaries, Centurion Bank and FSB (collectively, the "Banks"), are subject to supervision and regulation, including similar regulatory capital requirements by the FDIC and the Office of the Comptroller of the Currency (OCC). On July 21, 2011, pursuant to the Dodd-Frank Reform Act, supervision and regulation of FSB was transferred from Office of Thrift Supervision (OTS) to the OCC.

The Federal Reserve's guidelines for capital adequacy define two categories of risk-based capital: Tier 1 and Tier 2 capital (as defined in the regulations). Under the risk-based capital guidelines of the Federal Reserve, the Company is required to maintain minimum ratios of Tier 1 and Total (Tier 1 plus Tier 2) capital to risk-weighted assets, as well as a minimum leverage ratio (Tier 1 capital to average adjusted on-balance sheet assets).

Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators, that, if undertaken, could have a direct material effect on the Company's and the Banks' operating activities.

As of December 31, 2011 and 2010, the Company and its Banks met all capital requirements to which each was subject. Further, the most recent regulatory notification categorized the Company and its Banks as well-capitalized institutions under the prompt corrective action regulations. No conditions or events have occurred since that notification that have caused management to believe any change in the Company's or its Banks' capital classification would be warranted.

The following table presents the regulatory capital ratios for the Company and the Banks:

(Millions, except percentages)	Tier 1 Capital	Total capital	Tier 1 capital ratio	Total capital ratio	Tier 1 leverage ratio
December 31, 2011:					
American Express Company	**$ 14,881**	**$ 17,271**	**12.3%**	**14.3%**	**10.2%**
American Express Centurion Bank	**$ 6,029**	**$ 6,431**	**18.8%**	**20.1%**	**19.1%**
American Express Bank, FSB	**$ 6,493**	**$ 7,363**	**17.4%**	**19.8%**	**18.4%** [a]
December 31, 2010:					
American Express Company	$ 13,100	$ 15,528	11.1%	13.1%	9.3%
American Express Centurion Bank	$ 5,771	$ 6,170	18.3%	19.5%	19.4%
American Express Bank, FSB	$ 5,586	$ 6,424	16.3%	18.8%	16.1% [a]
Well-capitalized ratios [b]			6.0%	10.0%	5.0% [c]
Minimum capital ratios [b]			4.0%	8.0%	4.0%

(a) FSB leverage ratio represents Tier 1 core capital ratio (as defined by OCC regulations applicable to federal savings banks), calculated similarly to Tier 1 leverage ratio.
(b) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.
(c) Represents requirements for banking subsidiaries to be considered "well capitalized" pursuant to regulations issued under the Federal Deposit Insurance Corporation Improvement Act. There is no "well capitalized" definition for the Tier 1 leverage ratio for a bank holding company.

RESTRICTED NET ASSETS OF SUBSIDIARIES

Certain of the Company's subsidiaries are subject to restrictions on the transfer of net assets under debt agreements and regulatory requirements. These restrictions have not had any effect on the Company's shareholder dividend policy and management does not anticipate any impact in the future. Procedures exist to transfer net assets between the Company and its subsidiaries, while ensuring compliance with the various contractual and regulatory constraints. As of December 31, 2011, the aggregate amount of net assets of subsidiaries that are restricted to be transferred to American Express' Parent Company (Parent Company) was approximately $9.4 billion.

BANK HOLDING COMPANY DIVIDEND RESTRICTIONS

The Company is limited in its ability to pay dividends by the Federal Reserve which could prohibit a dividend that would be considered an unsafe or unsound banking practice. It is the policy of the Federal Reserve that bank holding companies generally should pay dividends on common stock only out of net income available to common shareholders generated over the past year, and only if prospective earnings retention is consistent with the organization's current and expected future capital needs, asset quality and overall financial condition. Moreover, bank holding companies are required by statue to be a source of strength to their insured depository institution subsidiaries and should not maintain dividend levels that undermine their ability to do so. On an annual basis, the Company is required to develop and maintain a capital plan, which includes planned dividends over a two-year horizon, and to submit the capital plan to the Federal Reserve for approval.

BANKS' DIVIDEND RESTRICTIONS

In the year ended December 31, 2011, Centurion Bank and FSB paid dividends from retained earnings to its parent of $1.5 billion and $550 million, respectively. No dividends were paid in 2010 and 2009.

The Banks are subject to statutory and regulatory limitations on their ability to pay dividends. The total amount of dividends which may be paid at any date, subject to supervisory considerations of the Banks' regulators, is generally limited to the retained earnings of the respective bank. As of December 31, 2011 and 2010, the Banks' retained earnings, in the aggregate, available for the payment of dividends were $4.6 billion and $3.6 billion, respectively. In determining the dividends to pay its parent, the Banks must also consider the effects on applicable risk-based capital and leverage ratio requirements, as well as policy statements of the federal regulatory agencies. In addition, the Banks' banking regulators have authority to limit or prohibit the payment of a dividend by the Banks under a number of circumstances, including, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound banking practice in light of the financial condition of the banking organization.

NOTE 24

COMMITMENTS AND CONTINGENCIES

LEGAL CONTINGENCIES

The Company and its subsidiaries are involved in a number of legal proceedings concerning matters arising in connection with the conduct of their respective business activities and are periodically subject to governmental examinations (including by regulatory authorities), information gathering requests, subpoenas, inquiries and investigations (collectively, governmental examinations). As of December 31, 2011, the Company and various of its subsidiaries were named as a defendant or were otherwise involved in numerous legal proceedings and governmental examinations in various jurisdictions, both in the United States and outside the United States. The Company discloses certain of its more significant legal proceedings and governmental examinations under "Legal Proceedings" in its Annual Report on Form 10-K for the year ended December 31, 2011 (Legal Proceedings).

The Company has recorded liabilities for certain of its outstanding legal proceedings and governmental examinations. A liability is accrued when it is both (a) probable that a loss with respect to the legal proceeding has occurred and (b) the amount of loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). The Company evaluates, on a quarterly basis, developments in legal proceedings and governmental examinations that could cause an increase or decrease in the amount of the liability that has been previously accrued.

The Company's legal proceedings range from cases brought by a single plaintiff to class actions with hundreds of thousands of putative class members. These legal proceedings, as well as governmental examinations, involve various lines of business of the Company and a variety of claims (including, but not limited to, common law tort, contract, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against the Company specify the damages claimed by the plaintiff, many seek a not-yet-quantified amount of damages or are at very early stages of the legal process. Even when the amount of damages claimed against the Company are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable the Company to estimate a range of possible loss.

Other matters have progressed sufficiently through discovery and/or development of important factual information and legal issues such that the Company is able to estimate a range of possible loss. Accordingly, for those legal proceedings and governmental examinations disclosed or referred to in Legal Proceedings as to which a loss is reasonably possible in future periods, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to $510 million in excess of the accrued liability (if any) related to those matters. This aggregate range represents management's estimate of possible loss with respect to these matters and is based on currently available information. This estimated range of possible loss does not represent the Company's maximum loss exposure. The legal proceedings and governmental examinations underlying the estimated range will change from time to time and actual results may vary significantly from the current estimate.

Based on its current knowledge, and taking into consideration its litigation-related liabilities, the Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding or governmental examination that would have a material adverse effect on the Company's consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other factors, the size of the loss or liability imposed and the level of the Company's income for that period.

VISA AND MASTERCARD SETTLEMENTS

As previously disclosed, the Company reached settlement agreements with Visa and MasterCard. Under the terms of the settlement agreements, the Company received aggregate maximum payments of $4.05 billion. The settlement with Visa comprised an initial payment of $1.13 billion ($700 million after-tax) that was recorded as a gain in 2007. Having met quarterly performance criteria, the Company recognized $280 million ($172 million after-tax) from Visa in each of the years 2011, 2010 and 2009, and $300 million ($186 million after-tax) from MasterCard in 2011, and $600 million ($372 million after-tax) from MasterCard in 2010 and 2009. These payments are included in other, net expenses within Corporate & Other. During the second and fourth quarter of 2011, the Company received the final payments on the MasterCard and Visa litigation settlements, respectively.

OTHER CONTINGENCIES

The Company also has contingent obligations to make payments under contractual agreements entered into as part of the ongoing operation of the Company's business, primarily with co-brand partners. The contingent obligations under such arrangements were approximately $5.3 billion as of December 31, 2011.

RENT EXPENSE AND LEASE COMMITMENTS

The Company leases certain facilities and equipment under noncancelable and cancelable agreements. The total rental expense amounted to $280 million in 2011, $250 million in 2010 and $362 million in 2009 (including lease termination penalties of $36 million).

As of December 31, 2011, the minimum aggregate rental commitment under all noncancelable operating leases (net of subleases of $27 million) was as follows:

(Millions)	
2012	**$ 255**
2013	**221**
2014	**201**
2015	**160**
2016	**119**
Thereafter	**1,048**
Total	**$ 2,004**

As of December 31, 2011, the Company's future minimum lease payments under capital leases or other similar arrangements is approximately $11 million per annum from 2012 through 2013, $12 million in 2014, $5 million in 2015 through 2016, and $29 million thereafter.

NOTE 25

REPORTABLE OPERATING SEGMENTS AND GEOGRAPHIC OPERATIONS

REPORTABLE OPERATING SEGMENTS

The Company is a leading global payments and travel company that is principally engaged in businesses comprising four reportable operating segments: USCS, ICS, GCS and GNMS.

The Company considers a combination of factors when evaluating the composition of its reportable operating segments, including the results reviewed by the chief operating decision maker, economic characteristics, products and services offered, classes of customers, product distribution channels, geographic considerations (primarily United States versus non-U.S.), and regulatory environment considerations. The following is a brief description of the primary business activities of the Company's four reportable operating segments:

- USCS issues a wide range of card products and services to consumers and small businesses in the United States, and provides consumer travel services to cardmembers and other consumers.
- ICS issues proprietary consumer and small business cards outside the United States.
- GCS offers global corporate payment and travel-related products and services to large and mid-sized companies.
- GNMS operates a global payments network which processes and settles proprietary and non-proprietary card transactions. GNMS acquires merchants and provides point-of-sale products, multi-channel marketing programs and capabilities, services and data, leveraging the Company's global closed-loop network. It provides ATM services and enters into partnership agreements with third-party card issuers and acquirers, licensing the American Express brand and extending the reach of the global network.

Corporate functions and auxiliary businesses, including the Company's publishing business, the Enterprise Growth Group (including the Global Prepaid Group), as well as other company operations are included in Corporate & Other.

Beginning in the first quarter of 2011, the Company changed its segment allocation methodology to better align segment reporting with the Company's previously announced management reorganization, which had been implemented over the several prior quarters. The reorganization included the formation of the Enterprise Growth Group, which is reported in Corporate & Other. The group consists of three core business units: Online and Mobile, Fee Based Services and Global Payment Options (formerly known as Global Prepaid). Starting in the first quarter of 2011, certain business activities such as LoyaltyEdge and Foreign Exchange Services (formerly known as Global Foreign Exchange Services) that were previously managed and reported in the USCS and GCS operating segments, respectively, are now managed by Enterprise Growth. The reorganization also included consolidation of certain corporate support functions into the Global Services organization. Greater centralization of activities has led to modifications in the costs being allocated from Corporate & Other to the reportable operating segments starting in the first quarter of 2011. Prior period segment results have been revised for these changes.

AMERICAN EXPRESS COMPANY

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The following table presents certain selected financial information as of or for the years ended December 31, 2011, 2010 and 2009.

(Millions, except where indicated)	USCS	ICS	GCS	GNMS	Corporate & Other [a]	Consolidated
2011						
Non-interest revenues	**$ 10,648**	**$ 4,361**	**$ 4,880**	**$ 4,713**	**$ 719**	**$ 25,321**
Interest income	**5,230**	**1,304**	**9**	**5**	**413**	**6,961**
Interest expense	**807**	**426**	**264**	**(224)**	**1,047**	**2,320**
Total revenues net of interest expense	**15,071**	**5,239**	**4,625**	**4,942**	**85**	**29,962**
Total provision	**687**	**268**	**76**	**75**	**6**	**1,112**
Pretax income (loss) from continuing operations	**4,129**	**762**	**1,075**	**1,979**	**(989)**	**6,956**
Income tax provision (benefit)	**1,449**	**39**	**337**	**686**	**(454)**	**2,057**
Income (loss) from continuing operations	**$ 2,680**	**$ 723**	**$ 738**	**$ 1,293**	**$ (535)**	**$ 4,899**
Total equity *(billions)*	**$ 8.8**	**$ 2.8**	**$ 3.6**	**$ 2.0**	**$ 1.8**	**$ 19.0**
2010						
Non-interest revenues	$ 9,884	$ 3,678	$ 4,347	$ 4,101	$ 703	$ 22,713
Interest income	5,390	1,393	7	4	498	7,292
Interest expense	812	428	227	(200)	1,156	2,423
Total revenues net of interest expense	14,462	4,643	4,127	4,305	45	27,582
Total provision	1,591	392	157	61	6	2,207
Pretax income (loss) from continuing operations	3,504	589	723	1,589	(441)	5,964
Income tax provision (benefit)	1,279	52	273	564	(261)	1,907
Income (loss) from continuing operations	$ 2,225	$ 537	$ 450	$ 1,025	$ (180)	$ 4,057
Total equity *(billions)*	$ 7.4	$ 2.2	$ 3.7	$ 1.9	$ 1.0	$ 16.2
2009						
Non-interest revenues	$ 9,443	$ 3,442	$ 3,882	$ 3,586	$ 859	$ 21,212
Interest income	3,216	1,509	5	1	600	5,331
Interest expense	568	427	180	(177)	1,209	2,207
Total revenues net of interest expense	12,091	4,524	3,707	3,764	250	24,336
Total provision	3,769	1,211	177	135	21	5,313
Pretax income (loss) from continuing operations	575	271	475	1,449	71	2,841
Income tax provision (benefit)	171	(59)	144	510	(62)	704
Income (loss) from continuing operations	$ 404	$ 330	$ 331	$ 939	$ 133	$ 2,137
Total equity *(billions)*	$ 6.0	$ 2.3	$ 3.7	$ 1.4	$ 1.0	$ 14.4

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

Total Revenues Net of Interest Expense

The Company allocates discount revenue and certain other revenues among segments using a transfer pricing methodology. Segments earn discount revenue based on the volume of merchant business generated by cardmembers. Within the USCS, ICS and GCS segments, discount revenue reflects the issuer component of the overall discount rate; within the GNMS segment, discount revenue reflects the network and merchant component of the overall discount rate. Total interest income and net card fees are directly attributable to the segment in which they are reported.

Provisions for Losses

The provisions for losses are directly attributable to the segment in which they are reported.

Expenses

Marketing, promotion, rewards and cardmember services expenses are reflected in each segment based on actual expenses incurred, with the exception of brand advertising, which is reflected in the GNMS segment. Rewards and cardmember services expenses are reflected in each segment based on actual expenses incurred within each segment. Salaries and employee benefits and other operating expenses reflect expenses such as professional services, occupancy and equipment and communications incurred directly within each segment. In addition, expenses related to the Company's support services, such as technology costs, are allocated to each segment based on support service activities directly attributable to the segment.

Other overhead expenses, such as staff group support functions, are allocated from Corporate & Other to the other segments based on each segment's relative level of pretax income. Financing requirements are managed on a consolidated basis. Funding costs are allocated based on segment funding requirements.

Capital

Each business segment is allocated capital based on established business model operating requirements, risk measures and regulatory capital requirements. Business model operating requirements include capital needed to support operations and specific balance sheet items. The risk measures include considerations for credit, market and operational risk.

Income Taxes

Income tax provision (benefit) is allocated to each business segment based on the effective tax rates applicable to various businesses that make up the segment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GEOGRAPHIC OPERATIONS

The following table presents the Company's total revenues net of interest expense and pretax income (loss) from continuing operations in different geographic regions:

(Millions)	United States	EMEA [a]	JAPA [a]	LACC [a]	Other Unallocated [b]	Consolidated
2011 [c]						
Total revenues net of interest expense	**$ 21,254**	**$3,551**	**$3,071**	**$2,706**	**$ (620)**	**$ 29,962**
Pretax income (loss) from continuing operations	**$ 6,971**	**$ 620**	**$ 430**	**$ 583**	**$ (1,648)**	**$ 6,956**
2010 [c]						
Total revenues net of interest expense	$ 19,976	$3,132	$2,630	$2,451	$ (607)	$ 27,582
Pretax income (loss) from continuing operations	$ 6,137	$ 444	$ 273	$ 469	$ (1,359)	$ 5,964
2009 [c]						
Total revenues net of interest expense	$ 17,328	$3,152	$2,229	$2,314	$ (687)	$ 24,336
Pretax income (loss) from continuing operations	$ 3,194	$ 319	$ 187	$ 276	$ (1,135)	$ 2,841

(a) EMEA represents Europe, Middle East and Africa; JAPA represents Japan, Asia/Pacific and Australia; and LACC represents Latin America, Canada and Caribbean.
(b) Other Unallocated includes net costs which are not directly allocable to specific geographic regions, including costs related to the net negative interest spread on excess liquidity funding and executive office operations expenses.
(c) The data in the above table is, in part, based upon internal allocations, which necessarily involve management's judgment. Certain revisions and reclassifications have been made to prior years' amounts to conform to 2011 presentation and internal allocation methodology.

NOTE 26

PARENT COMPANY

Parent Company — Condensed Statements of Income

Years Ended December 31 *(Millions)*	**2011**	2010	2009
Revenues			
Non-interest revenues			
Gain on sale of securities	**$ 15**	$ –	$ 211
Other	**3**	8	4
Total non-interest revenues	**18**	8	215
Interest income	**142**	136	142
Interest expense	**(633)**	(638)	(562)
Total revenues net of interest expense	**(473)**	(494)	(205)
Expenses			
Salaries and employee benefits	**173**	153	111
Other	**186**	117	161
Total	**359**	270	272
Pretax loss	**(832)**	(764)	(477)
Income tax benefit	**(346)**	(292)	(164)
Net loss before equity in net income of subsidiaries and affiliates	**(486)**	(472)	(313)
Equity in net income of subsidiaries and affiliates	**5,385**	4,529	2,450
Income from continuing operations	**4,899**	4,057	2,137
Income (loss) from discontinued operations, net of tax	**36**	–	(7)
Net income	**$ 4,935**	$ 4,057	$ 2,130

Parent Company — Condensed Balance Sheets

As of December 31 *(Millions)*	**2011**	2010
Assets		
Cash and cash equivalents	**$ 6,914**	$ 5,267
Investment securities	**360**	475
Equity in net assets of subsidiaries and affiliates of continuing operations	**17,374**	15,603
Accounts receivable, less reserves	**53**	831
Premises and equipment – at cost, less accumulated depreciation: 2011, $44; 2010, $41	**96**	73
Loans to affiliates	**5,132**	4,942
Due from subsidiaries	**1,363**	1,196
Other assets	**769**	458
Total assets	**$ 32,061**	$ 28,845
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and other liabilities	**$ 1,466**	$ 1,366
Due to affiliates	**823**	911
Short-term affiliate debt	**895**	–
Long-term debt	**10,083**	10,338
Total liabilities	**13,267**	12,615
Shareholders' equity		
Common shares	**232**	238
Additional paid-in capital	**12,217**	11,937
Retained earnings	**7,221**	4,972
Accumulated other comprehensive loss	**(876)**	(917)
Total shareholders' equity	**18,794**	16,230
Total liabilities and shareholders' equity	**$ 32,061**	$ 28,845

SUPPLEMENTAL DISCLOSURE

The Parent Company guarantees up to $40 million of indebtedness under a line of credit that its subsidiary has with a bank. As of December 31, 2011, there were no draw downs against this line.

Parent Company — Condensed Statements of Cash Flows

Years Ended December 31 *(Millions)*	2011	2010	2009
Cash Flows from Operating Activities			
Net income	**$ 4,935**	$ 4,057	$ 2,130
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in net (income) loss of subsidiaries and affiliates:			
– Continuing operations	**(5,385)**	(4,530)	(2,450)
– Discontinued operations	**(36)**	–	7
Dividends received from subsidiaries and affiliates	**3,773**	1,999	1,103
Gain on sale of securities	**(15)**	–	(211)
Other operating activities, primarily with subsidiaries	**671**	(39)	246
Net cash provided by operating activities	**3,943**	1,487	825
Cash Flows from Investing Activities			
Sale/redemption of investments	**20**	9	361
Premises and equipment	**(35)**	(32)	(20)
Loans to affiliates	**(189)**	(1,064)	2,665
Purchase of investments	**(2)**	(3)	–
Investments in affiliates	**(18)**	–	–
Net cash (used in) provided by investing activities	**(224)**	(1,090)	3,006
Cash Flows from Financing Activities			
Issuance of debt	**–**	–	3,000
Principal payment of debt	**(400)**	–	(505)
Short-term affiliate debt	**895**	–	–
Long-term affiliate debt	**–**	(15)	–
Issuance of American Express Series A preferred shares and warrants	**–**	–	3,389
Issuance of American Express common shares and other	**594**	663	614
Repurchase of American Express Series A preferred shares	**–**	–	(3,389)
Repurchase of American Express stock warrants	**–**	–	(340)
Repurchase of American Express common shares	**(2,300)**	(590)	–
Dividends paid	**(861)**	(867)	(924)
Net cash (used in) provided by financing activities	**(2,072)**	(809)	1,845
Net change in cash and cash equivalents	**1,647**	(412)	5,676
Cash and cash equivalents at beginning of year	**5,267**	5,679	3
Cash and cash equivalents at end of year	**$ 6,914**	$ 5,267	$ 5,679

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27

QUARTERLY FINANCIAL DATA (UNAUDITED)

(Millions, except per share amounts)	2011				2010			
Quarters Ended	**12/31**	**9/30**	**6/30**	**3/31**	12/31 [a]	9/30	6/30	3/31
Total revenues net of interest expense	**$ 7,742**	**$ 7,571**	**$ 7,618**	**$ 7,031**	$ 7,244	$ 6,973	$ 6,805	$ 6,560
Pretax income from continuing operations	**1,748**	**1,711**	**1,765**	**1,732**	1,477	1,640	1,595	1,252
Income from continuing operations	**1,192**	**1,235**	**1,295**	**1,177**	1,062	1,093	1,017	885
Income from discontinued operations	**–**	**–**	**36**	**–**	–	–	–	–
Net income	**1,192**	**1,235**	**1,331**	**1,177**	1,062	1,093	1,017	885
Earnings Per Common Share – Basic:								
Continuing operations	**$ 1.02**	**$ 1.04**	**$ 1.08**	**$ 0.98**	$ 0.88	$ 0.91	$ 0.84	$ 0.74
Discontinued operations	**–**	**–**	**0.03**	**–**	–	–	–	–
Net income	**$ 1.02**	**$ 1.04**	**$ 1.11**	**$ 0.98**	$ 0.88	$ 0.91	$ 0.84	$ 0.74
Earnings Per Common Share – Diluted:								
Continuing operations	**$ 1.01**	**$ 1.03**	**$ 1.07**	**$ 0.97**	$ 0.88	$ 0.90	$ 0.84	$ 0.73
Discontinued operations	**–**	**–**	**0.03**	**–**	–	–	–	–
Net income	**$ 1.01**	**$ 1.03**	**$ 1.10**	**$ 0.97**	$ 0.88	$ 0.90	$ 0.84	$ 0.73
Cash dividends declared per common share	**$ 0.18**	**$ 0.18**	**$ 0.18**	**$ 0.18**	$ 0.18	$ 0.18	$ 0.18	$ 0.18
Common share price:								
High	**$ 52.35**	**$ 53.80**	**$ 51.97**	**$ 46.93**	$ 46.78	$ 45.68	$ 49.19	$ 43.25
Low	**$ 41.30**	**$ 42.03**	**$ 45.10**	**$ 42.19**	$ 37.33	$ 38.42	$ 37.13	$ 36.60

(a) The results of operations for the quarter ended December 31, 2010 include restructuring charges in the amount of $98 million. Refer to Note 16 for further discussion of these items.

AMERICAN EXPRESS COMPANY

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(Millions, except per share amounts, share data, percentages and where indicated)	**2011**	2010	2009 [e]	2008 [e]	2007 [e]
Operating Results [a]					
Total revenues net of interest expense [b]	**$ 29,962**	$ 27,582	$ 24,336	$ 28,227	$ 27,462
Expenses [b]	**21,894**	19,411	16,182	18,848	17,665
Provisions for losses	**1,112**	2,207	5,313	5,798	4,103
Income from continuing operations	**4,899**	4,057	2,137	2,871	4,126
Income (Loss) from discontinued operations	**36**	–	(7)	(172)	(114)
Net income	**4,935**	4,057	2,130	2,699	4,012
Return on average equity [c]	**27.7%**	27.5%	14.6 %	22.3 %	37.3 %
Balance Sheet [a]					
Cash and cash equivalents [d]	**$ 24,893**	$ 16,356	$ 16,599	$ 21,651	$ 10,350
Accounts receivable, net	**44,109**	40,434	38,204	36,571	41,994
Loans, net	**61,166**	57,616	30,010	40,659	53,339
Investment securities	**7,147**	14,010	24,337	12,526	13,214
Assets of discontinued operations	**–**	–	–	216	22,278
Total assets [d]	**153,337**	146,689	125,145	127,178	151,215
Customer deposits	**37,898**	29,727	26,289	15,486	15,397
Travelers Cheques outstanding	**5,123**	5,618	5,975	6,433	7,197
Short-term borrowings	**3,424**	3,414	2,344	8,993	17,761
Long-term debt	**59,570**	66,416	52,338	60,041	55,285
Liabilities of discontinued operations	**–**	–	–	260	21,527
Shareholders' equity	**18,794**	16,230	14,406	11,841	11,029
Common Share Statistics					
Earnings per share:					
Income from continuing operations:					
Basic	**$ 4.11**	$ 3.37	$ 1.55	$ 2.47	$ 3.49
Diluted	**$ 4.09**	$ 3.35	$ 1.54	$ 2.47	$ 3.44
Income (Loss) from discontinued operations:					
Basic	**$ 0.03**	$ –	$ (0.01)	$ (0.14)	$ (0.09)
Diluted	**$ 0.03**	$ –	$ –	$ (0.15)	$ (0.10)
Net income:					
Basic	**$ 4.14**	$ 3.37	$ 1.54	$ 2.33	$ 3.40
Diluted	**$ 4.12**	$ 3.35	$ 1.54	$ 2.32	$ 3.34
Cash dividends declared per share	**$ 0.72**	$ 0.72	$ 0.72	$ 0.72	$ 0.63
Book value per share	**$ 16.15**	$ 13.56	$ 12.08	$ 10.21	$ 9.53
Market price per share:					
High	**$ 53.80**	$ 49.19	$ 42.25	$ 52.63	$ 65.89
Low	**$ 41.30**	$ 36.60	$ 9.71	$ 16.55	$ 50.37
Close	**$ 47.17**	$ 42.92	$ 40.52	$ 18.55	$ 52.02
Average common shares outstanding for earnings per share:					
Basic	**1,178**	1,188	1,168	1,154	1,173
Diluted	**1,184**	1,195	1,171	1,156	1,193
Shares outstanding at period end	**1,164**	1,197	1,192	1,160	1,158
Other Statistics					
Number of employees at period end *(thousands)* :					
United States	**29**	29	28	31	32
Outside the United States	**33**	32	31	35	36
Total [f]	**62**	61	59	66	68
Number of shareholders of record	**35,541**	38,384	41,273	43,257	50,216

(a) In 2007, the Company entered into an agreement to sell its international banking subsidiary, AEB, and its subsidiary that issues investment certificates to AEB's customers, AEIDC, to Standard Chartered subject to certain regulatory approvals. The results, assets and liabilities of AEB (except for certain components of the business which were not sold) are presented as discontinued operations.

(b) Beginning the first quarter of 2011, certain payments to business partners previously expensed in other, net expense were reclassified as contra-revenue within total non-interest revenues or as marketing and promotion expense. Amounts in prior periods for this item have been reclassified.

(c) Return on average equity is calculated by dividing one-year period of net income by one-year average of total shareholders' equity.

(d) In the first quarter of 2011, the Company reclassified $353 million, reducing both cash and cash due from banks, and other liabilities, on the December 31, 2010 Consolidated Balance Sheet from amounts previously reported to correct for the effect of a misclassification.

(e) Refer to Notes 1 and 7 in the Consolidated Financial Statements for a discussion of the impact of new GAAP governing consolidations and VIEs.

(f) Amounts include employees from discontinued operations.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Unless otherwise indicated, all of the voting securities of these subsidiaries are directly or indirectly owned by the registrant. Where the name of the subsidiary is indented, the voting securities of such subsidiary are owned directly by the company under which its name is indented.

Name	Country Name	State / Country of Incorporation
American Express Company	United States	New York
56th Street AXP Campus LLC	United States	Arizona
American Express Austria Bank GmbH	Austria	Austria
American Express Bank LLC	Russian Federation	Russia
American Express Bank Ltd. S.A.	Argentina	Argentina
American Express Banking Corp.	United States	Arizona
American Express International SA	Greece	Greece
American Express Travel Related Services Company, Inc.	United States	New York
Accertify, Inc.	United States	Delaware
American Express Bank (Mexico) S.A. Institucion de Banca Multiple	Mexico	Mexico
American Express Bank Services, S.A. de C.V.	Mexico	Mexico
American Express Bank, FSB	United States	Utah
American Express Receivables Financing Corporation IV LLC	United States	Delaware
American Express Business Loan Corporation	United States	Utah
American Express Centurion Bank	United States	Utah
American Express Receivables Financing Corporation III LLC	United States	Delaware
American Express Company (Mexico) S.A. de C.V.	Mexico	Mexico
American Express Bank (Mexico) S.A. Institucion de Banca Multiple	Mexico	Mexico
American Express Bank Services, S.A. de C.V.	Mexico	Mexico
American Express Insurance Services, Agente de Seguros, S.A. de C.V.	Mexico	Mexico
American Express Servicios Profesionales, S.A. de C.V.	Mexico	Mexico
American Express Insurance Services, Agente de Seguros, S.A. de C.V.	Mexico	Mexico
American Express Credit Corporation	United States	Delaware
AE Exposure Management Limited	Jersey	Jersey
AEOCC Management Company Limited	Jersey	Jersey
American Express Capital Australia	Australia	New South Wales
American Express Credit Mexico, LLC	United States	Delaware
Fideicomiso Empresarial Amex	Mexico	Mexico
American Express Overseas Credit Corporation Limited	Jersey	Jersey
AEOCC Management Company Limited	Jersey	Jersey
American Express Funding (Luxembourg) S.a.r.l	Luxembourg	Luxembourg
American Express Overseas Credit Corporation N.V.	Netherlands Antilles	Netherlands Antilles
AE Hungary Holdings Limited Liability Company	Hungary	Hungary
American Express Canada Credit Corporation	Canada	Canada
American Express Canada Finance Limited	Canada	Canada
American Express Jersey Finance Limited	Jersey	Jersey
Credco Receivables Corp.	United States	Delaware
American Express Europe Limited	United States	Delaware
American Express Global Financial Services Inc.	United States	Delaware
American Express GP Japan K.K.	Japan	Japan
American Express Insurance Agency of Puerto Rico, Inc.	Puerto Rico	Puerto Rico
American Express International (NZ), Inc.	United States	Delaware

Name	Country Name	State / Country of Incorporation
American Express Limited	United States	Delaware
American Express (India) Private Limited	India	New Delhi
American Express (Malaysia) SDN. BHD.	Malaysia	Malaysia
American Express Bank Ltd. S.A.	Argentina	Argentina
American Express Brasil Assessoria Empresarial Ltda.	Brazil	Brazil
American Express Company (Mexico) S.A. de C.V.	Mexico	Mexico
American Express European Holdings B.V.	Netherlands	Netherlands
Alpha Card Merchant Services S.C.R.L./C.V.B.A.	Belgium	Belgium
Alpha Card S.C.R.L./C.V.B.A.	Belgium	Belgium
Alpha Card Merchant Services S.C.R.L./C.V.B.A.	Belgium	Belgium
BCC Corporate NV/SA	Belgium	Belgium
BCC Corporate NV/SA	Belgium	Belgium
American Express International (B) SDN BHD	Brunei Darussalam	Brunei Darussalam
American Express International, Inc.	United States	Delaware
AE Exposure Management Limited	Jersey	Jersey
American Express (India) Private Limited	India	New Delhi
American Express (Thai) Company Limited	Thailand	Thailand
American Express Argentina S.A.	Argentina	Argentina
American Express Asia Network Consulting (Beijing) Limited Company	China	China
American Express Brasil Assessoria Empresarial Ltda.	Brazil	Brazil
American Express Capital Australia	Australia	New South Wales
American Express Company (Mexico) S.A. de C.V.	Mexico	Mexico
American Express Continental, LLC	United States	Delaware
“AMERICAN EXPRESS INTERNATIONAL SERVICES” Limited Liability Company	Russian Federation	Russia
American Express Australia Limited	Australia	Victoria
American Express Wholesale Currency Services Pty Limited	Australia	New South Wales
Centurion Finance Limited	New Zealand	New Zealand
American Express Corporate Travel BVBA	Belgium	Belgium
American Express Dutch Capital, LLC	United States	Delaware
American Express Holdings Netherlands CV	Netherlands	Netherlands
American Express Euro Travel Holdings B.V.	Netherlands	Netherlands
American Express Business Travel AB	Sweden	Sweden
American Express Business Travel ApS	Denmark	Denmark
American Express Business Travel AS	Norway	Norway
American Express Corporate Travel BVBA	Belgium	Belgium
American Express Hungary Travel Related Services Ltd.	Hungary	Hungary
American Express Poland S.A.	Poland	Poland
American Express Travel Services Vostok LLC	Russian Federation	Russia
“AMERICAN EXPRESS INTERNATIONAL SERVICES” Limited Liability Company	Russian Federation	Russia
American Express, spol. s.r.o.	Czech Republic	Czech Republic
Uvet American Express Corporate Travel S.p.A.	Italy	Italy
Congress Lab S.r.l.	Italy	Italy
American Express, spol. s.r.o.	Czech Republic	Czech Republic
Amex NL Holdings 99, LLC	United States	Jersey
American Express Holdings Netherlands CV	Netherlands	Netherlands

Name	Country Name	State / Country of Incorporation
American Express Services Europe Limited	United Kingdom	United Kingdom
Loyalty Partner Holdings S.A.	Luxembourg	Luxembourg
LB Luxembourg Two S.a.r.l.	Luxembourg	Luxembourg
Loyalty Partner GmbH	Germany	Germany
emnos GmbH	Germany	Germany
Loyalty Partner Singapore Pte Ltd.	Singapore	Singapore
Loyalty Solutions & Research Pte Ltd.	India	India
Loyalty Partner Solutions GmbH	Germany	Germany
LP Management Verwaltung GmbH	Germany	Germany
Payback GmbH	Germany	Germany
emnos GmbH	Germany	Germany
emnos Iberia S.L	Spain	Spain
emnos S.a.r.l.	France	France
emnos UK Ltd.	United Kingdom	United Kingdom
emnos USA Corp.	United States	Delaware
Loyalty Partner Polska Sp. z.o.o.	Poland	Poland
Loyalty Partner Polska Sp. Z.o.o. Sp komandytowa	Poland	Poland
Loyalty Partner Polska Sp. Z.o.o. Sp komandytowa	Poland	Poland
Amex Funding Management (Europe) Limited	Jersey	Jersey
Amex Global Holdings C.V.	Jersey	Netherlands
American Express Denmark A/S	Denmark	Denmark
American Express Europe Limited	United States	Delaware
American Express Company (Mexico) S.A. de C.V.	Mexico	Mexico
American Express European Holdings B.V.	Netherlands	Netherlands
American Express Group Services Limited	United Kingdom	United Kingdom
American Express Holding AB	Sweden	Sweden
Forsakringsaktiebolaget Viator	Sweden	Sweden
American Express Holdings Limited	United Kingdom	United Kingdom
American Express Insurance Services Europe Limited	United Kingdom	United Kingdom
American Express Services Europe Limited	United Kingdom	United Kingdom
Alpha Card S.C.R.L./C.V.B.A.	Belgium	Belgium
American Express International (B) SDN BHD	Brunei Darussalam	Brunei Darussalam
American Express International (Taiwan), Inc.	Taiwan	Taiwan
Amex Taiwan Trust	United States	Delaware
American Express International Holdings, LLC	United States	Delaware
American Express Argentina S.A.	Argentina	Argentina
American Express Holdings (France) SAS	France	France
American Express France SAS	France	France
American Express Canada Holdings B.V.	Netherlands	Netherlands
Amex Canada Inc.	Canada	Canada
American Express Carte France SA	France	France
American Express Paris SAS	France	France
American Express Services SA	France	France
American Express Paris SAS	France	France
American Express Voyages SAS	France	France

Name	Country Name	State / Country of Incorporation
American Express Management	France	France
American Express France Finance SNC	France	France
American Express International SA	Greece	Greece
American Express Japan Co., Ltd.	Japan	Japan
American Express Locazioni Finanziarie s.r.l.	Italy	Italy
American Express Payment Services Limited	United Kingdom	United Kingdom
American Express Services India Limited	India	New Delhi
American Express Swiss Holdings GmbH	Switzerland	Switzerland
Swisscard AECS AG	Switzerland	Switzerland
American Express Travel (Singapore) Pte. Ltd.	Singapore	Singapore
American Express Travel Holdings (Hong Kong) Limited	Hong Kong	Hong Kong
CITS American Express Air Services Limited	China	China
CITS American Express Southern China Air Services Limited	China	China
CITS American Express Travel Services Limited	China	China
Farrington American Express Travel Services Limited	Hong Kong	Hong Kong
Amex Broker Assicurativo s.r.l.	Italy	Italy
Amex General Insurance Agency, Inc.	Taiwan	Taiwan
Amex Life Insurance Marketing, Inc.	Taiwan	Taiwan
Amex Taiwan Trust	United States	Delaware
Amex Travel Holding (Japan) Limited	Japan	Japan
American Express Nippon Travel Agency, Inc.	Japan	Japan
Interactive Transaction Solutions Limited	United Kingdom	United Kingdom
Interactive Transactions Solutions SAS	France	France
PT American Express Indonesia	Indonesia	Indonesia
Sociedad Internacional de Servicios de Panama S.A.	Panama	Panama
TransUnion Limited	Hong Kong	Hong Kong
Amex Al Omania LLC	Oman	Oman
Amex Egypt Company Limited Liability Company	Egypt	Egypt
PT American Express Indonesia	Indonesia	Indonesia
TRS Card International, Inc.	United States	Delaware
American Express de Espana, S.A. (Sociedad Unipersonal)	Spain	Spain
American Express Card Espana, S.A.U.	Spain	Spain
American Express Foreign Exchange, S.A. (Sociedad Unipersonal)	Spain	Spain
American Express Viajes, S.A. (Sociedad Unipersonal)	Spain	Spain
American Express Barcelo Viajes SL	Spain	Spain
Amex Asesores de Seguros, S.A. (Sociedad Unipersonal)	Spain	Spain
American Express Marketing & Development Corp.	United States	Delaware
American Express Prepaid Card Management Corporation	United States	Arizona
American Express Publishing Corporation	United States	New York
American Express Receivables Financing Corporation II	United States	Delaware
American Express Receivables Financing Corporation V LLC	United States	Delaware
American Express Servicios Profesionales, S.A. de C.V.	Mexico	Mexico
Amex (Middle East) B.S.C. (closed)	Bahrain	Bahrain
Amex (Saudi Arabia) Limited	Saudi Arabia	Saudi Arabia
Amex Al Omania LLC	Oman	Oman
Amex Egypt Company Limited Liability Company	Egypt	Egypt

Name	Country Name	State / Country of Incorporation
Amex Bank of Canada	Canada	Canada
Amex Card Services Company	United States	Delaware
Amex Services, Inc.	United States	Delaware
vente-privee USA, LLC	United States	Delaware
Asesorías e Inversiones American Express Chile Limitada	Chile	Chile
Bansamex, S.A.	Spain	Spain
Cardmember Financial Services Limited	Jersey	Jersey
TRS Card International, Inc.	United States	Delaware
Cavendish Holdings, Inc.	United States	Delaware
Serve Virtual Enterprises, Inc.	United States	Delaware
Sometrics, Inc.	United States	California
Southern Africa Travellers Cheque Company (Pty) Ltd	South Africa	South Africa
Travel Impressions, Ltd.	United States	Delaware
Travellers Cheque Associates Limited	United Kingdom	United Kingdom
AMEX Assurance Company	United States	Arizona
Amexco Insurance Company	United States	Vermont
National Express Company, Inc.	United States	New York
Asesorías e Inversiones American Express Chile Limitada	Chile	Chile
Rexport, Inc.	United States	Delaware
Drillamex, Inc.	United States	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements (Form S-8 No. 2-46918, No. 2-59230, No. 2-64285, No. 2-73954, No. 2-89680, No. 33-01771, No. 33-02980, No. 33-28721, No. 33-33552, No. 33-36442, No. 33-48629, No. 33-62124, No. 33-65008, No. 33-53801, No. 333-12683, No. 333-41779, No. 333-52699, No. 333-73111, No. 333-38238, No. 333-98479 and No. 333-142710; Form S-3 No. 2-89469, No. 333-32525 and No. 333-162791) of American Express Company of our report dated February 24, 2012, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the 2011 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 24, 2012

EXHIBIT 31.1

CERTIFICATION

I, Kenneth I. Chenault, certify that:

1. I have reviewed this annual report on Form 10-K of American Express Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ Kenneth I. Chenault
Kenneth I. Chenault
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Daniel T. Henry, certify that:

1. I have reviewed this annual report on Form 10-K of American Express Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ Daniel T. Henry
Daniel T. Henry
Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of American Express Company (the "Company") for the fiscal year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kenneth I. Chenault, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth I. Chenault
Name: Kenneth I. Chenault
Title: Chief Executive Officer
Date: February 24, 2012

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.1 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of American Express Company (the "Company") for the fiscal year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Daniel T. Henry, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel T. Henry
Name: Daniel T. Henry
Title: Chief Financial Officer
Date: February 24, 2012

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being "filed" as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32.2 is expressly and specifically incorporated by reference in any such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.