Table of Contents

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, 2012

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**	**10285**
(Address of principal executive offices)	*(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 a 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.

Table of Contents

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a 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, 2012, the aggregate market value of the registrant's voting shares held by non-affiliates of the registrant was approximately $66.1 billion based on the closing sale price as reported on the New York Stock Exchange.

As of February 15, 2013, there were 1,104,651,022 common shares of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II and IV: Portions of Registrant's 2012 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 29, 2013.

TABLE OF CONTENTS

Form 10-K Item Number		Page
	PART I	
1.	Business	
	Introduction	1
	Global Network & Merchant Services	4
	U.S. Card Services	14
	International Card Services	24
	Global Commercial Services	25
	Corporate & Other	29
	Supervision and Regulation	33
	Foreign Operations	51
	Segment Information and Classes of Similar Services	51
	Executive Officers of the Company	51
	Employees	53
	Guide 3 — Statistical Disclosure by Bank Holding Companies	54
1A.	Risk Factors	70
1B.	Unresolved Staff Comments	88
2.	Properties	88
3.	Legal Proceedings	88
4.	Mine Safety Disclosures	93
	PART II	
5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	94
6.	Selected Financial Data	95
7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	95
7A.	Quantitative and Qualitative Disclosures about Market Risk	95
8.	Financial Statements and Supplementary Data	95
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	95
9A.	Controls and Procedures	95
9B.	Other Information	96
	PART III	
10.	Directors, Executive Officers and Corporate Governance	96
11.	Executive Compensation	96
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	96
13.	Certain Relationships and Related Transactions, and Director Independence	96
14.	Principal Accounting Fees and Services	97
	PART IV	
15.	Exhibits, Financial Statement Schedules	97
	Signatures	98
	Index to Financial Statements	F-1
	Exhibit Index	E-1

Table of Contents

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 services 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, as amended (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.

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, that leverage new technologies and customers' existing card accounts and bank relationships to create payment or other fee-based solutions. We are transforming our existing businesses and creating new products and services for the digital marketplace as we increase our share of online spend, enhance our customers' digital experiences and develop platforms for online and mobile commerce.

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, 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.

* 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.

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

2012 Highlights

Compared with 2011, we delivered:

- Total revenues net of interest expense of $31.6 billion, up 5 percent from $30.0 billion
- Net income of $4.5 billion, down 9 percent from $4.9 billion
- Diluted earnings per share based on net income attributable to common shareholders of $3.89, down 6 percent from $4.12
- Return on average equity of 23.1 percent, compared with 27.7 percent

Our results for 2012 continued to reflect strong spending growth and credit performance in both the United States and internationally. The rate of growth was, however, slower than in the prior year, reflecting in part the impact of a challenging global economic environment. We also saw our average loans continue to grow modestly year over year, leading to a 6 percent growth in net interest income while lending loss rates are near all-time lows. Results for 2012 were impacted by three charges taken in the fourth quarter of 2012 related to restructuring of $400 million, Membership Rewards estimation process enhancements of $342 million and cardmember reimbursements of $153 million in addition to amounts incurred in prior quarters during the year.

For a complete discussion of our 2012 financial results, including financial information regarding each of our reportable operating segments, see pages 16-114 of our 2012 Annual Report to Shareholders, which is incorporated herein by reference. For a discussion of our principal sources of revenue, see pages 65-66 of our 2012 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 fraud prevention services and the design of customized customer loyalty and rewards programs

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 generally charged to merchants when cardmembers (“Cardmembers”) use their cards to purchase goods and services at merchants on our network
- Net card fees, which represent revenue earned for annual 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
- Interest on loans, which principally represent interest income earned on outstanding balances

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 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, 2012, we had total worldwide Cards-in-force of 102.4 million (including Cards issued by third parties). In 2012, our worldwide billed business (spending on American Express ® Cards, including Cards issued by third parties) was $888.4 billion.

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 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 (as a card issuer) and our merchants (as an acquirer), 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 Cardmember data, including information on Cardmember spending, in compliance with our privacy, data protection, information security and firewall policies; applicable privacy, data protection and information security laws, rules and regulations (hereinafter, "Privacy, Data Protection and Information Security Laws"); and antitrust and other 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 revenue that allows 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, and our programs, products and services are evidence of our commitment to its attributes. 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 and services, multi-channel marketing programs and capabilities, services and data, leveraging our global closed-loop network. It 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 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 148 Card-issuing and/or merchant-acquiring arrangements with banks and other institutions in 160 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 financial 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 2012, GNS signed 12 new partners to issue Cards and/or acquire merchants on the American Express network, including new card-issuing partnerships with Scotiabank in Canada, China Mingsheng Banking Corp., Ltd in China, Uralsib in Russia and a new partnership with G-Xchange, Inc. to develop an online payment solution in the Philippines. GNS also supported existing partners in launching approximately 84 new products during 2012, with the total number of American Express-branded GNS partner products standing at over 1,000. New products launched in 2012 include the Centurion ® Card from American Express issued by Industrial and Commercial Bank of China and by China Merchants Bank in China; the JAL American Express ® Card issued by Mitsubishi UFJ Nicos in Japan; Blue from American Express ® issued by Russian Standard Bank in Russia; the EASY Card issued by Garanti Bank in Turkey; the EZ Link Imagine American Express ® Prepaid Card issued by EZ Link Pte Ltd in Singapore; and American Express ® Virtual Pay issued by Tenpay in China. GNS also continues to expand the airline co-brand products issued through GNS relationships, launching 4 new airline co-brands in 2012 bringing the total to 61 airline co-brand GNS 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 transaction volume onto our merchant network and increasing the number of merchants choosing to accept 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 22%, and totaled over 37 million Cards at the end of 2012. Outside the United States, approximately 78% of new Cards issued in 2012 were Cards issued by GNS partners. Spending on GNS Cards has grown at a compound annual rate of 24% since 1999. Year-over-year spending growth on these Cards in 2012 was 10%, with total spending equal to $129 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 2012, 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 partners are licensed to issue local currency Cards in their countries, including the American Express classic Green, Gold and Platinum Card ®. In addition, most 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.

** 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.

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 2012, we had 77 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 NCL issuer and fees charged to the NCL 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 NCL 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 issuer'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 accept Cards on 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

Our GMS business builds and maintains relationships with merchants, processes Card transactions and settles with merchants that choose to accept Cards for Card purchases ("Charges"). We sign merchants to accept Cards and provide marketing information and other programs and services to merchants, leveraging the capabilities provided by our closed-loop network. We also offer point-of-sale products and services, support for Card acceptance, fraud prevention and other value-added services. Continued investments in the GMS business were a key priority in 2012 and will remain so in 2013.

Our objective is for Cardmembers to be able to use the Card wherever and however they desire, and to increase merchant acceptance in key geographic areas and industries that have not traditionally accepted the Card. We add new merchants to our network through a number of sales channels: an in-house 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 2012, we continued expanding our integrated American Express OnePoint ® program by adding third-party agents to service many of our small- and medium-sized merchants in the United States. Under this program, third-party service agents identify potential new merchants and 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 have similar arrangements in Spain with La Caixa and in Mexico with Elavon.

GMS continues to expand the number of merchants that accept our Cards 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. In 2012, only 27% 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 payment 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 2012, 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 and insurance. We also continued our drive to expand Card acceptance for retail, everyday and business-to-business spending categories.

Globally, acceptance of general-purpose cards continues to increase. As in prior years, during 2012, 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 2012, our merchant network in the United States accommodated more than 90% of our Cardmembers' general-purpose 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 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.

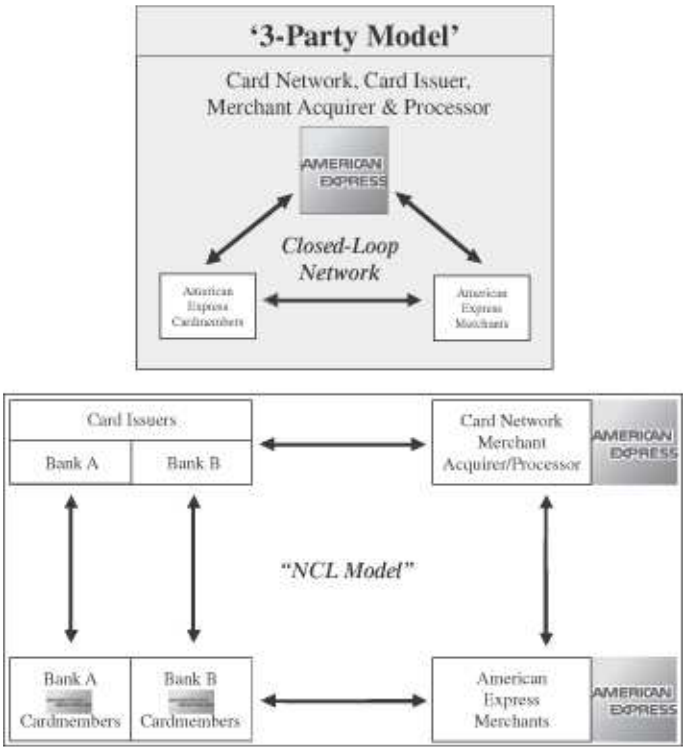
Discount Revenue

We earn "discount" revenue from fees charged to merchants for accepting Cards as payment for goods or services sold. The merchant discount, or discount rate, is a 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 as part of the merchant discount. The merchant discount is generally deducted from the amount of the payment that the "merchant acquirer" (in most cases, 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. We may also charge additional fees to merchants, such as a variable fee for "non-swiped" Card transactions or for transactions using Cards issued outside the United States and used at merchants located in the United States.

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 GNS Card issuer, who receives an issuer rate (i.e., the individually negotiated amount that GNS 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 GNS 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 network 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 Inc. ("Visa") and MasterCard International, Inc. ("MasterCard"), there is no collectively set interchange rate on the American Express network and no fees are agreed or due between third-party banks or financial institutions on the 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, our dedicated client management group, and other investments that 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 (e.g., local or global) and the Charge amount. In the United States and Canada, we charge a different discount rate for our prepaid cards.

In recent years, we experienced some reduction in our global weighted average merchant discount rate. The average discount rate was 2.52 percent and 2.54 percent for 2012 and 2011, respectively. Over time, certain repricing initiatives, changes in the mix of spending by location and industry, an increase in the amount of prepaid products, volume-related pricing discounts and strategic investments will likely result in further erosion of the average discount rate. In addition, differentiated payment models from non-traditional players in the alternative payments space (such as PayPal and Square) could pose challenges to our traditional payment model and adversely impact our average discount rate or our ability to access transaction data through our closed-loop network.

While we believe 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 meet our Cardmembers' expectations 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 marketing programs such as our Small Business Saturday ® event targeted to encourage Cardmembers to shop at small merchants; providing earlier and more frequent communication of our value proposition; and have the right, when appropriate, to terminate Card acceptance agreements with merchants who seek to suppress the use of our Card products. We have a client management organization dedicated to growing our merchants' 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 merchants.

The laws of ten 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. In addition, the settlement by MasterCard and Visa in a U.S. merchant class litigation (which has been given preliminary, but not final, approval by the trial court) requires, among other things, MasterCard and Visa to permit U.S. merchants, subject to certain conditions, to surcharge credit cards, while allowing them to continue to prohibit surcharges on debit card transactions. Our Card acceptance agreements with merchants generally do not prohibit merchants from surcharging our Cardmembers. However, where permitted by local law, our Card acceptance agreements generally include a provision under which the merchant agrees not to discriminate against the Card, such as by surcharging higher amounts on purchases with the Card than on purchases with any other cards the merchant accepts or by imposing a surcharge only on Card purchases, but not on purchases made with other cards. American Express 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 on the potential impacts of surcharging on our business, see " *An increasing prevalence of surcharging by merchants could materially adversely affect our business and results of operations* " in "Risk Factors" below.

Enhancing Merchant Satisfaction

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. In the United States, we also offer our merchants 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.

In 2012, we continued to connect merchants and Cardmembers via our Card Sync platform and Smart Offer APIs, launching "Sync, Tweet, Save" with Twitter for U.S. Cardmembers and "Sync, Unlock, Score" with the online entertainment service from Microsoft, Xbox LIVE, for Cardmembers in the United States and the United Kingdom. We also launched offers via foursquare in the United Kingdom and My Offers in the United States, a mobile offer engine that recommends and ranks relevant merchant offers in real time for U.S. Cardmembers based on their individual "spend graphs." A pilot of My Offers on the American Express iPhone app made available local offers for Cardmembers in Los Angeles and New York City and certain offers for Cardmembers nationwide.

We offer fraud prevention services to merchants for transactions on the American Express network, and our subsidiary, Accertify Inc., which we acquired in November 2010, is a leading provider of solutions that help merchants combat fraudulent online and other card-not-present transactions. Accertify provides a hosted software application that offers an extra level of security for transactions on any of the major payment networks, including American Express, Visa, MasterCard, Discover and PayPal, or using any other alternative payment method. Accertify also offers merchants the option to outsource their end-to-end fraud management process to Accertify and provides other value-added services.

We also offer Merchant Financing, a set of financing products that provides qualified merchants with access to a convenient source of financing for their business needs through their relationship with American Express. The financing offered is a commercial loan, which is repaid automatically through the merchant's daily Charge submissions and accompanied by low fixed fees.

Our closed-loop network and relationships allow us to analyze merchant data and information on Cardmember spending. This enables us to offer a range of targeted marketing services, network capabilities and special offers for the benefit of merchants and Cardmembers through a variety of channels. At the same time, we protect the confidentiality of Cardmember information, including information on Cardmember spending, in compliance with our privacy, data protection, information security and firewall policies, applicable Privacy, Data Protection and Information Security Laws, and antitrust and other applicable legal requirements. We also work closely with our Card-issuing and merchant-acquiring partners to maintain the information that supports key elements of this closed loop, providing value to Cardmembers and merchants.

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, designed to help drive secure and interoperable payments globally. Our goal is to make it easier for merchants to accept our Cards, for Cardmembers to have seamless experiences at the point of sale, and for issuers and acquirers that have more than one network relationship to have a uniform technology standard across their card products and platforms, respectively. These efforts are particularly important as emerging technologies such as contactless cards and mobile phones move the payment 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 are important.

Billing Disputes

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 establishing reserves of 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.

Global Network & Merchant Services—Competition

Our global card network 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 fourth largest general-purpose card network on a global basis based on purchase volume, behind Visa, MasterCard and China UnionPay. 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 other 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 and mobile 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, Square and Amazon), wireless payment technologies (including using mobile telephone networks to carry out transactions), electronic wallet providers, 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 media and 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 and aggregators 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, competition remains fierce for capturing and maintaining online spend in the ever-increasing digital world, and alternative business models present a significant challenge. For example, unlike us, aggregators like PayPal have the ability to provide payment services to merchants for multiple payment networks. In addition, new entrants to the digital payments space such as online, social media, telecommunications and technology companies represent additional competitive and potentially disintermediating factors in the card payment industry given the scale of their customer relationships and large cash reserves and other resources available to develop new platforms and technologies, and their strategies to use payments as a tool to support other sources of revenue.

To the extent alternative payment mechanisms and systems, such as aggregators, continue to expand successfully, 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. Efforts by some card networks, payment providers and non-traditional competitors to replicate the closed loop reflect its continued value and the intensely competitive environment in which we operate.

In some markets outside the United States, particularly in Asia, third-party processors and some acquirers offer merchants the capability of converting payment 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.

In addition to the discussion in this section, see “ *Our operating results may suffer because of substantial and increasingly intense competition worldwide in the payments industry* ” in “Risk Factors” below for further discussion of the potential impact of competition on our business.

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 aggregators add merchants to the American Express network, we have expanded our due diligence to review aggregators' AML and "know your customer" policies and controls, and retain the right to require termination of merchants' Card acceptance under appropriate circumstances. 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" below.

Over the last decade, 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 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. For this reason, as well as the fact that Visa and MasterCard are the dominant card networks, the regulators' focus has primarily been on these networks. For example, in December 2007 the European Commission ("EC") ruled that MasterCard's multilateral interchange fees ("MIF") for cross-border payment card transactions violate EC Treaty rules on restrictive business practices, which was upheld by the European General Court in 2012. In 2008, the EC 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 EC accepted Visa Europe's pledge to cut its cross-border debit card MIF to 20 basis points for four years. While American Express was not a party to the MasterCard and Visa proceedings, antitrust actions and government regulation relating to merchant pricing could ultimately affect all networks. Among other things, 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 electronic debit transactions (which include transactions using a debit card or general-use prepaid card) and to enforce a 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 provided they meet certain requirements, although all prepaid cards are subject to the exclusive network routing restrictions for electronic debit transactions. The Federal Reserve's rule 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 the rule. As a result, American Express is not subject to this rule with regard to the prepaid cards it issues. In addition to the discussion in this section, see " *The Dodd-Frank Wall Street Reform and Consumer Protection Act may continue to have a significant adverse impact on our business, results of operations and financial condition* " in "Risk Factors" below for further discussion of the potential impact resulting from the implementation of the Federal Reserve's 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 Dodd-Frank, customers may be incentivized by merchants to move away from the use of charge and credit card products to other forms of payment with lower costs and interchange fees, such as debit cards, which could adversely affect our revenues and profitability.

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 these regulation-driven 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. We have seen selective, but increasing, merchant surcharging on our Cards in Australia in certain industries and, in some cases, on a basis that is greater than that applied to cards issued on the bankcard networks. In June 2012, the Reserve Bank of Australia announced changes to the Australian surcharging standards that will come into force on March 18, 2013, which will allow us and other networks to limit a merchant's right to surcharge to "the reasonable cost of card acceptance." This could lead to an increase in higher surcharges on American Express Cards.

In recent 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 EC 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 interchange fees, non-discrimination and honor-all-cards rules and contract provisions, surcharging, separation of processing from card network management, perceived barriers to cross-border acquiring, mobile payments and technical standardization. The EC has completed a consultation period and is expected to issue its preliminary conclusions in early 2013. These conclusions may involve proposals for regulation or recommendations for self-regulation and could take up to 18-24 months to adopt and implement.

In the last few years, the Member States of the European Economic Area implemented a 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 merchants to offer discounts for particular forms of payment. In 2012, the EC commenced a review of the PSD, and its recommendations are expected in early 2013 together with the outcome of the Green Paper consultation discussed above. 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. Compliance with the PSD, SEPA and related requirements has involved significant costs to implement and maintain. In addition, the 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 in those Member States that permit surcharging pursuant to the PSD. The Consumer Rights Directive provides no guidance to merchants on how to assess the cost of acceptance or take into account the relative value of different payment methods. A cost-based limit on surcharging could result in merchants

imposing higher surcharges on American Express transactions if, in the absence of clear guidance, merchants take the position that the cost of American Express acceptance is higher than other payment cards. The Member States have until the end of 2013 to adopt this legislation.

In 2010, the Canadian Competition Bureau commenced a proceeding 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. Hearings were held in June 2012 and a decision of the Canadian Competition Tribunal is pending. While the Competition Bureau did not name American Express in its proceeding, this action evidences the strong regulatory and judicial focus on this area, which could have indirect implications for American Express.

Governments in some countries provide resources or protection to select domestic payment card networks. Such support could keep us from entering these countries, to force us to leave or to restrict substantially our activities there, which could adversely affect our ability to maintain or increase our revenues and extend our global network. For example, the government of China continues to maintain regulations that substantially favor China UnionPay, the dominant retail payments network in the Chinese domestic market. A recent decision of the World Trade Organization on this issue may lead to the further opening of the payments systems in China, although there can be no assurance as to the extent or pace of change.

In some countries in Asia, governments have established regulatory regimes that require international card networks to be locally licensed and/or to localize aspects of their operations. For example, card network operators in India must obtain authorization from the Reserve Bank of India, which has broad power under the Payment and Settlement Systems Act 2007 to regulate the membership and operations of card networks. In Indonesia, bank regulations require participants in a card payment and settlement business to obtain a license and establish a local legal entity. Requirements to process transactions locally have been proposed in Thailand and introduced in Taiwan. The development and enforcement of official regulatory policy under these and other similar laws and regulations in international markets may adversely affect our ability to maintain or increase our revenues and extend our global network.

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, which is described under “Corporate & Other” below.

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 solutions to support the everyday business operations of our small business customers
- Providing exceptional customer service
- Providing opportunities to drive spending and loyalty programs in digital channels

In August 2012, 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 sixth 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 small business charge Cards. We also offer revolving credit Cards such as Blue from American Express ® , the Blue Cash ® Everyday Card from American Express, Blue Sky from American Express ® and, for small businesses, Blue for Business ® Credit Card and SimplyCash ® Business Card. In addition, we offer a variety of Cards sponsored by and co-branded with other corporations and institutions for consumers and small businesses, such as the Delta SkyMiles ® Credit Card from American Express, TrueEarnings ® Card exclusively for Costco members, Starwood Preferred Guest ® Credit Card, JetBlue Card from American Express and Lowe's Business Rewards Card. For the year ended December 31, 2012, billed business from charge Cards comprised 58% of total U.S. Card Services billed business. We also offer deposit products directly to consumers through American Express Personal Savings.

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 banking regulators, identified in the table below. In addition, Centurion Bank, AEBFSB and their affiliates, including the Company and TRS, 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 of 2010 (the "CFPA") and the Truth in Lending Act ("TILA"). 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. A further discussion of the AML initiatives affecting us can be found under "Supervision and Regulation" 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 ("UDFI") 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, online and other remote marketing channels	• Direct mail, online and other remote marketing channels • In-person marketing, including by 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 1 risk-based capital, total risk-based capital and Tier 1 leverage ratios at December 31, 2012*	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 1 risk-based capital ratio of at least 6%, a total risk-based capital ratio of at least 10% and a Tier 1 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" 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. 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 provides eligible U.S. Cardmembers the ability 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, Blue Sky from American Express ® and Blue for Business ® Card, 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.

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. In some cases, 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 2012, we launched two new co-branded Cards: The Morgan Stanley Credit Card from American Express and The Platinum Card ® from American Express exclusively for Morgan Stanley. The new Cards offer exclusive benefits for Morgan Stanley clients with eligible brokerage accounts.

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 optional services (e.g., Travel 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" beginning on page 37 of our 2012 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 charities. A significant portion of our Cards by their terms allow Cardmembers to earn bonus points for purchases at merchants in particular industry categories. 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 access to thousands of 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 Blue for Business, 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. For example, Cardmembers increasingly use our Pay with Points program including to make purchases at Amazon.com and for airline tickets and other travel categories, as well as to pay for their annual membership fee.

During 2012, we launched a number of new redemption partnerships, including a new points transfer partnership with Asia Miles, through which Cardmembers can redeem for flight awards on 21 airlines, including Cathay Pacific Airways, and

a new rewards partnership with One Kings Lane, allowing Cardmembers to redeem their points for gift cards to purchase furniture, accessories, gifts and other items for the home on the daily deal site. Additionally, we broadened our Facebook rewards partnership, allowing Cardmembers to redeem their Membership Rewards points across a wide range of Facebook gaming applications. We also launched Mobile Gift Cards, which allows Cardmembers to use Membership Rewards points for mobile phone-enabled gift cards of select retailers and use them instantly via smartphone at the point-of-sale.

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. For more information on our Membership Rewards program, see "Critical Accounting Estimates — Liability for Membership Rewards Expense" appearing on page 18 of our 2012 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, 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
- Event Ticket Protection Plan
- Automatic Flight Insurance
- Premium Baggage Protection
- American Express ® Travel Insurance
- CreditSecure ®
- Roadside Assistance
- Advance Ticket Sales
- Exclusive Access to Cardmember Events
- Business Platinum Office Program

As part of our effort to deliver additional value for existing Cardmembers and to attract new high-spending customers to American Express, we added the EMV chip and signature functionality to the Platinum Card ® and Centurion ® Card in 2012 to provide our consumer and OPEN ® Cardmembers with improved convenience while traveling abroad. We also continued to roll out digital innovations in 2012, with the launch of My Offers, the mobile offer engine discussed in "Global Merchant Services" under "Global Network & Merchant Services" above.

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

- up to 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 business travel and international payments
- resources to help grow and manage a business through the award-winning community-driven Web site, OPEN Forum ®
- client managers for our top-spending clients to support business growth

In 2012, we continued to enhance our small business offerings by launching an enhanced Plum Card ® that provides more payment flexibility for small businesses.

In addition to the products and services outlined above, OPEN engages in advocacy efforts on behalf of U.S. small businesses. These advocacy efforts include our Victory in Procurement program to help small businesses obtain government contracts, programs designed to help women entrepreneurs create, grow and sustain businesses, and our efforts to increase awareness of the importance of small businesses in our communities generally. For example, in 2012, we led the third Small Business Saturday ®, a day to increase consumer awareness and patronage of local businesses and their role in the economy and local neighborhoods.

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 that issue general-purpose charge and revolving credit cards (such as Bank of America, Capital One Financial, Citibank and JPMorgan Chase) 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. In recent years, we have faced 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.

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. 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. Debit cards were historically marketed as replacements for cash and checks, and transactions made with debit cards have typically been for smaller dollar amounts. However, debit cards are increasingly 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, that 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 customer care, 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 and electronic wallets, available to Cardmembers
- Reputation and brand recognition
- The level and effectiveness of advertising investments and marketing and promotional campaigns
- The nature and quality of expense management data capture and reporting capability, particularly for small businesses
- The ability to manage credit and interest rate risk throughout the economic cycle and implement operational and cost efficiencies

In addition to the discussion in this section, see " *Our operating results may suffer because of substantial and increasingly intense competition worldwide in the payments industry* " in "Risk Factors" below for further discussion of the potential impact of competition on our business.

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 (collectively, "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 31-35 under the caption "Financial Review," and Note 7 on page 80 of our 2012 Annual Report to Shareholders, which portions we incorporate herein by reference. In addition, see " *Difficult conditions in the business and economic environment, 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 through American Express Personal Savings, a set of deposit products, including High-Yield Savings and Certificate of Deposit accounts. As of December 31, 2012, we had approximately $39.7 billion in total U.S. retail deposits. 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 and its attributes.

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 the institution 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 the institution's 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 (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, among other things, 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 and, after the enactment of Dodd-Frank, imposes a cap on debit card interchange fees and prohibits exclusivity arrangements for payment card networks)
- The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act") (which prohibits certain acts and practices in connection with consumer credit card accounts)
- The CFPA (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 ("UDAAP") in offering consumer financial products and services

In the United States, certain applicable federal and state Privacy, Data Protection and Information Security Laws govern the collection, use, sharing and safeguarding of customer information by financial institutions, including certain requirements related to security breach notification. Other countries in which we operate, including those in the European Union, also have certain applicable Privacy, Data Protection and Information Security Laws that govern the collection, use, sharing and safeguarding of customer information by financial institutions, in some cases more stringent than the requirements in the United States. U.S. federal legislation also regulates abusive debt collection practices. In addition, a number of U.S. states, the European Union, and many foreign countries in which we operate have significant consumer credit protection and disclosure 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” 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. 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.

The regulatory environment in which we operate has become increasingly complex and robust, and supervisory efforts to apply relevant laws, regulations and policies have become more intense. The ultimate impact of this heightened scrutiny is uncertain, but internal and regulatory reviews have resulted in, and are likely to continue to result in, changes to pricing, practices, products and procedures. Such reviews are also likely to continue to result in increased costs related to regulatory oversight, supervision and examination, additional restitution to Cardmembers and may result in additional regulatory actions which could include civil money penalties. In July 2012, the CFPB issued an industry bulletin regarding its review of marketing practices with respect to credit card add-on products, including debt cancellation, identity theft protection, credit reporting and monitoring, and other supplementary products. We are cooperating with regulators in their ongoing regulatory examinations of credit card add-on products. For information about ongoing reviews by several bank regulators, including the CFPB, relating to certain aspects of the Company’s U.S. consumer card practices, see “Consumer Financial Protection Act of 2010” within “Supervision and Regulation” below.

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. This supervisory agreement continues to remain in effect following the transfer of supervision of AEBFSB from the OTS to the OCC. In October 2012, we announced that we reached settlements with several bank regulators, including the Federal Reserve, FDIC, OCC, UDFI and CFPB, to resolve reviews of certain aspects of our U.S. consumer card practices for compliance with certain consumer protection laws and regulations. Similar settlements were reached with several of our subsidiaries, including Centurion Bank, AEBFSB and TRS. The American Express entities agreed to pay civil money penalties totaling $27.5 million, and we, through our subsidiaries, established a restricted fund pool totaling $85 million for customer refunds (subject to adjustment depending on the ultimate amount of the refunds). The majority of those refunds is related to debt collection practices and late fee charges. For a further description of the settlements reached in October 2012, 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, the Consumer Travel Web site, and the American Express Representative Network (which consists of independently-owned travel agency locations that operate under the American Express brand). 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 26 world-class airlines, and the Fine Hotels & Resorts program, which is a luxury hotel program offering value-added amenities.

In addition, we operate a wholesale tour operator business in the United States through Travel Impressions, a wholly-owned subsidiary of TRS. As a tour operator, Travel Impressions secures inventory from suppliers such as airlines, hotels, auto rental companies and ground operators, which it then packages and sells to consumers through travel agencies and travel agent consortia in the United States. Travel Impressions also manages and operates American Express Vacations, selling tour packages direct to consumers through the AmericanExpressVacations.com Web site, which can be accessed through the Consumer Travel Web site and internationally through travel agents who work for the American Express international travel business. Travel Impressions is consistently recognized by its customers for outstanding services, including being named Travel Weekly's "Best Tour Operator, Sales and Service," for eight years in a row.

Our Consumer Travel Web site, amextravel.com, which is powered by Orbitz Worldwide, was redesigned and enhanced during 2012. The Web site offers a full range of travel rates and discounts on airfares, hotels, car rentals, cruises and full vacation packages, with customer service for the Web site offered 24/7. The Web site also provides travel planning resources and, for American Express Cardmembers, benefits such as earning one extra Membership Rewards ® point when booking travel using a Card enrolled in the Membership Rewards program. In addition, Cardmembers are able to Pay with Points by redeeming Membership Rewards points for some categories of travel through our Consumer Travel Web site, as well as through our call centers and American Express-owned travel service offices.

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 certain applicable U.S. state and federal Privacy, Data Protection, and Information Security Laws, including certain requirements related to breach notification, and, as a result of American Express Company and TRS each being bank holding companies, our business is also subject to certain activity restrictions under the BHC Act and certain provisions of the Bank Secrecy Act, as amended by the Patriot Act, with regard to maintaining effective AML programs. For more information about the applicable activity restrictions under the BHC Act, see "Supervision and Regulation" below.

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 2012. These are Cards that we issue, either on our own or as co-brands with partnering institutions. In 2012, among other new proprietary products, we announced or launched several new co-branded products, including Aerolineas Argentinas in Argentina and Jet Airways in India. 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. 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 some of the largest professional associations in that country. In Australia, affinity cards are a substantial part of our consumer lending portfolio.

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 58 partners in each country; approximately 25% of these partners are in the travel industry. Cardmembers can redeem their points with more than 30 airlines and 13 global hotel chains. Our redemption options include travel, retail merchandise, entertainment, shopping and recreation gift certificates, experiences, financial services and charity rewards. In 2012, we continued to enhance our rewards programs in several countries, providing more flexibility in the way Cardmembers can use their rewards points and upgrading digital capabilities to give Cardmembers access to rewards through mobile and online channels.

We continue to build on our strengths and look for further opportunities to increase our presence internationally. In 2011, we acquired a controlling interest in Loyalty Partner, a leading marketing services company known for the loyalty programs it operates in Germany and Poland, and more recently in India and Mexico. This acquisition has furthered our strategy to grow fee-based revenue, deepened our merchant relationships in select countries, added approximately 50 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 2012, we launched, through Loyalty Partner, the Payback program in Mexico, which utilizes digital offers and coupons, and is the first time Loyalty Partner has launched with an integrated American Express card product. 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 Cardmembers, through 25 exclusively dedicated call centers in 23 international countries. 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 offer 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 only 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 Banco Santander, Citibank and HSBC, as well as many local banks and financial institutions. We view Banco Santander and Citibank 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 continued to propose and enact a variety of new regulatory changes to the payments industry during the course of 2012.

In Europe, the EU continued in its efforts to work towards greater harmonization on a number of fronts, in particular in relation to payments, the AML regime and data protection. The EU continues to sponsor initiatives in relation to the cross border issuing of credit, recurring transactions and the merger of the PSD and the E-Money Directive. These pan-European initiatives have been supplemented by a broad range of consumer protection and transparency initiatives at an individual Member State level.

In countries outside Europe, we have seen regulators initiate new regulations in relation to a number of key themes, particularly responsible lending (such as Canada, New Zealand and Singapore), privacy and data protection (such as Australia, Canada, Mexico and Singapore) and financial crime.

Regulators in a number of countries are shifting their focus from just ensuring compliance with local rules and regulations towards paying greater attention to the product design and operation with a focus on customers and outcomes. Regulators' expectations of firms in relation to their compliance, risk and control frameworks continue to increase and regulators are placing significant emphasis on a firm's systems and controls relating to the identification and resolution of issues.

We expect this activity to continue in 2013. 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 and travel 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 travel management company for businesses worldwide. During 2012, we added or retained several major Global Corporate Payments clients in the United States and internationally, including AXA, DuPont, Sanofi, Beats Electronics, Phillips-Van Heusen and DeVry. Additionally, in 2012, we added or retained several Global Business Travel clients in the United States and internationally, including LVMH, General Motors, EMC Corporation, Tyco and Air Products.

GCS offers a wide range of expense management and travel-related 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 Cardmembers use to manage travel and entertainment spending
  - *Corporate Meeting Cards* : provided primarily to corporate meeting planners as a tool to help companies control their meetings and events expenses
  - *Business Travel Accounts ("BTAs")* : centrally billed to and paid directly by corporate clients, BTAs are used by companies to pay for their employees' travel expenses
- A suite of Business-to-Business (" *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* : offers companies single-use virtual account numbers for business-related purchases and permits the processing of transactions with fraud controls
  - *Buyer-Initiated Payments ("BIP")* : an electronic solution for companies looking to automate their accounts payable 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
  - *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 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 payments and 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, entertainment 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 territories, and have international dollar/euro Corporate Cards available in 124 countries and territories. We also offer Corporate Cards issued through our GNS partner relationships in an additional 32 countries and territories. In 2012, we launched BTA enhancements in Germany and Mexico. In addition, we upgraded the BTA capability globally to provide improved transaction querying and faster reporting for our travel management company partners.

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 that supports 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 13 Corporate Card co-brand partnerships issued in 15 countries and territories. 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 a significant growth opportunity. 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 provide 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. In select markets we also offer Corporate Membership Rewards that allows a company to earn points to redeem for enterprise-level rewards. Membership Rewards is an effective tool for encouraging Corporate Card usage, leading to greater expense control and savings.

Business-to-Business Payment Solutions

We offer a series of Business-to-Business Payment Solutions to help companies manage B2B spending. 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. This type of spending by companies also helps to diversify our spend mix. 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. We issue local currency Corporate Purchasing Cards in 29 countries. We also offer Corporate Purchasing Cards issued through our GNS partner relationships in an additional five countries.

vPayment, which offers companies single-use virtual account numbers, allows GCP clients 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 client'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 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. Examples of BIP purchases by our clients include hospital equipment, industrial supplies, and construction and building materials. Airlines have used BIP for purchases of jet fuel. 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 2012, we launched BIP Express, a Web-hosted version of BIP, in Mexico and Germany.

In 2012, we launched PAYVE ® in the United States, a payment service that enables companies to centralize the processing of multiple payment methods through a single electronic platform. PAYVE ® enables companies to improve working capital and cash flow management while streamlining accounts payable processes.

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 Corporate Card account. Business-to-Business Payment Solutions also offers clients the option to use online access to manage their vPayment and BIP solutions.

Global Corporate Payments — Competition

The corporate payments sector is dynamic and highly competitive, with much overlap between corporate and consumer payment cards and services and 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 increasing support from the networks in the sales process. Both Visa and MasterCard continue to support card issuers such as Citibank, JPMorgan Chase and U.S. Bank to build and support data collection and reporting necessary to satisfy customer requirements.

At the payment provider level, we are seeing increased competition, particularly for mid-sized companies, from both regional banks and national banks, such as Bank of America and JPMorgan Chase. Payment providers have expanded global issuance footprints and product portfolios by forming partnerships and improving proprietary capabilities. 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 GCP 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, deceptive or abusive acts or business practices. We are also subject to certain state laws that regulate fees and charges on our products. In the United States, we are subject to certain applicable Privacy, Data Protection and Information Security Laws, including certain requirements related to breach notification. Other countries in which we operate, including those in the European Union, also have certain applicable Privacy, Data Protection and Information Security Laws, in some cases more stringent than the requirements in the United States. 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" 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 ("GBT") provides globally integrated solutions, both online and offline, as well as through mobile applications, to help organizations manage and optimize their travel expenses and service their traveling employees. GBT seeks to provide our clients with dependability, deep insight and a comprehensive network. With clients ranging from small businesses to multinational and global corporations, we provide: travel reservation advice and transaction processing through a global network that is available 24 hours per day; preferred partnerships with airline, hotel, car and limousine companies; 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 that help travelers be more efficient when traveling for business purposes.

We continue to evaluate our economic model and invest in new products, services and technologies to enhance the value that we deliver to our clients 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 more revenues from clients who pay for the services that we provide. In addition, we have adjusted our expense base to reflect the shift of client preferences for some types of transactions from high-touch personal service to automated servicing.

We launched several new programs to support our corporate clients in 2012. 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 also made enhancements to our mobile travel solution, MOBILEXTEND ®, including platform upgrades and the launch of AX Connect Location & Communication, which helps travel managers locate and provide a level of care to travelers in the case of travel emergencies or disruption.

Global Business Travel — Competition

GBT 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, ongoing reductions in or elimination of airline commissions and fees and the shift of customer preferences to online channels and automated servicing tools, continue to put pressure on revenue and profitability for travel agencies.

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 GBT 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. In the United States, we are subject to certain applicable Privacy, Data Protection and Information Security Laws, including certain requirements related to security breach notification. Other countries in which we operate, including those in the European Union, also have certain applicable Privacy, Data Protection and Information Security Laws to which we are subject, in some cases more stringent than the requirements in the United States. We are also subject to bankruptcy and debtor relief laws that can affect our ability to collect amounts owed to us and, as a result of American Express Company and TRS each being bank holding companies, GBT is also subject to certain activity restrictions under the BHC Act and certain provisions of the Bank Secrecy Act, as amended by the Patriot Act, with regard to maintaining effective AML programs. For more information about the applicable activity restrictions under the BHC Act, see "Supervision and Regulation" below.

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 29 of our 2012 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 liquidity pool since all of our businesses benefit from the liquidity, as well as interest expense related to other corporate indebtedness.

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 establishing a digital services platform for the Company, expanding alternative mobile and online payment services, growing our prepaid products, forming new partnerships and building new revenue streams beyond the traditional Card and travel businesses. Enterprise Growth seeks to optimize 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 which includes Serve Virtual Enterprises, Inc. or "Serve" (formerly known as Revolution Money), Fee Based Services and Global Payment Options. The group also includes the corporate development function (the Company's mergers and acquisitions group).

Online and Mobile Payments

The Online and Mobile business unit is responsible for developing next generation payment capabilities and associated services that can expand the role we play in the digital economy. Since launching Serve, we have been working to develop capabilities on the platform to support future digital initiatives and to allow us to deliver more alternative payment options. Serve ® is available in the United States as a 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 make purchases via the Serve card at merchants that accept American Express Cards. Serve unifies multiple payment options into a single account that can be funded with cash via a Green Dot MoneyPak, from a bank account, debit, credit or charge card, or by receiving money from another Serve account. In 2012, we launched Serve Deals & Offers, which allows Serve customers to get discounts on local offerings based on their communicated interests.

In addition to direct-to-consumer distribution activities through the online channel, we have established business relationships in the mobile, e-commerce, not-for-profit and gaming space to build capabilities and drive adoption 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 payment path and rolling out easy-to-use digital payment solutions for consumers and businesses. For example, during 2012 we partnered with Zynga to launch Zynga Serve Rewards, a new program that offers in-game incentives for everyday spending. We also developed a Facebook app that allows people to send and request money within a wall post in Facebook.

The team is also responsible for expanding our presence in emerging markets. We continue to identify 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, as a result of our partnership with the Lianlian Group, the mobile top-up company has leveraged the Serve platform in connection with the processing of certain top-up transactions in three provinces in China as of the end of 2012.

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, and with frequent product introductions in response to evolving consumer habits and merchant needs. These competitors include traditional financial institutions, such as credit card issuers and networks, and increasingly alternative payment providers, such as PayPal, Google Wallet and Square, as well as other non-traditional industry players, such as mobile operators, handset manufacturers, technology companies, retailers and other start-ups and new entrants to the payments industry. Partnerships are also being formed among various competitors, such as partnerships between PayPal and Discover and between Square and Starbucks. Among other services, these competitors provide or are seeking to develop digital payment capabilities that can be used to buy and sell goods online, alternative point-of-sale systems that enable digital payments at the physical point of sale, 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 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 cash reserves and other financial 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 possibility 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 creating and managing businesses that can generate new, non-card payment and e-commerce revenue streams by capitalizing on the existing assets of American Express. The Fee Based Services team is responsible for supporting our LoyaltyEdge ® offering, a private-labeled loyalty solution that helps companies like Delta Air Lines and FedEx design, implement and manage customized points-based loyalty programs to engage and retain their customers. The team also supports the online retail site, vente-privee USA LLC, a joint venture between American Express and vente-privee.com, Europe's leader in online private sales of luxury goods.

Foreign Exchange Services is part of the Fee Based Services organization and consists of retail and wholesale foreign exchange services and the FX International Payments operation. Our retail foreign exchange business is concentrated primarily in key international airports, including multiple airport locations in Europe (London Heathrow, Edinburgh, Madrid, Vienna, Geneva and Nice). This airport-based retail business is supplemented in Australia and Singapore with foreign exchange offices in city locations and through selected partner locations serving retail customers in those countries. In 2012, we announced the expansion of our airport portfolio to include Birmingham (U.K.), Copenhagen and Rome international airports. Our online FX International Payments service enables companies, financial institutions and, in the case of Australia and the United Kingdom, consumers to make cross-border payments in foreign currencies quickly and efficiently.

Global Payment Options

Global Payment Options ("GPO") offers a wide range of prepaid payment products, including both reloadable and non-reloadable prepaid payment products. For example, GPO offers the American Express ® Gift Card, a variety of incentive rebate and reward prepaid cards, as well as several general purpose prepaid reloadable cards. In 2012, we launched a reloadable prepaid card issued by TRS, available at Walmart stores across the United States and online to U.S. residents

called Bluebird ®. Bluebird is a general purpose prepaid reloadable card that has no minimum balance, no monthly, annual, activation, inactivity or dormancy fees and customer service support free of charge. Bluebird is not FDIC-insured, but is issued under state money transmitter licenses. With Bluebird and our other general purpose reloadable prepaid cards, we hope to serve new customer segments that do not rely on traditional charge and credit cards or debit and checking products to manage day-to-day finances. We also launched a gift card in the United Kingdom (issued through our e-money licensed entity, American Express Advanced Services Europe Ltd.).

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 seven foreign currencies. 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 and net interest income from the Travelers Cheque investment portfolio continued to decline in 2012. We also issue general purpose reloadable prepaid travel cards in different denominations in the United States, Australia, Brazil, South Africa, India and China.

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 selling locations as well as online in the United States.

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, 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 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, the Bank Secrecy Act as amended by the Patriot Act requires, 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. Further, the Bank Secrecy Act, as amended in 2011, requires that we maintain an effective AML program for prepaid access products. 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.

We continuously monitor state legislative activity concerning any of our GPO prepaid offerings. In certain states where regulation continues to restrict fees and has made it unprofitable for us to offer prepaid cards, we have either limited or withdrawn from selling in these states.

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 sixth consecutive year.

Global Business Services

The Global Business Services division is a shared services organization that includes procurement, real estate, human resources operations and processing, financial operations and processing, and business transformation. 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 repayment options, and taking actions to recover balances and limit exposure for American Express.

Technologies

We continue to make 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 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 our internal policies and applicable Privacy, Data Protection and Information Security Laws, as described under "Supervision and Regulation — Privacy and Data Protection" below.

We continue to leverage online channels to lower costs, improve service quality and enhance our business model. As of the end of 2012, 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 in accordance with applicable Privacy, Data Protection and Information Security Laws. We now have an online presence in 22 countries around the world, including the United Kingdom, Australia, Italy, France, Mexico and Japan. We also have a presence on social media networks, such as Facebook, Foursquare and Twitter, which provide us with another channel to communicate and interact with our Cardmembers.

SUPERVISION AND REGULATION

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 our depositors and other customers and the federal deposit insurance funds, as well as to minimize systemic risk, and not for the protection of our shareholders or other creditors. Following the financial crisis of 2008, new laws and regulations were promulgated and supervisory efforts to apply laws, regulations and policies have become more intense through increased examination scrutiny, heightened regulatory expectations regarding compliance and enforcement actions.

American Express Company and TRS are bank holding companies, and have elected to be treated as financial holding companies, under the BHC Act. As bank holding companies under the BHC Act, American Express Company and TRS are 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. 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 and other capital distributions, 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 CFPA and the TILA, 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. 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. New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) as well as the enforcement of both existing and new laws and regulations, could materially adversely affect our financial condition or results of operations. In addition to the discussion in this section, see “ *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 the potential impact legislative and regulatory changes may have on our results of operations and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

Dodd-Frank, which was enacted in July 2010, significantly restructured the financial regulatory regime in the United States. Among other things, 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 also 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 include the Company, and nonbank financial companies designated by the FSOC for supervision by the Federal Reserve. As discussed further throughout this section, certain 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 continue to have a significant adverse impact on our business, results of operations and financial condition”* in “Risk Factors” below for further discussion of the potential impact resulting from the implementation of Dodd-Frank.

Consumer Financial Protection Act of 2010

Enacted as part of Dodd-Frank, the CFPA created the CFPB, a consumer financial services regulator. On 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. The CFPB also 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.

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. The review of products and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB and banking regulators more broadly, as well as by the Company itself.

In July 2012 the CFPB issued an industry bulletin regarding its review of marketing practices with respect to credit card add-on products, including debt cancellation, identity theft protection, credit reporting and monitoring, and other supplementary products. We are cooperating with regulators in their ongoing regulatory examinations of credit card add-on products. For a description of the settlements reached with, and ongoing reviews by, several bank regulators, including the CFPB, relating to certain aspects of the Company’s U.S. consumer card practices, see “Card-Issuing Business and Deposit Programs — Regulation” under “U.S. Card Services” above.

Financial Holding Company Status and Activities

The BHC Act limits the nonbanking activities of bank holding companies. The activities of bank holding companies that have not elected to be treated as “financial holding companies” are restricted to those activities 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 treated as 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 become and remain 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 (which, in most cases, is confidential supervisory information), it is likely to 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 ultimately 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 October 2012, the Federal Reserve issued rules relating to supervisory and company-run stress tests for large bank holding companies, discussed below under " *Stress Testing* ." With respect to the remaining enhanced prudential standards, in January 2012, the Federal Reserve published a notice of proposed rulemaking to implement many of the heightened prudential requirements, which would require the following:

- *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;
  - 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

– 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, or a subset of such bank holding companies, through future proposals that would require such bank holding companies to satisfy specific liquidity requirements derived from or consistent with the international liquidity standards incorporated into the Basel III framework (discussed below).

- *Single Counterparty Credit Exposure 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 limit on aggregate net credit exposure with any single unaffiliated counterparty equal to 25% of capital stock and surplus.
- *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 have an appropriate number of independent directors, would be required to have at least one risk management expert and 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, such as the Company, and certain other non-bank financial companies supervised by the Federal Reserve. In May 2012, the U.S. Treasury issued a rule setting forth the manner in which these assessments would be made. Under this rule, the total of the covered expenses will be distributed pro rata (based on consolidated assets) among bank holding companies with $50 billion or more in consolidated assets.

Stress Testing

In October 2012, the Federal Reserve issued rules relating to supervisory and company-run stress tests for large bank holding companies. These rules require analyses of certain large bank holding companies 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"). These rules implement a key portion of the enhanced prudential requirements of Dodd-Frank and include the following:

- *Supervisory Stress Testing:* The Federal Reserve must conduct annual stress tests of bank holding companies with at least $50 billion in total consolidated assets. Under this rule, the stress tests 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 the Federal Reserve will make available to companies no later than November 15 of each year. A summary of results of individual stress tests will be made public by the Federal Reserve on a company-specific basis.
- *Company Stress Testing:* Bank holding companies with at least $50 billion in total consolidated assets and that participated in the 2009 Supervisory Capital Assessment Program, such as the Company, are also required to conduct a similar stress test on a semiannual basis. A summary of the results of each of these tests must be publicly disclosed. 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 October 2012, the FDIC and the OCC issued rules to implement the annual company stress testing requirements that would be applicable to Centurion Bank and AEBFSB, respectively.

The Federal Reserve applies its stress tests rules and its capital planning requirements, discussed in *"Capital Planning"* below, on a consolidated basis.

Capital Planning

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 2013 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. In addition to other limitations, our ability to make any capital distributions (including dividends and share repurchases) is contingent on the Federal Reserve's approval or non-objection to our capital plan. Likewise, the Federal Reserve may limit our ability to take any capital actions should the Company fail to include any intended action in its capital plan.

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. If a bank holding company receives an objection to its capital plan, it must resubmit a revised plan within 30 days. Should the Federal Reserve object to a capital plan, a bank holding company may not make any capital distribution other than those capital distributions that the Federal Reserve has indicated non-objection to in writing.

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. Additionally, the Federal Reserve may limit the Company's capital actions should the Company fail to include any intended action in its approved 2013 capital plan.

In November 2012, the Federal Reserve released additional guidance and instructions for 2013 capital plans. Under this guidance, the Federal Reserve noted that certain large bank holding companies, such as the Company, will have limited ability to adjust downward planned capital actions in light of stress test results. Should an adjustment occur, however, the Federal Reserve intends to publicly disclose the results of stress tests using both the original and adjusted 2013 capital plans. Additionally, although they are not yet in effect, the Federal Reserve's guidance requires a bank holding company to demonstrate that it can achieve the capital ratios required by the Basel III framework as it would come into effect.

On January 7, 2013, we submitted our comprehensive capital plan to the Federal Reserve. We expect a response from the Federal Reserve by March 14, 2013.

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. As described below under " *Prompt Corrective Action* ," the FDIA also 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. 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 about 30% 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* ," and the restrictions imposed as part of the capital planning process will likely be the principal limitation on our ability to make capital distributions (including dividends and share repurchases). 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.

Prior approval of a bank holding company's capital distributions is not required for 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."

Living Wills

As noted above, we will be required to prepare and provide to regulators a resolution plan. The resolution plan is mandated under the Dodd-Frank Act, which requires bank holding companies with assets of $50 billion or greater to submit a plan for rapid and orderly resolution under the Bankruptcy Code in the event of material distress or failure. 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, acquisitions and investments are subject to the prior review and approval 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, financial and managerial resources, and financial stability; 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. As a financial holding company, we may engage in a broader range of financial and related activities than are otherwise permissible for bank holding companies as long as we continue to meet the eligibility requirements for financial holding companies noted above.

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.

Applicable federal and state laws also limit the ability of persons to invest in or acquire control of the Company without providing notice to or obtaining the approval of one or more of our regulators. The Change in Bank Control Act prohibits a person, entity, or group of persons or entities acting in concert, from directly or indirectly 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 and require prior notice to and non-objection by the Federal Reserve. Additionally, 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. Therefore, the Company is required to act as a source of strength to Centurion Bank and AEBFSB and may be required to commit capital and financial resources to support both institutions. Such support may be required at times when, absent this requirement, the Company 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 rules established by the federal banking regulators. Currently, 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. As discussed further below, new risk-based and leverage measures have been proposed by the federal banking regulators.

The risk-based capital rules are designed to make regulatory capital requirements sensitive to differences in 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 defined) as a percentage of total risk-weighted assets and off-balance-sheet items. As a supervisory matter, the 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 currently 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 Proposed Basel III Rules (as defined below), if implemented in the form proposed, will amend the capital ratios required for well capitalized status. The rules 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 29-31 of our 2012 Annual Report to Shareholders, which information is incorporated herein by reference.

General Risk-Based Capital Rules

The Company, TRS, Centurion Bank and AEBFSB currently calculate regulatory capital ratios under rules adopted by the applicable federal bank regulatory agency, based on the 1988 Capital Accord ("Basel I") of the Basel Committee on Banking Supervision (the "Basel Committee"). The applicable federal bank regulatory agencies refer to these capital rules as their "general risk-based capital rules." Under these rules, the minimum requirement 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 the 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, and requires the Company to phase out all trust preferred securities and cumulative preferred stock from inclusion in its Tier 1 capital. The minimum requirement for the ratio of Tier 1 capital to risk-weighted assets is 4%.

The general risk-based capital rules state that the capital rules 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.

Advanced Approaches Risk Based Capital Rules

In June 2004, the Basel Committee issued the Revised Framework for the International Convergence of Capital Measurement and Capital Standards ("Basel II"). The applicable federal bank regulatory agencies refer to their Basel II-based rules as their "advanced approaches rules" and apply them only to banking institutions having $250 billion or more in total consolidated assets or $10 billion or more in foreign exposures. The agencies refer to those institutions as "advanced approaches" institutions. The Company, Centurion Bank and AEBFSB are required to enter the parallel-run period and commence calculating their risk-based capital ratios under the advanced approaches risk-based capital rules, while continuing to calculate risk-based capital ratios under the general risk-based capital rules as a floor, by January 1, 2014, unless extended by their respective regulators. The U.S. advanced approaches risk-based capital rules, which became effective April 1, 2008, initially provided that advanced approaches 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 general and advanced approaches risk-based capital rules. However, the U.S. banking agencies have amended their capital rules to provide that minimum capital as required under the general risk-based capital rules will act as a floor for minimum capital requirements calculated in accordance with the advanced approaches risk-based capital rules.

In June 2012, the federal bank regulatory agencies released proposed rules implementing standardized approach to credit risk outlined in the Basel II-based rules (the "Standardized Approach Rules"). The Standardized Approach Rules would replace the risk-weighting categories for assets under the federal bank regulatory agencies' general risk-based capital rules to provide a more risk-sensitive treatment for certain assets and to address weaknesses that the federal banking regulators identified over recent years. The new risk-weights for the standardized approach range from 0% to 600% as compared to the risk-weights of 0% to 100% in the federal bank regulatory agencies' existing general risk-based capital rules. Higher risk weights would apply to a variety of exposures, including certain securitization exposures, equity exposures, claims on securities firms and exposures to counterparties on OTC derivatives. The federal bank regulatory agencies' June 2012 proposal provided that the Standardized Approach Rules will become effective on January 1, 2015, with an option for early adoption.

Leverage Requirement

Basel I and Basel II do not include a leverage requirement as an international standard. However, the federal bank regulatory agencies have established minimum leverage ratio rules for banking institutions (and, as further discussed below, the Proposed Basel III Rules will impose an additional leverage ratio). The federal bank regulatory agencies' existing capital rules provide for a minimum ratio of Tier 1 capital to average total assets, less goodwill and certain other intangible assets (the "Leverage Ratio"), of 3.0% for banking institutions that meet certain specified criteria, including having the highest regulatory rating. All other banking institutions are generally required to maintain a leverage ratio of at least 4.0%. The federal bank regulatory agencies' proposed revised capital rules released in June 2012, in addition to addressing their Standardized Approach Rules and Proposed Basel III Rules (as defined below), if implemented, will eliminate the 3.0% minimum leverage ratio for certain banking institutions, with the consequence that all banking institutions will be required to maintain a Leverage Ratio of at least 4.0%.

Basel III

In June 2012, the federal bank regulatory agencies released proposed rules (the "Proposed Basel III Rules") implementing the final framework for strengthening international capital and liquidity regulation, known as "Basel III," released by the Basel Committee in December 2010. The Proposed Basel III Rules, among other things:

- Introduce as a new capital measure "Common Equity Tier 1" ("CET1"), specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, require that most adjustments to regulatory capital measures (such as the deductions described below) be made to CET1 and not to the other components of capital, and expand the scope of the adjustments as compared to existing regulations
- When fully phased in, require banking institutions to maintain:
  - 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 either the federal bank regulatory agencies' general or advanced approaches risk-based capital rules)
  - a minimum ratio of Tier 1 (that is, CET1 plus Additional Tier 1 capital) 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 minimum requirement is 4.0%)
  - a minimum ratio of Total capital (that is, Tier 1 capital 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 minimum requirement is 8.0%)
- Apply to advanced approaches banking institutions only, including the Company, a new Basel III-based leverage ratio of at least 3.0%, calculated as the ratio of Tier 1 capital to an expanded concept of leverage exposure that includes both on-balance sheet and certain off-balance sheet exposures
- For advanced approaches institutions only, introduce a "countercyclical capital buffer," an add-on to the capital conservation buffer in the range of 0% to 2.5% (potentially resulting in total buffers of up to 5.0% being added to each of the ratios of CET1, Tier 1 Capital and Total capital to risk-weighted assets), which can be assessed with respect to certain banking institutions and bank holding companies, including the Company, when the relevant U.S. federal banking regulator determines excess aggregate credit growth becomes associated with a buildup of systemic risk

Banking institutions whose ratio of CET1, Tier 1 Capital or Total capital to risk-weighted assets is 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 Proposed Basel III Rules provide for a number of new deductions from and adjustments to CET1. These include the requirement that deferred tax assets dependent upon future taxable income, significant investments in non-consolidated financial entities and mortgage servicing rights, 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%. Goodwill will be subject to a full deduction from CET1, which is consistent with the calculation of other capital ratios.

The federal bank regulatory agencies initially stated that the Proposed Basel III Rules would become effective on January 1, 2013, but in November 2012 indicated that the implementation of these rules would be delayed. The final rules as implemented and applicable to us may differ from the Proposed Basel III Rules or the Basel III final framework as published by the Basel Committee. Therefore, the implications for the Company's and its subsidiaries' regulatory capital requirements remain uncertain at this time.

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 either the original or revised list of G-SIBs released in November 2012. While the Proposed Basel III Rules did not address the adoption of the surcharge on G-SIBs, the federal bank regulators noted that they plan to implement this surcharge for institutions with $50 billion or more in total consolidated assets, or some subset of such institutions, consistent with the Basel Committee's G-SIB surcharge proposal.

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 that can be converted into cash to meet its liquidity needs for a 30-day time horizon under a significantly severe liquidity stress scenario specified by supervisors. 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 cash, 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 implemented beginning with 60% compliance required starting on January 1, 2015 with the remaining portion phased-in over the next four years in 10% increments, reaching 100% on January 1, 2019. The Basel III liquidity framework contemplates that the NSFR will be implemented as a minimum standard by January 1, 2018.

The Federal bank regulatory agencies have not yet proposed rules implementing the Basel III liquidity framework for U.S. banking institutions.

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, although as part of our funding strategy, a majority of the deposits raised during 2012 were accepted directly from consumers through American Express Personal Savings, a set 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 33 of our 2012 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 January 2012, the Federal Reserve published 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, however, utilizes "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.

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 expanded 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.

Each institution's assessments are based on the average consolidated total assets less the average tangible equity of the insured depository institution during the assessment period (the "assessment base"). The assessment rate applicable to large depository institutions, such as Centurion Bank and AEBFSB, is adjusted based upon the insured depository institution's ratio of (1) long-term unsecured debt to the assessment base, (2) long-term unsecured debt issued by another insured depository institution to the assessment base and (3) brokered deposits to the assessment base. The adjustments for brokered deposits to the 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.

Dodd-Frank requires the FDIC to maintain a minimum reserve ratio for the Deposit Insurance Fund of 1.35% 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%. This rule represents an increase in the reserve ratio and will result in increased costs for Centurion Bank and AEBFSB. In addition, Dodd-Frank eliminated the ceiling (1.5% 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. However, the provisions governing the rights of creditors under the orderly liquidation authority were modified from the FDIA regime in certain respects to reduce disparities with the treatment of creditors' claims under the U.S. Bankruptcy Code as compared to the treatment of those claims under the new authority. Nonetheless, substantial differences in the rights of creditors exist between these two regimes, including: the right of the FDIC under the Dodd-Frank Act provisions to disregard the strict priority of creditor claims in some circumstances, the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings), and the right of the FDIC to transfer claims to a "bridge" entity.

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.

The orderly liquidation authority provisions of the Dodd-Frank Act became effective upon enactment. However, a number of rulemakings are required under the terms of the Act, and a number of provisions of the new authority require clarification. The FDIC has completed its initial phase of rulemaking under the orderly liquidation authority, but may provide additional guidance. New guidance may affect the manner in which the new authority is applied.

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. AEBFSB was examined by the OCC for CRA compliance in November 2012. We are awaiting the results of this examination. Centurion Bank will be examined by the FDIC during the first quarter of 2013, with the results to be released shortly thereafter. In each of their last examinations, Centurion Bank and AEBFSB received "satisfactory" CRA ratings.

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 and Data Protection

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 in accordance with applicable Privacy, Data Protection and Information Security Laws.

Regulatory and legislative activity, as well as media and public focus, in the areas of privacy, data protection and information security continues to increase worldwide, spurred by advancements in technology (including mobile devices), broad use of the Internet, expanding uses of mobile commerce and social networking, and related concerns about the rapid and widespread collection, dissemination and use of personal information, and highly publicized security breaches and cybersecurity incidents. Our regulators, including regulatory examiners, are increasingly focused on ensuring that our privacy, data protection and information security-related policies and practices, including those related to access controls, are adequate to inform consumers of our data collection, use, sharing and/or security practices, to provide them with choices, if required, about how we use and share their information, and to safeguard their personal information in accordance with applicable Privacy, Data Protection and Information Security Laws.

In the United States, certain of our businesses may be subject to the Gramm-Leach-Bliley Act ("GLBA") and its implementing regulations and guidance. Among other things, the GLBA imposes certain limitations on the ability of financial institutions to share consumers' nonpublic personal information with nonaffiliated third parties; requires that financial institutions provide certain disclosures to consumers about their data collection, sharing and security 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), and requires financial institutions to 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 customer information processed by the financial institution. The GLBA does not preempt state laws that afford greater privacy protections to consumers. Various states also have adopted laws, rules and/or regulations pertaining to privacy and/or information security, including certain potentially applicable financial privacy laws (such as a law in effect in California); data security and/or data disposal requirements (including potentially applicable requirements adopted in states such as Massachusetts and Nevada); online privacy laws (such as a law in effect in California); and laws relating to the confidentiality of certain types of data (such as laws governing certain health-related information and/or Social Security numbers, for which there are also potentially applicable federal laws, rules, regulations, and/or guidance as well). Certain of these requirements may apply to the personal information of our employees and/or contractors as well as our customers.

Various U.S. federal banking regulatory agencies, and 46 U.S. states, the District of Columbia, Puerto Rico and the Virgin Islands, have enacted data security breach notification requirements with varying levels of individual, 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 security breaches.

We are also subject to certain Privacy, Data Protection and Information Security Laws in other countries in which we operate (including countries in the European Union, Mexico, Canada, Japan and Australia), some of which are more stringent than those in the United States.

In Europe, European Directive 95/46/EC (commonly referred to as the "Data Protection Directive"), which has been in place since 1995, provides for the protection of individuals with regard to the processing of personal data and on the free movement of such data. The Data Protection Directive requires the controller of an individual's personal data to, among other things, take the necessary technical and organizational steps to protect personal data. More recently, Directive 2009/136/EC (commonly referred to as the "e-Privacy Directive" or "Cookies Directive") introduced new requirements on the collection and use of data about internet users and required Member States to enact national laws to comply with such requirements. Compliance with data protection laws in Europe and elsewhere could result in higher technology, administrative and other costs for the Company and limit our ability to optimize the use of our closed-loop data.

The European Commission released on January 25, 2012 the text of its draft proposed data protection framework regulation to replace the EU Data Protection Directive (95/46/EC). If enacted, it 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 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. The proposed regulation may be finalized in late 2013 with an effective date 18-24 months thereafter.

In November 2012, we received approval from the data protection authority in the United Kingdom of our binding corporate rules ("BCR") for transferring personal data collected in European Economic Area countries to American Express group companies worldwide. This approval is effective January 28, 2013. It followed a consultation process between the UK authority and the data protection authorities in other countries in Europe and enables us to proceed with obtaining formal approvals of our BCR from authorities across the European Economic Area.

We continue our efforts to safeguard the personal information entrusted to us in accordance with applicable Privacy, Data Protection and Information Security Laws, and our internal privacy, data protection and information security-related policies, including taking steps to reduce the potential for identity theft or other fraud, while seeking to collect and use personal information in an appropriate manner to achieve our business objectives. We also have undertaken measures to assess the level of access to customer and employee data by our employees, partners and service providers.

Fair Credit Reporting

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 rule 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 laws, rules and regulations 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 consideration of legislation by Congress to clarify the scope of entities covered by the law and the implementing regulations. On December 18, 2010, the President signed into law the Red Flag Program Clarification Act of 2010. Our internal policies and standards, as well as our enterprise-wide data protection, information 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 annual percentage rates ("APRs") 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. The Federal Reserve issued clarifications to its rules implementing the CARD Act effective October 1, 2011, which include a requirement that applicants who are 21 and over must also demonstrate an independent ability to make the required monthly minimum payments and provide that issuers may consider household income or assets only under specific conditions.

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.

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.

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. We anticipate the passage of the 4th European Money Laundering Directive in 2013, which may add new AML requirements. Numerous other countries, such as Australia, Canada, Mexico and Argentina, have also enacted or proposed new or enhanced AML legislation and 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, particularly in the area of suspicious transactions, and enhanced information gathering and recordkeeping requirements. Any errors, failures or delays in complying with federal, state or foreign AML and counter-terrorist financing laws could result in significant criminal and civil lawsuits, penalties and forfeiture of significant assets or other enforcement actions.

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. We maintain a global sanctions program designed to ensure compliance with OFAC requirements. Failure to comply with such requirements could subject us to serious legal and reputational consequences, including criminal penalties.

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, in 2011, the Federal Reserve, the OCC, the FDIC, the OTS, the SEC, the Federal Housing Finance Agency and the National Credit Union Administration issued proposed rulemaking pursuant to Dodd-Frank on incentive-based compensation practices. 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.

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 makes it illegal to corruptly offer or provide anything of value to foreign government officials, political parties or political party officials for the purpose of obtaining or retaining business or an improper advantage. The anti-bribery 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, and 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 108-110 of our 2012 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 39-40 of our 2012 Annual Report to Shareholders, which information is incorporated herein by reference.

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 108-110 of our 2012 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 22, 2013. 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 (52) 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 (54) 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 region since September 2001.

KENNETH I. CHENAULT — Chairman and Chief Executive Officer

Mr. Chenault (61) has been Chairman since April 2001 and Chief Executive Officer since January 2001.

L. KEVIN COX — Chief Human Resources Officer

Mr. Cox (48) has been Chief Human Resources Officer of the Company since May 2012. Prior thereto, he had been Executive Vice President, Human Resources of the Company since April 2005.

EDWARD P. GILLIGAN — Vice Chairman

Mr. Gilligan (53) 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 (55) 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.

MARC D. GORDON — Executive Vice President and Chief Information Officer

Mr. Gordon (52) has been Executive Vice President and Chief Information Officer since September 2012. Mr. Gordon joined American Express from Bank of America, where he served as Enterprise Chief Information Officer from December 2011 until April 2012. Prior thereto, he had been Chief Technology Officer, Global Delivery Operation at Bank of America from May 2008 until November 2011. Prior thereto, he had been Chief Information Officer, Global Consumer Bank at Bank of America from September 2004 until April 2008.

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

Mr. Gupta (59) 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 (58) 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 (63) has been Executive Vice President and Chief Financial Officer of the Company since October 2007.

LOUISE M. PARENT — Executive Vice President and General Counsel

Ms. Parent (62) has been Executive Vice President and General Counsel since May 1993.

THOMAS SCHICK — Executive Vice President, Corporate and External Affairs

Mr. Schick (66) has been Executive Vice President, Corporate and External Affairs since March 1993.

DANIEL H. SCHULMAN — Group President, Enterprise Growth

Mr. Schulman (55) 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 (44) 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 March 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 (53) 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 (47) 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.

EMPLOYEES

We had approximately 63,500 employees on December 31, 2012.

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 2012 Annual Report to Shareholders, which information is incorporated herein by reference. This information excludes discontinued operations unless otherwise noted.

Beginning the first quarter of 2012, the Company revised the income statement reporting of annual membership card fees on lending products, increasing net card fees and reducing interest on loans. Corresponding amounts presented in prior periods have been reclassified to conform to the current period presentation. Refer to Note 1 "Summary of Significant Accounting Policies" on page 65 of the 2012 Annual Report to Shareholders.

Certain other reclassifications of prior period amounts have been made to conform to the current presentation. The card fees revision previously discussed and 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,	2012			2011			2010		
(Millions, except percentages)	Average Balance (a)	Interest Income	Average Yield	Average Balance (a)	Interest Income	Average Yield	Average Balance (a)	Interest Income	Average Yield
Interest-earning assets									
Interest-bearing deposits in other banks (b)									
U.S.	**$ 19,495**	**$ 49**	**0.3%**	$ 18,773	$ 49	0.3%	$ 16,276	$ 40	0.2%
Non-U.S.	**2,224**	**31**	**1.4**	2,242	30	1.3	2,203	23	1.0
Federal funds sold and securities purchased under agreements to resell									
Non-U.S.	**240**	**10**	**4.2**	436	19	4.4	309	12	3.9
Short-term investment securities									
U.S.	**192**	**-**	**-**	406	-	-	1,214	2	0.2
Non-U.S.	**111**	**2**	**1.8**	138	3	2.2	349	1	0.3
Cardmember loans (c)									
U.S.	**52,907**	**5,354**	**10.1**	50,512	5,086	10.1	47,700	5,293	11.1
Non-U.S.	**8,594**	**1,114**	**13.0**	8,622	1,157	13.4	8,419	1,251	14.9
Other loans									
U.S.	**203**	**20**	**9.9**	66	3	4.5	41	3	7.3
Non-U.S.	**301**	**23**	**7.6**	341	26	7.6	410	18	4.4
Taxable investment securities (d)									
U.S.	**1,143**	**24**	**2.2**	4,191	50	1.2	11,225	137	1.2
Non-U.S.	**217**	**12**	**5.9**	203	11	5.6	247	13	5.3
Non-taxable investment securities (d)									
U.S.	**4,747**	**204**	**6.8**	5,225	228	6.5	5,999	252	6.3
Other assets (e)									
Primarily U.S.	**348**	**11**	**n.m.**	500	34	n.m.	523	28	n.m.
Total interest-earning assets (f)	**$ 90,722**	**$ 6,854**	**7.7%**	$ 91,655	$ 6,696	7.4%	$ 94,915	$ 7,073	7.6%
U.S.	**79,035**	**5,662**		79,673	5,450		82,978	5,755	
Non-U.S.	**11,687**	**1,192**		11,982	1,246		11,937	1,318	

Years Ended December 31, *(Millions, except percentages)*	2012 Average Balance (a)	2011 Average Balance (a)	2010 Average Balance (a)
Non-interest-earning assets			
Cash and due from banks			
U.S.	**$ 1,884**	$ 1,742	$ 1,778
Non-U.S.	**612**	717	640
Cardmember receivables, net			
U.S.	**20,701**	19,741	18,045
Non-U.S.	**20,351**	19,039	16,253
Other receivables, net			
U.S.	**1,506**	1,921	1,825
Non-U.S.	**1,595**	1,541	1,227
Reserves for cardmember and other loans losses			
U.S.	**(1,397)**	(2,308)	(3,696)
Non-U.S.	**(225)**	(366)	(612)
Other assets (g)			
U.S.	**11,331**	11,665	11,900
Non-U.S.	**2,945**	2,828	1,907
Total non-interest-earning assets	**59,303**	56,520	49,267
U.S.	**34,025**	32,761	29,852
Non-U.S.	**25,278**	23,759	19,415
Total assets	**$ 150,025**	$ 148,175	$ 144,182
U.S.	**113,060**	112,434	112,830
Non-U.S.	**36,965**	35,741	31,352
Percentage of total average assets attributable to non-U.S. activities	**24.6%**	24.1%	21.7%

(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 $1,102 million, $851 million and $1,570 million for 2012, 2011 and 2010, respectively, which are included in other assets on the Consolidated Balance Sheets, and (ii) the associated interest income.

(c) Average non-accrual loans were included in the average loan balances used to determine the average yield on loans in amounts of $463 million, $517 million and $839 million in U.S. as well as $5 million, $7 million and $11 million in non-U.S. for 2012, 2011 and 2010, respectively.

(d) 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.

(e) 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.

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

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

Years Ended December 31, (Millions, except percentages)	2012 Average Balance (a)	2012 Interest Expense	2012 Average Rate	2011 Average Balance (a)	2011 Interest Expense	2011 Average Rate	2010 Average Balance (a)	2010 Interest Expense	2010 Average Rate
Interest-bearing liabilities									
Customer deposits									
U.S.	**$ 37,414**	**$ 469**	**1.3%**	$ 32,168	$ 505	1.6%	$ 27,373	$ 522	1.9%
Non-U.S.	**343**	**11**	**3.2**	672	23	3.4	693	24	3.5
Short-term borrowings (b)									
U.S.	**1,353**	**3**	**0.2**	1,800	4	0.2	1,089	4	0.4
Non-U.S.	**2,260**	**22**	**1.0**	2,140	9	0.4	1,074	—	—
Long-term debt (b)									
U.S.	**54,406**	**1,615**	**3.0**	60,113	1,768	3.0	66,121	1,811	2.8
Non-U.S.	**2,504**	**92**	**3.7**	2,085	(2)	4.2	2,202	40	4.5
Other liabilities (c)									
Primarily U.S.	**317**	**14**	**n.m.**	300	13	n.m	292	22	n.m.
Total interest-bearing liabilities	**$ 98,597**	**$ 2,226**	**2.3%**	$ 99,278	$ 2,320	2.3%	$ 98,844	$ 2,423	2.5%
U.S.	**93,490**	**2,101**		94,381	2,290		94,875	2,359	
Non-U.S.	**5,107**	**125**		4,897	30		3,969	64	
Non-interest-bearing liabilities									
Travelers Cheques outstanding									
U.S.	**4,458**			5,034			5,272		
Non-U.S.	**165**			195			254		
Accounts payable									
U.S.	**6,726**			6,485			6,666		
Non-U.S.	**4,238**			3,866			3,757		
Other liabilities									
U.S.	**12,017**			11,173			10,912		
Non-U.S.	**4,398**			4,300			3,724		
Total non-interest-bearing liabilities	**32,002**			31,053			30,585		
U.S.	**23,201**			22,692			22,850		
Non-U.S.	**8,801**			8,361			7,735		
Total liabilities	**130,599**			130,331			129,429		
U.S.	**116,691**			117,073			117,725		
Non-U.S.	**13,908**			13,258			11,704		
Total shareholders' equity	**19,426**			17,844			14,753		
Total liabilities and shareholders' equity	**$ 150,025**			$ 148,175			$ 144,182		
Percentage of total average liabilities attributable to non-U.S. activities	**10.6%**			10.2%			9.0%		
Interest rate spread			**5.4%**			5.1%			5.1%
Net interest income and net average yield on interest-earning assets (d)		**$ 4,628**	**5.2%**		$ 4,376	4.9%		$ 4,650	5.0%

(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. In 2011 and 2010, for long-term debt, interest expense also included income earned on forward points related to the Company's foreign exchange swaps. This income was $41 million and $33 million in the U.S and $89 million and $60 million for non-U.S entities, respectively. For 2012 the interest has been reclassified to other, net expenses. The average rates presented exclude the effects for forward points.

(c) 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.

(d) 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 (d) on page 55.

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.

	2012 Versus 2011			2011 Versus 2010		
	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.	**$ 2**	**$ (2)**	**$ -**	$ 6	$ 3	$ 9
Non-U.S.	**-**	**1**	**1**	-	7	7
Securities purchased under agreements to resell						
Non-U.S.	**(9)**	**-**	**(9)**	5	2	7
Short-term investment securities						
U.S.	**-**	**-**	**-**	(1)	(1)	(2)
Non-U.S.	**(1)**	**-**	**(1)**	(1)	3	2
Cardmember loans						
U.S.	**241**	**27**	**268**	312	(519)	(207)
Non-U.S.	**(4)**	**(39)**	**(43)**	30	(124)	(94)
Other loans						
U.S.	**6**	**11**	**17**	2	(2)	-
Non-U.S.	**(3)**	**-**	**(3)**	(3)	11	8
Taxable investment securities						
U.S.	**(37)**	**11**	**(26)**	(86)	(1)	(87)
Non-U.S.	**-**	**1**	**1**	(3)	1	(2)
Non-taxable investment securities						
U.S.	**(35)**	**11**	**(24)**	(30)	6	(24)
Other assets						
Primarily U.S.	**(10)**	**(13)**	**(23)**	(1)	7	6
Change in interest income	**150**	**8**	**158**	230	(607)	(377)
Interest-bearing liabilities						
Customer deposits						
U.S.	**82**	**(118)**	**(36)**	91	(108)	(17)
Non-U.S.	**(11)**	**(1)**	**(12)**	(1)	-	(1)
Short-term borrowings						
U.S.	**(1)**	**-**	**(1)**	3	(3)	-
Non-U.S.	**1**	**12**	**13**	-	9	9
Long-term debt (b)						
U.S.	**(172)**	**(22)**	**(194)**	(168)	133	(35)
Non-U.S.	**17**	**(12)**	**5**	(5)	(8)	(13)
Other liabilities						
Primarily U.S.	**1**	**-**	**1**	1	(10)	(9)
Change in interest expense	**(83)**	**(141)**	**(224)**	(79)	13	(66)
Change in net interest income	**$ 233**	**$ 149**	**$ 382**	$ 309	$ (620)	$ (311)

(a) Refer to the notes on pages 55 and 56 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 56 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 79 in the 2012 Annual Report to Shareholders for additional information.

December 31, *(Millions)*	2012	2011	2010
State and municipal obligations	**$ 4,474**	$ 4,999	$ 5,797
U.S. Government agency obligations	**3**	354	3,413
U.S. Government treasury obligations	**338**	340	2,456
Corporate debt securities	**79**	632	1,445
Mortgage-backed securities	**224**	278	276
Equity securities	**296**	360	475
Foreign government bonds and obligations	**149**	130	99
Other	**51**	54	49
Total available-for-sale securities	**$ 5,614**	$ 7,147	$ 14,010

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)*	2012				
	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**	**$ 104**	**$ 183**	**$ 4,181**	**$ 4,474**
U.S. Government agency obligations	**-**	**-**	**-**	**3**	**3**
U.S. Government treasury obligations	**204**	**113**	**9**	**12**	**338**
Corporate debt securities	**21**	**38**	**20**	**-**	**79**
Mortgage-backed securities (a)	**-**	**2**	**-**	**222**	**224**
Foreign government bonds and obligations	**88**	**7**	**8**	**46**	**149**
Total fair value (b)	**$ 319**	**$ 264**	**$ 220**	**$ 4,464**	**$ 5,267**
Weighted average yield (c)	**3.04 %**	**2.80 %**	**6.79 %**	**6.65 %**	**6.23 %**

(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, 2012, 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 64. Refer to Note 4 “Accounts Receivable and Loans” on page 72 and Note 5 “Reserve for Losses” on page 77 in the 2012 Annual Report to Shareholders for additional information.

December 31, *(Millions)*	2012	2011	2010	2009	2008
Loans					
U.S. loans					
Cardmember (a) (b)	**$ 56,104**	$ 53,850	$ 51,738	$ 23,699	$ 32,921
Other (c)	**285**	108	44	46	144
Non-U.S. loans					
Cardmember (b)	**9,125**	8,771	9,112	9,073	9,290
Other (c)	**286**	329	392	487	913
Total loans	**$ 65,800**	$ 63,058	$ 61,286	$ 33,305	$ 43,268
Cardmember receivables					
U.S. cardmember receivables					
Consumer (d)	**21,124**	20,645	19,155	17,750	17,822
Commercial (e)	**7,924**	7,495	6,439	5,587	5,269
Non-U.S. cardmember receivables					
Consumer (d)	**7,967**	7,412	6,852	6,149	5,769
Commercial (e)	**5,751**	5,338	4,820	4,257	4,128
Total cardmember receivables	**$ 42,766**	$ 40,890	$ 37,266	$ 33,743	$ 32,988

(a) The increase in U.S. cardmember loans between 2009 and 2010 was due to the adoption of accounting standards related to transfers of financial assets and consolidation of variable interest entities (“VIEs”), which resulted in the consolidation of the American Express Credit Account Master Trust (the “Lending Trust”) beginning January 1, 2010.

(b) Represents loans to individual and small business consumers.

(c) Other loans primarily represent loans to merchants and a store card portfolio whose billed business is not processed on the Company’s network. Other loans at December 31, 2008, also included a loan to an affiliate in discontinued operations.

(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)*	2012			
	Within 1 year (a) (b)	1-5 years (b) (c)	After 5 years (c)	Total
Loans				
U.S. loans				
Cardmember	$ 55,964	$ 140	$ -	$ 56,104
Other	207	5	73	285
Non-U.S. loans				
Cardmember	9,120	2	3	9,125
Other	265	21	-	286
Total loans	$ 65,556	$ 168	$ 76	$ 65,800
Loans due after one year at fixed interest rates		$ 168	$ 14	$ 182
Loans due after one year at variable interest rates		-	62	62
Total loans		$ 168	$ 76	$ 244
Cardmember receivables				
U.S. cardmember receivables				
Consumer	$ 21,123	$ 1	$ -	$ 21,124
Commercial	7,924	-	-	7,924
Non-U.S. cardmember receivables				
Consumer	7,967	-	-	7,967
Commercial	5,751	-	-	5,751
Total cardmember receivables	$ 42,765	$ 1	$ -	$ 42,766

(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, 2012.

(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 $145 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)*	2012 (a)
Individuals	$ 94,284
Commercial (b)	$ 13,710
Total on-balance sheet	$ 107,994
Unused lines of credit-individuals (c)	$ 253,370

(a) Refer to Note 22 "Significant Credit Concentrations" on page 105 in the 2012 Annual Report to Shareholders 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 $771 million from financial institutions, $24 million from U.S. Government agencies and $13 billion from other corporate institutions.

(c) The Company's charge card products generally have no pre-set limit, and therefore are not reflected in unused credit available to Cardmembers.

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)*	2012 (a)	2011 (a)	2010 (a)	2009	2008
Loans					
Non-accrual loans (b)					
U.S.	**$ 433**	$ 529	$ 628	$ 480	$ 8
Non-U.S.	**8**	9	12	14	6
Total non-accrual loans	**441**	538	640	494	14
Loans contractually 90 days past-due and still accruing interest					
U.S.	**77**	64	90	102	692
Non-U.S.	**61**	70	99	151	166
Total loans contractually 90 days past-due and still accruing interest	**138**	134	189	253	858
Restructured loans (c)					
U.S.	**627**	736	1,076	706	403
Non-U.S.	**6**	8	11	15	24
Total restructured loans	**633**	744	1,087	721	427
Total non-performing loans	**$ 1,212**	$ 1,416	$ 1,916	$1,468	$ 1,299
Cardmember receivables					
Restructured cardmember receivables (c)					
U.S.	**117**	174	114	94	141
Total restructured cardmember receivables	**$ 117**	$ 174	$ 114	$ 94	$ 141

(a) The increase in non-performing loans between 2009 and 2010 was due to the adoption of accounting standards related to transfers of financial assets and consolidation of VIEs, which resulted in the consolidation of the Lending Trust beginning January 1, 2010. As a result of these changes, amounts as of December 31, 2012, 2011 and 2010 include impaired loans and receivables for both the American Express Issuance Trust (the "Charge Trust") and the Lending Trust; correspondingly, 2009 and 2008 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 modification program. In accordance with the modification agreement with the Cardmember, loans revert back to their original contractual terms (including their contractual interest rate) when the Cardmember exits the modification program, either (i) when all payments have been made in accordance with the modification agreement or (ii) the Cardmember defaults out of the modification 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 2012 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 2012. 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.

	2012		
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)	**$ 109**	**$ 1**	**$ 110**
Interest income actually recognized	**23**	**-**	**23**
Total interest revenue foregone	**$ 86**	**$ 1**	**$ 87**

(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, 2012, 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	**2012**	**$ -**	**$ 56**	**$ 3**	**$ 3,877**	**$ 3,936**	**$ -**	**$ 3,936**
	2011	-	115	3	4,297	4,415	-	4,415
	2010	-	37	1	4,225	4,263	-	4,263
United Kingdom	**2012**	**$ -**	**$ 1,758**	**$ 525**	**$ 16**	**$ 2,299**	**$ -**	**$ 2,299**
	2011	1	2,040	478	20	2,539	-	2,539
	2010	2	1,582	345	800	2,729	-	2,729
Canada	**2012**	**$ -**	**$ 284**	**$ 37**	**$ 1,868**	**$ 2,189**	**$ -**	**$ 2,189**
	2011	-	320	5	1,697	2,022	-	2,022
	2010	-	258	3	2,212	2,473	-	2,473
Mexico	**2012**	**$ -**	**$ -**	**$ 5**	**$ 1,643**	**$ 1,648**	**$ -**	**$ 1,648**
	2011	-	-	6	1,248	1,254	-	1,254
	2010	-	1	5	1,348	1,354	-	1,354
Other countries (a)	**2012**	**$ -**	**$ 9**	**$ 12**	**$ 1,163**	**$ 1,184**	**$ -**	**$ 1,184**
	2011	-	69	7	933	1,009	-	1,009
	2010	-	45	8	824	877	-	877

(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 country included is France.

(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 60 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)*	2012	2011	2010	2009	2008
Cardmember loans					
Allowance for loan losses at beginning of year – U.S. loans	**$ 1,611**	$ 3,153	$ 2,541	$ 2,164	$ 1,457
Reserves established for consolidation of a variable interest entities	**-**	-	2,531	-	-
U.S. loans – adjusted balance	**1,611**	3,153	5,072	2,164	1,457
Non-U.S. loans	**263**	493	727	406	374
Total allowance for losses – beginning of year	**1,874**	3,646	5,799	2,570	1,831
Cardmember lending provisions (a)					
U.S. loans	**979**	169	1,291	3,276	3,490
Non-U.S. loans	**170**	84	236	990	741
Total cardmember lending provisions	**1,149**	253	1,527	4,266	4,231
Write-offs					
U.S. loans	**(1,621)**	(2,105)	(3,614)	(2,914)	(2,816)
Non-U.S. loans	**(309)**	(394)	(573)	(810)	(708)
Total write-offs	**(1,930)**	(2,499)	(4,187)	(3,724)	(3,524)
Recoveries					
U.S. loans	**395**	477	468	230	207
Non-U.S. loans	**98**	101	100	97	94
Total recoveries	**493**	578	568	327	301
Net write-offs (b)	**(1,437)**	(1,921)	(3,619)	(3,397)	(3,223)
Other (c)					
U.S. loans	**(91)**	(83)	(64)	(215)	(174)
Non-U.S. loans	**(24)**	(21)	3	44	(95)
Total other	**(115)**	(104)	(61)	(171)	(269)
Allowance for loan losses at end of year					
U.S. loans	**1,274**	1,611	3,153	2,541	2,164
Non-U.S. loans	**197**	263	493	727	406
Total allowance for losses	**$ 1,471**	$ 1,874	$ 3,646	$ 3,268	$ 2,570
Principal only net write-offs / average cardmember loans outstanding (b) (d)	**2.1 %**	2.9 %	5.6 %	8.5 %	5.5 %
Principal, interest and fees net write-offs / average cardmember loans outstanding (b) (d)	**2.3 %**	3.3 %	6.2 %	9.8 %	6.8 %

(a) Refer to Note 5 "Reserves for Losses" on page 77 in the 2012 Annual Report to Shareholders 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 included $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)*	2012	2011	2010	2009	2008
Other loans					
Allowance for loan losses at beginning 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
Provisions for other loan losses (a)					
U.S. loans	**(1)**	-	3	5	10
Non-U.S. loans	**14**	13	22	45	53
Total provisions for other loan losses	**13**	13	25	50	63
Write-offs					
U.S. loans	**(1)**	(2)	(4)	(19)	(8)
Non-U.S. loans	**(16)**	(24)	(34)	(50)	(72)
Total write-offs	**(17)**	(26)	(38)	(69)	(80)
Recoveries					
U.S. loans	**1**	1	1	1	1
Non-U.S. loans	**4**	6	8	10	7
Total recoveries	**5**	7	9	11	8
Net write-offs	**(12)**	(19)	(29)	(58)	(72)
Other (b)					
U.S. loans	**-**	-	-	-	-
Non-U.S. loans	**-**	-	1	(4)	3
Total other	**-**	-	1	(4)	3
Allowance for loan losses at end of year					
U.S. loans	**1**	1	2	2	15
Non-U.S. loans	**19**	17	22	25	24
Total allowance for losses	**$ 20**	$ 18	$ 24	$ 27	$ 39
Net write-offs/average other loans outstanding (c)	**2.5%**	4.7%	6.5%	8.7%	8.8%

(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)*	2012	2011	2010	2009	2008
Cardmember receivables					
Allowance for losses at beginning 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
Provisions for losses (a)					
U.S. receivables					
Consumer	**451**	519	296	492	899
Commercial	**71**	26	105	106	130
Total U.S. provisions	**522**	545	401	598	1,029
Non-U.S. receivables					
Consumer	**160**	182	148	196	255
Commercial	**60**	43	46	63	79
Total non-U.S. provisions	**220**	225	194	259	334
Total provisions for losses	**742**	770	595	857	1,363
Write-offs					
U.S. receivables					
Consumer	**(674)**	(576)	(528)	(984)	(1,326)
Commercial	**(92)**	(90)	(128)	(154)	(142)
Total U.S. write-offs	**(766)**	(666)	(656)	(1,138)	(1,468)
Non-U.S. receivables					
Consumer	**(190)**	(187)	(222)	(261)	(214)
Commercial	**(67)**	(56)	(77)	(81)	(57)
Total non-U.S. write-offs	**(257)**	(243)	(299)	(342)	(271)
Total write-offs	**$ (1,023)**	$ (909)	$ (955)	$ (1,480)	$ (1,739)

Years Ended December 31, *(Millions, except percentages)*	2012	2011	2010	2009	2008
Cardmember receivables					
Recoveries					
U.S. receivables					
Consumer	**$ 267**	$ 225	$ 227	$ 268	$ 115
Commercial	**37**	42	50	29	27
Total U.S. recoveries	**304**	267	277	297	142
Non-U.S. receivables					
Consumer	**54**	59	55	37	34
Commercial	**25**	23	25	15	11
Total non-U.S. recoveries	**79**	82	80	52	45
Total recoveries	**383**	349	357	349	187
Net write-offs (b)	**(640)**	(560)	(598)	(1,131)	(1,552)
Other (c)					
U.S. receivables					
Consumer	**(64)**	(68)	(58)	6	(58)
Commercial	**(11)**	(24)	(41)	(1)	(6)
Total U.S. other	**(75)**	(92)	(99)	5	(64)
Non-U.S. receivables					
Consumer	**(25)**	(52)	(45)	3	(69)
Commercial	**(12)**	(14)	(13)	2	(17)
Total non-U.S. other	**(37)**	(66)	(58)	5	(86)
Total other	**(112)**	(158)	(157)	10	(150)
Allowance for losses at end of year					
U.S. receivables					
Consumer	**273**	293	193	256	474
Commercial	**37**	33	79	93	113
Total U.S. receivables	**310**	326	272	349	587
Non-U.S. receivables					
Consumer	**86**	86	84	148	173
Commercial	**32**	26	30	49	50
Total non-U.S. receivables	**118**	112	114	197	223
Total allowance for losses	**$ 428**	$ 438	$ 386	$ 546	$ 810
Net write-offs / average cardmember receivables outstanding (d)	**1.5 %**	1.4 %	1.7 %	3.6 %	4.1 %

(a) Refer to Note 5 “Reserves for Losses” on page 77 in the 2012 Annual Report to Shareholders 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, 2012, 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.

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)*	2012		2011		2010		2009		2008	
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	**$ 1,274**	**86%**	$ 1,611	85%	$ 3,153	84%	$ 2,541	71%	$ 2,164	76%
Other	**1**	**-**	1	-	2	-	2	-	15	1
Non-U.S. loans										
Cardmember	**197**	**13**	263	14	493	15	727	28	406	22
Other	**19**	**1**	17	1	22	1	25	1	24	1
	$ 1,491	**100%**	$ 1,892	100%	$ 3,670	100%	$ 3,295	100%	$ 2,609	100%
Cardmember receivables										
U.S. cardmember receivables										
Consumer	**$ 273**	**64%**	$ 293	67%	$ 193	52%	$ 256	53%	$ 474	54%
Commercial	**37**	**8**	33	7	79	17	93	17	113	16
Non-U.S. cardmember receivables										
Consumer	**86**	**20**	86	20	84	18	148	18	173	17
Commercial	**32**	**8**	26	6	30	13	49	12	50	13
	$ 428	**100%**	$ 438	100%	$ 386	100%	$ 546	100%	$ 810	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 83 in the 2012 Annual Report to Shareholders for additional information.

Years Ended December 31, *(Millions, except percentages)*	2012		2011		2010	
	Average Balance (a)	**Average Rate**	**Average Balance (a)**	**Average Rate**	**Average Balance (a)**	**Average Rate**
U.S. customer deposits						
Savings	**$ 26,739**	**0.8%**	$ 21,179	1.0%	$ 12,657	1.1%
Time	**10,380**	**2.4**	10,740	2.7	14,462	2.7
Other (b)	**295**	**0.7**	249	0.8	254	0.6
Total U.S. customer deposits	**37,414**	**1.3**	32,168	1.6	27,373	1.9
Non-U.S. customer deposits (c)						
Other foreign time & savings	**193**	**4.2**	502	4.2	502	4.5
Other foreign demand	**150**	**2.0**	170	1.2	191	1.0
Total Non-U.S. customer deposits	**343**	**3.2**	672	3.4	693	3.5
Total customer deposits	**$ 37,757**	**1.3%**	$ 32,840	1.6%	$ 28,066	1.9%

(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, 2012				
(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)	$ 90	$ 22	$ 168	$ 195	$ 475

As of December 31, 2012, time certificates of deposit and other time deposits in amounts of $100,000 or more issued by non-U.S. offices was $352 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)***	**2012**	**2011**	**2010**
Net income	**$ 4,482**	$ 4,935	$ 4,057
Net income per share – basic	**$ 3.91**	$ 4.14	$ 3.37
Dividends declared per share	**$ 0.80**	$ 0.72	$ 0.72
Return on average total assets (a)	**3.0%**	3.3%	2.8%
Return on average shareholders' equity (b)	**23.1%**	27.7%	27.5%
Dividend payout ratio (c)	**20.5%**	17.4%	21.4%
Average shareholders' equity to average total assets ratio	**12.9%**	12.0%	10.2%

(a) Based on the year's net income as a percentage of average total assets calculated using month end average balances.

(b) Based on the year's net income as a percentage of average shareholders' equity calculated using month end average balances.

(c) 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 84 in the 2012 Annual Report to Shareholders for additional information.

Years Ended December 31, ***(Millions, except percentages)***	**2012**	**2011**	**2010**
Commercial paper			
Balance at the end of the year	**$ -**	$ 608	$ 645
Monthly average balance outstanding during the year	**$ 400**	$ 675	$ 900
Maximum month-end balance during the year	**$ 635**	$ 792	$ 1,398
Stated rate at December 31 (a)	**-%**	0.03%	0.16%
Weighted average rate during the year	**0.08%**	0.11%	0.22%
Other short-term borrowings			
Balance at the end of the year	**$ 3,314**	$ 3,729	$ 2,975
Monthly average balance outstanding during the year	**$ 3,354**	$ 3,266	$ 1,247
Maximum month-end balance during the year	**$ 3,684**	$ 3,729	$ 2,975
Stated rate at December 31 (a)	**1.46%**	1.32%	1.16%
Weighted average rate during the year (b)	**0.67%**	0.42%	0.19%

(a) For floating rate debt issuances, the stated interest rates are based on the floating rates in effect as of December 31, 2012, 2011 and 2010, respectively.

(b) 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. Commercial paper generally is issued in amounts not less than $100,000 and with maturities of 270 days or less.

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 business and economic environment, 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 economic and market conditions, both in the United States and elsewhere around the world. Ongoing concerns over elevated levels of unemployment, European sovereign debt, budget discussions in Washington, decelerating growth in China and geopolitical issues continue to impact global economies and markets. 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 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 expenditures using other forms of payment.

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.

We held approximately $4.5 billion of investment securities of state and municipal obligations as of December 31, 2012. 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, 2012, 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 secured financing facilities, the Federal Reserve discount window and long-term committed bank borrowing facilities. 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. 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.

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 32-35 of our 2012 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.

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 European sovereign debt and the continuation of the euro as a currency could decrease earnings we receive from our international operations and impact our capital.

During 2012, 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 and honor-all-cards provisions in merchant contracts 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 card 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 and honor-all-cards provisions in its merchant contracts. 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, selective acceptance 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 legal proceedings, lawsuit settlements or regulatory actions could result in changes to our business practices and materially and adversely impact the Company's profitability.

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

Dodd-Frank, as well as regulations promulgated thereunder, may continue to have a significant adverse impact on our business, results of operations and financial condition by, for example, requiring us to change our business practices, requiring us to comply with more stringent capital, liquidity and leverage ratio requirements, limiting our ability to pursue business opportunities, imposing additional costs on us (including increased compliance costs and increased costs of funding raised through the issuance of asset-backed securities), limiting the fees we can charge for services, impacting the value of our assets, and increasing our collateral posting requirements on interest rate and currency swaps we enter. A description of certain provisions of Dodd-Frank and other legislative and regulatory developments is contained in "Supervision and Regulation" above. In particular, because the Company and TRS are large bank holding companies they will be subject to the restrictions discussed above under "Financial Holding Company Status and Activities — Heightened Prudential Requirements for Large Bank Holding Companies" under "Supervision and Regulation" above.

Dodd-Frank has resulted in increased scrutiny and oversight of consumer financial services and products, primarily through the establishment of the CFPB. 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 require 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. Our compliance with such regulations could result in increased costs to the Company and may require additional attention from the Company's senior management. Likewise, any failure to follow such regulations may result in restitution to Cardmembers or regulatory actions, including civil money penalties. In addition to increasing our compliance costs, CFPB oversight has resulted, and is likely to continue to result, in changes to pricing, practices, products and procedures and may potentially impair our ability to respond to marketplace changes. Such changes could make our products and services less attractive to consumers and impair our ability to offer them profitably. Such changes could also have an adverse effect on the Company's brand and reputation. See " *Litigation and regulatory actions could subject us to significant fines, penalties, judgments and/or requirements resulting in increased expenses* " below.

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.

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.

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. If we fail to satisfy regulatory requirements applicable to bank holding companies that have elected to be treated as financial holding companies, our financial condition and results of operations could be adversely affected and we may be restricted in our ability to take certain capital actions (such as declaring dividends or repurchasing outstanding shares) or engage in certain activities or acquisitions. Additionally, our banking regulators have wide discretion in the examination and the enforcement of applicable banking statutes and regulations, and may restrict our ability to engage in certain activities or acquisitions, or may require us to maintain more capital.

In addition to the regulatory risks discussed elsewhere, 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. Among other things, as a result of regulators enforcing existing laws and regulations, we could be fined, required to pay restitution, prohibited from engaging in some of our business activities, subjected 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. Regulatory action could cause significant damage to our global reputation and brand and any change to our business practices that makes our products and services less attractive to our customers could adversely affect our results of operations and financial condition. 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.

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 our business activities, limit our ability to pursue business opportunities, require us to change certain of our business practices or alter our relationships with customers, affect retention of our key personnel, or expose us 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. For example, the Credit Card Accountability Responsibility and Disclosure Act of 2009 required us to make fundamental changes to many of our business practices, including marketing, underwriting, pricing and billing. 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. 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.

Many of our competitors are subject to different, and in some cases, less stringent, legislative and regulatory regimes. The more restrictive laws and regulations applicable to U.S. financial institutions like us can put us at a competitive disadvantage to non-traditional players in the alternative payments space and non-U.S. competitors, including prohibiting us from engaging in certain transactions, making the pricing of our products and services more expensive or adversely affecting our cost structure.

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

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

Businesses in the payments 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. We may also have to change our pricing, practices, products and procedures in response to pending or future litigation or regulatory action. The current environment of additional regulation, increased regulatory compliance efforts and enhanced regulatory enforcement has resulted in significant operational and compliance costs and may limit our ability to continue providing certain products and services.

In October 2012, we announced that we reached settlements with several bank regulators to resolve reviews of certain aspects of our U.S. consumer card practices for compliance with certain consumer protection laws and regulations. Similar settlements were reached with several of our subsidiaries, including Centurion Bank, AEBFSB and TRS. The American Express entities agreed to pay civil money penalties totaling $27.5 million and we, through our subsidiaries, established a restricted fund pool totaling $85 million for customer refunds (subject to adjustment depending on the ultimate amount of the refunds). The majority of those refunds are related to debt collection practices and late fee charges. In connection with the settlements, ongoing discussions with regulators and our own internal reviews, we and our subsidiaries have made and continue to make changes to certain of our card practices and products, which have resulted, and are likely to continue to result, in additional restitution to Cardmembers and may result in additional regulatory actions, which could include civil money penalties. Further action by the CFPB or other banking regulators could result in significant reputational harm or fines, or may prevent us from engaging in certain business activities that would otherwise be permitted.

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

Under regulatory capital adequacy rules and other regulatory requirements, the Company, TRS and our U.S. subsidiary depository institutions, Centurion Bank and AEBFSB, must meet rules 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 in “Financial Holding Company Status and Activities — Capital Adequacy” under “Supervision and Regulation” above, 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, could compromise our competitive position and could result in restrictions imposed by the Federal Reserve, 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 “Financial Holding Company Status and Activities — Capital Adequacy” under “Supervision and Regulation” 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.

The Federal Reserve will assess the Company's capital adequacy based on capital plans we submitted as discussed in "Financial Holding Company Status and Activities — Capital Planning" under "Supervision and Regulation" above. 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 2012, 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 both the Proposed Basel III Rules and the Basel III final framework as published in December 2010. Moreover, given that the federal banking agencies have delayed the effectiveness of the Proposed Basel III Rules, it cannot be certain when in the final rule as adopted will be applicable to us. Consequently, it remains uncertain how the final Basel III rules, as implemented by the federal banking agencies, will affect the Company and its subsidiaries. Additionally, stress testing requirements may have the effect of requiring the Company to comply with the Basel III capital requirements, or potentially even greater capital requirements, sooner than expected.

During 2012, we repurchased 69 million shares of our common stock through our share repurchase program. On January 7, 2013, we submitted our capital plan to the Federal Reserve requesting approval to proceed with additional share repurchases in 2013. The plan includes an analysis of performance and capital availability under certain adverse economic assumptions. We expect a response from the Federal Reserve by March 14, 2013. No additional shares are expected to be repurchased prior to its response. We cannot predict whether the Federal Reserve will approve additional share purchases.

American Express Company 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 — Financial Holding Company Status and Activities — Dividends" above, as well as "Consolidated Capital Resources and Liquidity — Share Repurchases and Dividends" on page 31 and Note 23 on pages 106-107 of our 2012 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. The Directive is now undergoing review and further changes, as yet to be defined, are anticipated.

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 in "four party" payment networks such as Visa

and MasterCard 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 interchange fee investigations that are ongoing, concluded or on appeal. In some cases these investigations have led to changes in network rules, such as non-discrimination and honor-all-card provisions.

The interchange fee, which is the collectively set fee paid by the merchant acquirer to the card issuing bank in "four party" payment networks, 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. For this reason, as well as the fact that Visa and MasterCard are the dominant card networks, the regulators' focus has primarily been on these networks. However, antitrust actions and government regulation relating to merchant pricing could ultimately affect all networks. Among other impacts, 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 cards, so long as 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.

In Europe, some countries such as Italy and Poland have proposed or adopted regulation of interchange or merchant fees. In January 2012, the EC published a Green Paper (a document to begin a process of consultation toward potential regulation) covering a range of issues affecting the payments industry. The Green Paper contemplates direct regulation of interchange fees as well as changes to non-discrimination and honor-all-cards rules and to regulation of surcharging. Other issues covered in the Green Paper include separation of processing from card network management, perceived barriers to cross-border acquiring, mobile payments and technical standardization. The EC has completed a consultation period and is expected to issue its preliminary conclusions in early of 2013. These conclusions may involve proposals for regulation or recommendations for self-regulation and could take another 18-24 months to adopt and implement. See " *An increasing prevalence of surcharging by merchants could materially adversely affect our business and results of operations* " below.

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 and analysis, 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. We also expect increased regulatory and legal scrutiny and requirements with respect to data privacy and protection in connection with these new technologies. 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 affect or limit how we collect and/or use personal information and our business opportunities.

We are subject to various applicable Privacy, Information Security and Data Protection Laws, including requirements concerning security breach notification, and we could be negatively impacted by them. For example, in the United States, certain of our businesses may be subject to the Gramm-Leach-Bliley Act and implementing regulations and guidance. Among other things, the GLBA imposes certain limitations on the ability of financial institutions to share consumers' nonpublic personal information with nonaffiliated third parties; requires that financial institutions provide certain disclosures to consumers about their data collection, sharing and security 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); and requires financial institutions to 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 customer information processed by the financial institution. For more information on the GLBA and various state laws, see "Privacy and Data Protection" under "Supervision and Regulation" above.

Various U.S. federal banking regulatory agencies, states and foreign jurisdictions have enacted data security breach notification requirements with varying levels of individual, consumer, regulatory and/or law enforcement notification in certain circumstances in the event of a security breach. Many of these requirements also apply broadly to merchants that accept our Cards and our business partners. In many countries that have yet to impose data security 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 security breaches.

In addition, legislators and/or regulators in the United States and other countries in which we operate are increasingly adopting or revising Privacy, Information Security and Data Protection Laws that potentially could have significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer and/or employee information, and some of our current or planned business activities. This also could increase our costs of compliance and business operations and could reduce revenues from certain business initiatives. There is also increasing enforcement activity in the areas of data protection, privacy and/or information security in various countries in which we operate.

For example, in the United States, during 2012 the FTC and the White House issued reports pertaining to consumer privacy. The FTC's report, which applies to a company's collection and use of consumer information both online and offline, indicates certain privacy principles that at least one key U.S. regulator (the FTC) expects companies to adhere to as "best practices." These include, for example, greater transparency and "privacy-by-design" (i.e. building reasonable protections into data collection, retention, and management procedures). The White House report sets administration positions, including calling on Congress to enact new consumer protections with respect to commercial data practices in the form of a "Consumer Privacy Bill of Rights" and a national data breach notification standard that preempts the existing patchwork of state standards. 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 by the FTC, as well as increased privacy-related enforcement activity at the state level, including in California, such as with regard to mobile applications. The U.S. House of Representatives and Senate considered a number of draft privacy, security breach notification, cybersecurity and

information-security related bills during the 112th Congress and various committee hearings were held on related subjects. There also continues to be legislative activity in these areas at the state level.

In the European Union, the European 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, has been implemented through local laws in Member States. As these laws are interpreted throughout the European Union, compliance costs are increasing, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. The European Commission proposed in January 2012 a new regulation to replace the current Data Protection Directive that, among other things, would tighten data protection requirements and make enforcement more rigorous, for example, by streamlining enforcement at a European level, introducing data breach notification requirements and increasing penalties for non-compliance. The proposed regulation may be finalized in late 2013 with an effective date 18-24 months thereafter. This proposed regulation follows the implementation of the European Union's e-Privacy Directive, which imposes consent requirements on the use of "cookies" for certain purposes such as online behavioral advertisement.

Compliance with current or future Privacy, Data Protection and Information Security Laws (including those regarding security breach notification) affecting customer and/or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to fully exploit our closed-loop capability or provide certain products and services, which could materially and adversely affect our profitability. Our failure to comply with Privacy, Data Protection and Information Security Laws could result in potentially significant regulatory and/or governmental investigations and/or actions, litigation, 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 — 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.

Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We operate in jurisdictions throughout the world. As such, we are subject to tax laws and regulations of the United States federal, state and local governments, and of various foreign jurisdictions. From time to time, legislative initiatives may be proposed, such as proposals for fundamental tax reform in the United States, which may impact our effective tax rate and could adversely affect our tax positions and/or our tax liabilities. In addition, United States federal, state and local, as well as foreign, tax laws and regulations, are extremely complex and subject to varying interpretations. There can be no assurance that our historical tax positions will not be challenged by relevant tax authorities or that we would be successful in defending our position in connection with any such challenge.

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, Square and Amazon), 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 fourth largest general-purpose card network on a global basis based on purchase volume, behind Visa, MasterCard and China UnionPay. We believe Visa and MasterCard are larger than we are in most countries. As a result, competitive card issuers and acquirers on the Visa and MasterCard networks may be able to benefit from the dominant position, resources, marketing and pricing of Visa and MasterCard.

Because of 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, including larger cash reserves, 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, co-brand card programs 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 on different platforms than we are. Spending on our charge and credit Cards could continue to 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 and aggregators 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 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. 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, require card transactions to be routed over domestic networks or prohibit or limit foreign ownership of certain businesses could slow our growth in international regions. Further, expanding our service offerings, adding customer acquisition channels and forming new partnerships could have higher cost structures than our current arrangements, adversely impact our average discount rate or dilute our brand.

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, including pressure created by regulatory-mandated reductions to competitors' pricing, 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.

An increasing prevalence of surcharging by merchants could materially adversely affect our business and results of operations.

While our Card acceptance agreements with merchants generally do not prohibit merchants from surcharging our Cardmembers, merchants are encouraged to welcome our Cardmembers and are obliged to comply with applicable laws and our card acceptance agreements, including any non-discrimination provisions in our agreements. There are certain countries in which surcharging is specifically permitted, such as Australia and certain countries in the European Union. In Australia, we have seen selective, but increasing, merchant surcharging on American Express Cards in certain merchant categories and, in some cases, on a basis that is greater than that applied to cards issued on the bankcard networks, which is known as differential surcharging. New rules issued by the Reserve Bank of Australia in 2012 allow us and other payment networks to prohibit merchants from surcharging by more than their reasonable costs of accepting a particular payment card. This could lead to an increase in higher surcharges on American Express Cards when compared to cards issued by other issuers or on other networks. In addition, the proposed settlement by MasterCard and Visa of their U.S. merchant class litigation, which was preliminarily approved in November 2012, requires MasterCard and Visa to permit U.S. merchants to surcharge MasterCard and Visa credit card transactions under certain terms and subject to certain conditions, while permitting the networks to continue to prohibit surcharges on debit card transactions. MasterCard and Visa have announced revised network rules that went into effect on January 27, 2013 that prohibit merchants that also accept American Express Cards from implementing surcharges of MasterCard and/or Visa credit card transactions unless they also surcharge American Express transactions in a manner that would violate the non-discrimination provisions generally agreed to by most merchants that accept Cards on the American Express network (i.e., by surcharging American Express transactions but not surcharging MasterCard and Visa debit card transactions). This may encourage merchants that currently accept American Express Cards to either violate their Card acceptance agreements with American Express or to discontinue acceptance of American Express Cards. If this occurs, it could materially and adversely affect American Express merchant coverage and Charge volumes.

If surcharging becomes widespread, American Express Cards and credit and charge cards generally could become less desirable to consumers, which could result in a decrease in Cards in force and transaction volumes. The impact could vary depending on the manner in which a surcharge is levied and whether surcharges are levied upon all payment cards, whether debit cards are excluded, or whether the amount of the surcharge varies depending on the card, network, acquirer or issuer. Surcharging could have a material adverse effect on our business, financial condition and results of operations, particularly to the extent surcharging disproportionately impacts American Express Cardmembers.

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 retain or 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 94 percent in 2012 from 92 percent in 2011, which resulted in higher rewards expenses in 2012. 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.

If we continue to increase our investments in marketing, promotion and rewards programs, we will need to find ways to offset the financial impact by increasing payments volume, the amount of fee-based services we provide or both. We may not succeed in doing so, particularly in the current regulatory environment.

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 and small business 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. Negative public opinion could also result from actual or alleged conduct in any number of activities or circumstances, including card practices, regulatory compliance and the use and protection of customer information, and from actions taken by regulators or others in response to such conduct. Social media channels can also cause rapid, widespread reputational harm to our brand.

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 third-party vendor or 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.

If we cannot successfully execute on our strategy, our business and financial results may be adversely impacted.

We may not be able to implement important strategic initiatives in accordance with our expectations, which may result in an adverse impact on our business and financial results. These strategic initiatives are designed to improve our results of operations and drive long-term shareholder value, and include:

- Increasing plastic penetration, including by growing our share of premium and small business spend and B2B payments
- Continuing to expand internationally through proprietary and GNS offerings
- Expanding our presence in the digital payments space, including online and mobile channels
- Successfully leveraging our brand in the prepaid space
- Growing our existing fee-based businesses such as insurance products and other services and introducing new business initiatives to increase fee revenue

The process of developing new products and services and enhancing existing products and services is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly harm our market share and results of operations.

We also continue to pursue a disciplined expense-management strategy, including restructuring operations. However, there is no guarantee that we will be able to control the growth of expenses in the future, particularly as expenses incurred in our foreign entities are subject to foreign exchange volatility and regulatory compliance and legal and related costs are difficult to predict or control, particularly given the current regulatory and litigation environment. Moreover, we have incurred, and will continue to incur, costs of investing in our businesses. These investments may not be as productive as we expect or at all.

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 may also evaluate other 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, and complete proposed acquisitions and investments. Our failure to successfully integrate acquired companies, businesses or technologies into our existing operations could cause us to fail to realize the anticipated benefits of the acquisition or investment, incur unanticipated liabilities and harm our business generally.

A significant disruption or breach in the security of our information technology systems or an increase in 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, transmit and store Cardmember account information in connection with our charge and credit Cards, and in the normal course of our business, we collect, analyze and retain significant volumes of certain types of personally identifiable and other information pertaining to our customers and employees. Information security risks for large financial institutions like us have generally increased in recent years. Criminals are using increasingly sophisticated methods 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, including merchants that accept our Cards and our business partners, 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 are costly and require 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, malicious social engineering and fraudulent or other malicious activities cannot be eliminated entirely, and risks associated with each of these remain.

Our information technology systems, including our transaction authorization, clearing and settlement systems, may experience service disruptions or degradation because of technology malfunction, sudden increases in customer transaction volume, natural disasters, accidents, power outages, telecommunications failures, fraud, denial-of-service and other cyber attacks, terrorism, computer viruses, physical or electronic break-ins, or similar events. Service disruptions could prevent access to our online services and account information, compromise Company or customer data, and impede transaction processing and financial reporting. Inadequate infrastructure in lesser developed countries could also result in service disruptions, which could impact our ability to do business in those countries.

If our information technology systems experience a significant disruption or breach or if actual or perceived fraud levels or other illegal activities 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. Data breaches and other actual or perceived failures to maintain confidentiality, privacy and/or security of data may also negatively impact the assessment of the Company, TRS and its U.S. banking subsidiaries by banking regulators.

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, we may be obligated to make or accelerate payments to certain business partners such as co-brand partners and merchants upon the occurrence of certain triggering events such as: (i) our filing for bankruptcy, (ii) our economic condition deteriorating such that our senior unsecured debt rating is downgraded significantly below investment grade by S&P and Moody's, (iii) our ceasing to have a public debt rating, or (iv) a shortfall in certain performance levels. 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 may 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. The airline industry accounted for approximately 10 percent of our worldwide billed business for the year ended December 31, 2012.

There continues to be significant consolidation in the airline industry, particularly in the United States (e.g., American/US Airway and United Airlines/Continental Airlines), 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 EC has similarly approved the Oneworld Alliance, and its review of the other alliances and cooperation between alliance members 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. Our largest airline co-brand loan portfolio, American Express' Delta SkyMiles Credit Card, accounted for less than 15 percent of worldwide Cardmember loans as of December 31, 2012.

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 the withdrawal of Continental Airlines in 2011 from our Airport Club Access program for Centurion and Platinum Cardmembers and our Membership Rewards points transfer program, 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 38 of our 2012 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 and mobile channels 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, compliance risk and reputational risk. See “Risk Management” on pages 37- 40 of our 2012 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 in 2012, 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 and compliance 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, poor data quality, human error or the external environment (i.e., natural disasters). Operational risk includes, among others, the risk that employee error or intentional misconduct could result in a material financial misstatement; a failure to monitor an outsource partner’s compliance with a service level agreement or regulatory or legal requirements; or a failure to adequately monitor and control access to data in our systems we grant to third-party service providers. As processes are changed, or new products and services are introduced, we may not fully appreciate or identify new operational risks that may arise from such changes. Compliance risk arises from the failure to adhere to applicable laws, rules, regulations and internal policies and procedures. Operational and compliance risks can expose us to reputational risks as well as fines, civil money penalties or payment of damages and can lead to diminished business opportunities and diminished ability to expand key operations.

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 American Express Personal Savings. As of December 31, 2012, we had approximately $39.7 billion in total U.S. retail deposits. 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. 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, although a majority of the deposits raised during 2012 were accepted directly from consumers through American Express Personal Savings. 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, 2012, 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.

We rely on third-party providers of various computer systems, platforms 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 also rely on third parties to interact with our customers, including through social media platforms and mobile technologies. 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. A failure to adequately monitor a third-party service provider's compliance with a service level agreement or regulatory or legal requirements could result in economic and reputational harm to us. There is also a risk the confidentiality, privacy and/or security of data held by third parties or communicated over third-party networks or platforms could become compromised. 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.

Additionally, we rely on third-party service providers, merchants, processors, aggregators, GNS partners and other third parties for the timely transmission of accurate information across our global network. If a service provider fails to provide the data quality, 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. See *" A significant disruption or breach in the security of our information technology systems or an increase in 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 "* above.

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

Geopolitical events, terrorist attacks, natural disasters, severe weather conditions, health pandemics, intrusion into or degradation of our infrastructure by hackers and other catastrophic events can 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. In addition, disruptions in air travel and other forms of travel caused by such events can result in the payment of claims under travel interruption insurance policies that we offer 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. Cardmember spending may also be negatively impacted in areas affected by natural disasters or other catastrophic events. The impact of such events on the overall economy may also adversely affect our financial condition or 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 and on pages 54-56 of the 2012 Annual Report to Shareholders, 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 and in the 2012 Annual Report to Shareholders 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 on land leased from the Battery Park City Authority for a term expiring in 2069. 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 Bank of Canada and Amex Canada Inc. headquarters in Markham, Ontario, Canada; and service centers located in Mexico City, Mexico; Sydney, Australia; Gurgaon, India and Brighton, England.

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 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, arising out of 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 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 $430 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 107-108 of our 2012 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.

The DOJ matter is being coordinated with individual and putative class actions pending in the Eastern District of New York against American Express brought by merchants alleging that the Company's "anti-steering" provisions in its merchant acceptance agreements with the plaintiffs violate federal antitrust laws. As alleged by the plaintiffs, these provisions prevent merchants from offering consumers incentives to use alternative forms of payment when consumers wish to use an American Express-branded card. Plaintiffs seek damages and injunctive relief. The putative class actions have been partially stayed in light of the continuing appeal in In re American Express Merchants' Litigation (described below).

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. Plaintiffs' principal allegation is 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. The Court 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" and preliminarily approved the parties' settlement agreement on September 21, 2011. A final settlement approval hearing took place on February 29, 2012 and the Court issued an order on June 25, 2012 appointing an expert to consider further notice to the class. 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 will be subject to any final settlement in Kaufman that may be approved over their objections.

On October 1, 2012, the Company announced that it reached settlements with several bank regulators to resolve reviews of certain aspects of the Company's U.S. consumer card practices for compliance with certain consumer protection laws and regulations. Similar settlements were reached with several of the Company's subsidiaries, including Centurion Bank, AEBFSB and TRS. The settlements were signed by the Company with the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and UDFI; TRS with the Federal Reserve Board, CFPB and UDFI; Centurion Bank with the CFPB, FDIC and DFI; and AEBFSB with the CFPB and OCC. The American Express entities agreed to pay civil money penalties totaling $27.5 million and the Company, through its subsidiaries, will establish a restricted fund pool totaling $85 million for customer refunds (subject to adjustment depending on the ultimate amount of the refunds). The majority of those refunds are related to debt collection practices and late fee charges. As noted above under "Consumer Financial Protection Act of 2010" within "Supervision and Regulation," various bank regulators have been separately reviewing the Company's add-on products for compliance with certain consumer protection laws and regulations. In connection with the settlements, ongoing discussions with regulators and the Company's own internal reviews, the Company and its subsidiaries have made and continue to make changes to certain of their card practices and products, which are likely to result in additional restitution to Cardmembers and may result in additional regulatory actions, which could include civil money penalties.

On November 7, 2012, a shareholder derivative action captioned Lankford v. Chenault, et al., and American Express Co. , was filed in New York State Supreme Court, New York County. The defendants include the Company's Board of Directors and the Company itself, as a nominal defendant. No demand preceded the filing of the complaint. The complaint alleges that the Company and/or its subsidiaries were engaged in illicit practices with respect to their credit and charge card business, which included charging unlawful late fees, misleading consumers on debt collection issues, failing to report consumer disputes to credit reporting agencies, deceiving consumers who signed up for the Company's "Blue Sky" credit card program, and discriminating against new account applicants on the basis of age. Based on those allegations, the complaint further alleges: breach of fiduciary duties by disseminating false and misleading information, failure to maintain internal controls, and failure to properly oversee and manage the Company; unjust enrichment; abuse of control; and gross mismanagement. The amount of purported damages is unspecified in the complaint. Similar allegations have been raised in demand letters received during October 2012 by the Company on behalf of purported shareholders.

U.S. Card Services and Global Merchant Services Matters

Merchant Cases

In addition to the merchant cases being coordinated with the DOJ and state actions described above in "Corporate Matters," the Company has been named in the following matters:

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. Since April 2004, the parties to the consolidated actions have been engaged in motion practice regarding American Express' motion to dismiss the consolidated actions on the grounds that all of the plaintiffs' claims are subject to arbitration. On February 1, 2012, the Second Circuit again reversed the District Court's decision ordering arbitration, and reaffirmed its prior ruling. On May 29, 2012, the Second Circuit denied the Company's petition for rehearing en banc with dissents. The Second Circuit has stayed the mandate pending the outcome of the Company's petition for a writ of certiorari to the U.S. Supreme Court, which was granted on November 6, 2012. Oral argument is scheduled for February 27, 2013.

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). 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.

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 was granted judgment on all counts following trial and that judgment was affirmed by the Court of Appeal for California on December 17, 2012. Plaintiffs have petitioned the California Supreme Court for review.

In addition, a case making the same factual allegations (purportedly on behalf of a different class of Cardmembers) as those in the Hoffman case was pending in the United States District Court for the Eastern District of New York, entitled Law Enforcement Systems v. American Express, et al. On October 5, 2012, the Company's motion to dismiss was granted and judgment entered for defendants. Plaintiff has filed a notice of appeal.

In July 2004, a purported class action complaint, 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 alleging 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. The parties reached an agreement to settle the claims asserted on behalf of the damage class concerning foreign currency conversion rates. The settlement was approved in 2012. The claims asserted by the injunction class concerning cardmember arbitration clauses were not included in the proposed settlement. Trial of those claims concluded in February 2013.

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 amended complaint seeks to certify a class of California American Express Cardmembers whose interest rates were changed from fixed to variable in or around August 2009 or otherwise increased. American Express' motion to compel arbitration and dismiss the complaint was denied by the Court. Briefing on American Express' appeal of the denial of the motion to compel arbitration is currently stayed.

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. 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 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.

In October 2012, a putative class action captioned Clarke v. American Express Company, et al. was filed in the United States District Court for the Southern District of New York alleging that American Express Company, American Express

Travel Related Services, Inc., American Express Centurion Bank and American Express Bank, FSB violated state consumer protection laws, state common law and federal statutory law in the marketing, selling and implementation of a credit card product known as "Account Protector." The complaint seeks unspecified compensatory and punitive damages along with injunctive and declaratory relief. The Company filed a motion to compel arbitration on December 11, 2012.

International Matters

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 action further 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, consisting of all personal and small business cardmembers residing 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 approximately CDN$13.1 million plus interest on the non-disclosure claims. In addition, the Superior Court awarded punitive damages in the amount of CDN$2.5 million. Amex Bank of Canada appealed the judgment and on August 2, 2012, the Court of Appeal overturned the decision in part, with regard to the award of punitive damages. On October 15, 2012, Amex Bank of Canada filed leave for appeal to the Supreme Court of Canada.

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 QCPA and cannot be charged prior to the 21-day grace period under the QCPA. The class includes all persons residing in Quebec 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 2008. 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 approximately CDN$8.3 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$25.00 per cardmember. The judgment has been appealed by all banks, including Amex Bank of Canada. On August 2, 2012, the Court of Appeal overturned the decision against Amex Bank of Canada and certain of the other co-defendants. The remaining co-defendants and the plaintiffs filed leave to appeal to the Supreme Court of Canada.

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. The motions have been stayed pending final judgment in Marcotte .

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. Defendants filed a motion to stay the class action pending final judgment in Marcotte .

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 under the QCPA 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. Defendants filed a motion to stay the class action pending final judgment in Marcotte .

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 Bank of Canada is not part of the first portion of the claim dealing with the unilateral increase without consent under the QCPA. Amex Bank of Canada 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 Bank of Canada was held in December 2010. Defendants filed a motion to stay the class action pending final judgment in Marcotte .

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, 2012, we had 32,565 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 113 of our 2012 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 31 and Note 23 on pages 106-107 of our 2012 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 2013 proxy statement for our Annual Meeting of Shareholders, which is scheduled to be held on April 29, 2013. The information to be found under such captions is incorporated herein by reference. Our definitive 2013 proxy statement for our Annual Meeting of Shareholders is expected to be filed with the SEC in March 2013 (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, 2012.

	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, 2012				
Repurchase program (1)	3,111,476	$ 55.92	3,111,476	97,778,081
Employee transactions (2)	393	$ 57.86	N/A	N/A
November 1-30, 2012				
Repurchase program (1)	8,416,188	$ 55.83	8,416,188	89,361,893
Employee transactions (2)	325,065	$ 55.76	N/A	N/A
December 1-31, 2012				
Repurchase program (1)	6,253,200	$ 56.88	6,253,200	83,108,693
Employee transactions (2)	550	$ 57.75	N/A	N/A
Total				
Repurchase program (1)	17,780,864	$ 56.22	17,780,864	83,108,693
Employee transactions (2)	326,008	$ 55.76	N/A	N/A

(1) As of December 31, 2012, there were approximately 83 million shares of common stock remaining under Board authorization. Such authorization does not have an expiration date. Future share repurchases are subject to approval by the Federal Reserve.

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

(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 114 of our 2012 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 16-56 of our 2012 Annual Report to Shareholders is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the heading "Risk Management" appearing on pages 37-40 and in Note 12 to our Consolidated Financial Statements on pages 87-91 of our 2012 Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The "Report of Independent Registered Public Accounting Firm," the "Consolidated Financial Statements" and the "Notes to Consolidated Financial Statements" appearing on pages 65-113 of our 2012 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 Securities Exchange Act of 1934 (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, 2012, appearing on pages 57 and 58 of our 2012 Annual Report to Shareholders, are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

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 2013 (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 29, 2013 **,** 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, Risk and Compliance 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, Risk and Compliance; 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 29, 2013, 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.

Table of Contents

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 21, 2013

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

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

/ s / C HARLENE B ARSHEFSKY
Charlene Barshefsky
Director

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

/ s / P ETER C HERNIN
Peter Chernin
Director

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

/ s / J AN L ESCHLY
Jan Leschly
Director

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

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

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

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

/ s / D ANIEL V ASELLA
Daniel Vasella
Director

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

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

February 21, 2013

Table of Contents

AMERICAN EXPRESS COMPANY

INDEX TO FINANCIAL STATEMENTS

(Items 15(a)(1) and 15(a)(2) of Form 10-K)

	Form 10-K	Annual Report to Shareholders (Page)
Data incorporated by reference from 2012 Annual Report to Shareholders:		
Management's report on internal control over financial reporting		57
Report of independent registered public accounting firm (PricewaterhouseCoopers LLP)		58
Consolidated statements of income for each of the three years in the period ended December 31, 2012		60
Consolidated statements of comprehensive income for each of the three years in the period ended December 31, 2012		61
Consolidated balance sheets at December 31, 2012 and 2011		62
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2012		63
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2012		64
Notes to consolidated financial statements		65
Consent of independent registered public accounting firm	F-2	
Schedules:		

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 4, 5 and 26 to the Consolidated Financial Statements in our 2012 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 2012 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 2012 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 on Form S-8 (No. 33-53801, No. 333-52699, No. 333-98479 and No. 333-142710), Form S-3 (No. 2-89469, No. 333-32525 and No. 333-185242), and Form S-4 (No. 333-185969) of American Express Company of our report dated February 22, 2013, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the 2012 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 22, 2013

Table of Contents

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 10.39 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.
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	First Amendment to the American Express Senior Executive Severance Plan, effective January 1, 1994 (as amended and restated through January 1, 2011) (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, 2012).
10.28	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).
10.29	Second Amendment and Restatement of the American Express Retirement Restoration Plan (f/k/a Supplemental Retirement Plan) (as amended and restated effective as of January 1, 2012) (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2011).
10.30	Third Amendment to the American Express Retirement Restoration Plan (f/k/a Supplemental Retirement Plan) (as amended and restated effective as of January 1, 2012) (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, 2012).
*10.31	Fourth Amendment to the American Express Retirement Restoration Plan (f/k/a Supplemental Retirement Plan) (as amended and restated effective as of January 1, 2013).
10.32	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).
*10.33	American Express Company 2003 Share Equivalent Unit Plan for Directors, as amended and restated, effective November 20, 2012.
*10.34	Description of Compensation Payable to Non-Management Directors.
10.35	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)).
10.36	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)).
10.37	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)).

*10.38	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 29, 2013).
*10.39	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 29, 2013).
10.40	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).
10.41	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).
10.42	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).
10.43	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).
10.44	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).
*10.45	Amendment No. 1 dated February 21, 2013 to the Time Sharing Agreement, dated May 27, 2010, by and between National Express Company and Kenneth I. Chenault.
*12	Computation in Support of Ratio of Earnings to Fixed Charges.
*13	Portions of the Company's 2012 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

Table of Contents

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, 2012

Commission File No. 1-7657

American Express Company

(Exact name of Company as specified in charter)

EXHIBITS

FOURTH AMENDMENT
TO THE
AMERICAN EXPRESS RETIREMENT RESTORATION PLAN

WHEREAS, pursuant to its delegation powers, the Compensation and Benefits Committee (the "CBC") of the Board of Directors of American Express Company (the "Company") has authorized the Senior Vice President Global Compensation & Benefits of the Company generally to take certain actions with respect to the American Express Retirement Restoration (the "Plan") as he shall deem reasonably necessary or appropriate; and

WHEREAS, the undersigned Senior Vice President Global Compensation & Benefits deems it reasonably necessary and appropriate to make the amendments set forth below; now

THEREFORE, the Plan is hereby amended as set forth below, effective as set forth below (provided that clarifying provisions reflect preexisting administrative interpretation):

1. The following clarifying sentence is added to the end of Section 2.1(y) of the Plan, effective immediately:

By way of clarification, Incentive Pay is calculated prior to reduction for 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).

2. Section 4.2(b)(i) of the Plan is amended to read as follows, effective January 1, 2013 and for the 2012 open enrollment period:

(i) have an Account under the Plan from a prior Plan Year (provided that, solely for purposes of determining eligibility to participate, a Participant who would have had an Account balance had he or she accepted a previous offer to participate in the Plan shall be treated as having an Account balance); or

3. Section 5.3(c)(i) of the Plan is amended to read as follows, effective January 1, 2013:

(i) amounts may not be directed to the Stock Fund in excess of limits established by the Plan or Administrator pursuant to Article 7, and any amounts directed to the Stock Fund in excess of those limits will be redirected in accordance with Article 7; and

4. Section 7.4 of the Plan is amended to read as follows, effective January 1, 2013:

(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 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, nor may a Participant direct that more than ten percent of new contributions made to the RSP-Related Account or the Deferral Account, respectively, be directed to the subaccount representing the Stock Fund. 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 the transfer of 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) or has directed new contributions to an Account to the Stock Fund in an amount which would result in new contributions to such Account's subaccount representing the Stock Fund exceeding ten percent of new contributions to such Account, then such Participant shall be deemed to have selected, with respect to any such excess, the default subaccount designated by the Administrator (which shall be deemed to be the subaccount representing the fund designated as the default fund under the RSP, unless the Administrator directs the use of a different fund).

(b) To the extent a Participant elects to invest in the subaccount representing the Stock Fund, subject to Sections 7.4(d) and 7.6, 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 a default account selected by the Administrator (which shall be deemed to be the subaccount representing the fund designated as the default fund under the RSP, unless the Administrator directs the use of a different fund). 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) 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.

5. The last sentence of Section 8.1(a) of the Plan is clarified to read as follows, effective immediately:

A Participant who has experienced a Separation from Service and is to receive or 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.

6. The last sentence of Section 8.2(c)(i)(A) of the Plan is clarified to read as follows, effective immediately:

A Participant who has experienced a Separation from Service and is to receive or 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.

7. The last sentence of Section 8.2(c)(ii) of the Plan is clarified to read as follows, effective immediately:

A Participant who has experienced a Separation from Service and is to receive or 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.

8. A new paragraph is added to the end of Section 8.3 of the Plan to read as follows, effective January 1, 2013:

Effective for Participants who die on or after January 1, 2013, if a Participant has designated his or her spouse as his or her beneficiary for either or both Accounts, that designation shall automatically become null and void in the event of the Participant's divorce, without prejudice, however, to any rights the former spouse may be granted pursuant to a domestic relations order applicable to the Plan. In the event that a beneficiary designation is voided hereunder, the benefit shall be paid as if the former spouse had pre-deceased the Participant. A Participant who wishes the former spouse to be his or her beneficiary may file a new beneficiary designation form naming the former spouse after the date of divorce. These rules will also apply in the event a beneficiary is permitted to designate a beneficiary and becomes divorced from the person named as beneficiary. Notwithstanding the foregoing, neither the Plan nor any other person will be liable for payment made to a named beneficiary prior to the date that the Plan is notified that such person is a divorced spouse.

Dated: 10/24/2012

AMERICAN EXPRESS COMPANY

By: /s/ David Kasiarz
Its: SVP Global Compensation & Benefits

EXHIBIT 10.33

AMERICAN EXPRESS COMPANY

2003 SHARE EQUIVALENT UNIT PLAN FOR DIRECTORS

(As amended and restated effective November 20, 2012)

Section 1. Effective Date

The effective date of this Plan is April 28, 2003, except as otherwise provided herein.

Section 2. Eligibility

Any Director of American Express Company (the "Company") who is not a current or former officer or employee of the Company or a subsidiary thereof is eligible to participate in this 2003 Share Equivalent Unit Plan for Directors (this "Plan").

Section 3. Administration

The Nominating and Governance Committee of the Board of Directors (the "Committee") shall administer this Plan. The Committee shall have all the powers necessary to administer this Plan, including the right to interpret the provisions of this Plan and to establish rules and prescribe any forms for the administration of this Plan.

Section 4. SEU Accounts

The Committee shall, on an annual basis, determine, in its discretion, either a number or a value of Share Equivalent Units ("SEUs") to be credited to a book-entry account established for each non-employee Director under this Plan upon his or her election or reelection to the Board of Directors of the Company at the Annual Meeting of the Company's Shareholders held in such year, provided that the number of SEUs to be credited must be the same for each such non-employee Director for such year. If the Committee specifies the value of SEUs to be awarded, the number of SEUs to be awarded shall be equal to the specified value divided by the average of the average market price of the Company's common stock, par value $0.20 per share ("the Common Shares"), as reported on the New York Stock Exchange Composite Transactions Tape for the fifteen (15) trading days immediately preceding the date of the Annual Meeting of the Company's Shareholders. At certain times the Company may be temporarily precluded from crediting Directors' accounts as a result of the application of securities or other laws. In such instance, the Committee will credit the accounts as soon as feasible thereafter, but no later than December 31st of the applicable year.

Section 5. Dividend Equivalents

On any dividend payment date for the Common Shares, dividend equivalents in the form of additional SEUs will be credited to the Director's account equal to (i) the per share cash dividend, multiplied by (ii) the number of SEUs credited to such Director's account prior to the payment of dividends on such payment date, divided by (iii) the average market price of the Common Shares on the payment date. At certain times the Company may be temporarily precluded from crediting Directors' accounts as a result of the application of securities or other laws. In such instance, the Committee will credit the accounts as soon as feasible thereafter, but no later than December 31st of the year in which the dividend is paid.

Section 6. Stock Splits

In the event of any change in the outstanding Common Shares of the Company by reasons of any stock split, stock dividend, split up, split-off, spin-off, recapitalization, merger, consolidation, rights offering, reorganization, combination or exchange of shares, a sale by the Company of all or part of its assets, any distribution to the shareholders other than a normal cash dividend, or other extraordinary or unusual event, the number of SEUs credited to a Director's account shall be automatically adjusted on the same basis so that the proportionate interest of the Director under this Plan shall be maintained as before the occurrence of such event.

Section 7. Valuing Units Payable to Directors

On any date on which SEUs are payable to a Director (other than in the case of SEUs paid in respect of the payment of dividends), the SEUs will be valued for payment by multiplying the applicable number of units by the average of the average market price of a Common Share as reported on the New York Stock Exchange Composite Transactions Tape for the fifteen (15) trading days immediately preceding the date of payment.

For purposes of Section 4 and this Section 7, the average market price on any valuation date under this Plan shall be the average of the highest and lowest sales prices of the stock as reported on the New York Stock Exchange Composite Transactions Tape.

Section 8. Form of Distribution of Account Balance

Upon a Director's separation from service, the time and form of distribution under his or her election in effect under the Company's Deferred Compensation Plan for Directors (the "DCP") on such date shall govern the distribution of the Director's SEU account under this Plan. In the absence of a valid election under the DCP, a Director will be deemed to have elected to receive the SEUs that have accumulated in the Director's account in a lump sum upon such Director's separation from service. All distributions will be paid in cash.

Section 9. Death Prior to Receipt

In the event that a Director dies prior to receipt of any or all of the amounts payable to him or her pursuant to this Plan, any amounts that are then credited to the Director's SEU account shall be paid to the legal representatives of the Director's estate in a lump sum within ninety (90) days following the date of the Director's death, or such later date permitted by Section 409A.

Section 10. Director's Rights Unsecured

The right of any Director to receive future payments under the provisions of this Plan shall be an unsecured, contractual claim against the general assets of the Company. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any segregation of assets the payment of any amounts under this Plan.

Participants may not sell, transfer, assign, pledge, levy, attach, encumber or alienate any amounts payable under this Plan.

Section 11. Statement of Account

A statement of account will be sent to each Director not later than sixty (60) days after the close of each calendar quarter, which will confirm the Director's SEU account balance as of the end of the preceding quarter.

Section 12. Amendment

This Plan may be amended at any time and from time to time by the Board of Directors of the Company; provided, however, that the Board of Directors may not adopt any amendment that would (a) materially and adversely affect any right of or benefit to any Director with respect to any SEUs theretofore credited without such Director's written consent, or (b) result in a violation of Section 409A. Any amendment to this Plan that would cause a violation of Section 409A shall be null and void and of no effect.

Section 13. Termination

This Plan shall terminate upon the adoption of a resolution of the Board of Directors terminating this Plan.

The termination of this Plan shall not affect the distribution of the SEU accounts maintained under this Plan, and the balances of such accounts shall continue to become due and payable in accordance with the provisions of this Plan in effect immediately prior to the termination of this Plan and each Director's election; provided, however, if the Board of Directors so chooses, the payment of account balances may be accelerated upon the termination of this Plan to the extent permissible under and in accordance with Section 1.409A-3(j)(4)(xi) of the treasury regulations.

Section 14. Section 409A

This Plan and the benefits provided thereunder are intended to comply with the requirements of Section 409A, and this Plan shall be administered and interpreted consistent with such intention and the America Express Section 409A Compliance Policy.

* * * * *

EXHIBIT 10.34

DESCRIPTION OF COMPENSATION PAYABLE TO NON-MANAGEMENT DIRECTORS

Upon the recommendation of the Nominating and Governance Committee of the Board of Directors of American Express Company, on November 20, 2012, the Board approved the payment of the following compensation to each non-management director of the Board in respect of his/her service on the Board effective January 1, 2013:

- an annual retainer of $90,000; provided that this amount shall be reduced by $20,000 if the Director does not attend at least 75% of the meetings of the Board and meetings of the committees on which the Director serves;
- a grant of Share Equivalent Units having a value of $155,000 to be awarded under the 2003 Share Equivalent Unit Plan for Directors upon the Director's election or reelection to the Board at the Annual Meeting of Shareholders;
- an annual retainer of $20,000 for the chairs of the Audit, Risk and Compliance Committee and Compensation and Benefits Committee, and an annual retainer of $10,000 for the chairs of the Innovation and Technology Committee, Nominating and Governance Committee, and Public Responsibility Committee;
- an annual retainer of $20,000 for each member of the Audit, Risk and Compliance Committee, an annual retainer of $10,000 for each member of the Compensation and Benefits Committee, and an annual retainer of $5,000 for each member of the Innovation and Technology Committee, Nominating and Governance Committee, and Public Responsibility Committee;
- an annual lead director fee of $20,000 (provided that if the lead director is the chair of the Nominating and Governance Committee, the retainer for service as chair of the Nominating and Governance Committee shall not be paid); and
- reimbursement of customary expenses for attending Board, committee, and shareholder meetings.

Exhibit 10.38

AMERICAN EXPRESS COMPANY
2007 INCENTIVE COMPENSATION PLAN
PERFORMANCE GRANT
(ALSO KNOWN AS THE _____INCENTIVE AWARD)
TO

_____
Name of Employee

_____ _____
Award Date Award Period

We are pleased to inform you that, pursuant to the Company's 2007 Incentive Compensation Plan, as amended (the "Plan"), the Compensation and Benefits Committee (the "Committee") of the Board of Directors (the "Board") of American Express Company (the "Company"), made to you an award of a Performance Grant under Section 8 of the Plan that is also a Qualifying Award under Section 9 of the Plan, as hereinafter set forth (the "Award" or the " _____Incentive Award") as of the award date specified above (the "Award Date"). This Award is commonly referred to as an annual bonus or annual incentive award ("AIA"). This Award is subject to the Detrimental Conduct Provisions established by the Committee, and as from time to time amended.

1. General . You have been granted the Award subject to the provisions of the Plan and the terms, conditions and restrictions set forth in this agreement (this "Agreement"). The Award Period is specified above, and the last day of the Award Period is the "Expiration Date."

2. Requirement of Employment . Your rights to the Cash Value and the Number of Restricted Shares or Restricted Stock Units, if any (as those terms are defined below) under Subparagraph 4(b) hereof, shall be provisional and shall be canceled if your continuous employment with the Company and its Affiliates or your Related Employment (as that term is defined in the Plan) (hereinafter collectively referred to as "employment with the American Express companies"), terminates for any reason on or before the payment date as set forth in Subparagraph 4(b). Whether and as of what date your employment with the American Express companies shall terminate if you are granted a leave of absence or commence any other break in employment intended by the Company to be temporary, shall be determined by the Committee.

3. Determination of the Schedule A Value, Cash Value and the Number of Restricted Shares or Restricted Stock Units .

(a) Except as otherwise provided below in this Paragraph 3 and in Paragraphs 2 and 5 hereof, there shall be paid to you in accordance with Paragraph 4 hereof, the Schedule A Value (as reduced pursuant to Subparagraph 3(c)) as of the last day of the Award Period, if any, as provided in Subparagraph 3(b).

(b) Schedule A Value .

(i) Except as otherwise provided in this Paragraph 3, the Schedule A Value as of the last day of the Award Period will be equal to the amount, if any, determined by the Committee based on the performance (i.e., 20 ____Return on Equity and 20 ____Earnings Per Share) of the Company, pursuant to Schedule A to this Agreement. However, in no event will the Schedule A Value be greater than the maximum value as set forth in Schedule A to this Agreement.

(ii) The Committee shall determine in its own discretion what portion of the Schedule A Value, if any (as adjusted in accordance with Subparagraph 3(c) below), shall be payable in cash (the "Cash Value"), and what portion shall be denominated in restricted shares or restricted stock units of the Company (the "RSA" or the "RSU"), in accordance with Paragraph 4 below. The RSA or the RSU shall have the terms substantially as set forth in the form of restricted stock or restricted stock unit award granted generally under the Plan, or its successor, provided that the RSA or the RSU shall vest pursuant to a period determined in the Committee's discretion, except that such vesting period shall not be less than one year from date of grant, and be forfeitable only if your employment with the American Express companies terminates by reason of voluntary resignation or terminates for cause (that is, violation of the Code of Conduct as in effect from time to time) prior to the applicable vesting dates, except if the Committee in its own discretion determines that the RSA or the RSU shall not be forfeitable upon termination of employment. The number of restricted shares or restricted stock units of the Company comprising the RSA or the RSU (the "Number of Restricted Shares" or the "Number of Restricted Stock Units") shall be determined by dividing such portion of the Schedule A Value so designated by the Committee, if any, by the closing price of the shares on the date that the Committee approves payout of the Awards, and shall be payable in the form of an RSA or an RSU in accordance with Paragraph 4 below.

(iii) For purposes of this Award, all accounting terms are defined in accordance with generally accepted accounting principles as set forth in the Company's annual audited financial statements, except as otherwise provided below (which will take into account, in each case, the expenses and other financial effect for the applicable year(s) of performance grants under the Plan):

(A) "Net Income" means, for any given year, the after-tax net income (or loss) of the Company or of a segment or other part of the Company, as the case may be, for such year as adjusted below, as reported by the Company. The calculation of Net Income, for any given year, will be adjusted to exclude:

- reported cumulative effect of accounting changes;
- reported income and losses from discontinued operations; and
- reported extraordinary gains and losses as determined under generally accepted accounting principles.

(B) "Average Annual Shareholders' Equity" means, for any given year, the sum of the total shareholders' equity of the Company or of a segment or other part of the Company, as the case may be, as of the first day of such year and as of the end of each month during such period (each as reported by the Company), divided by 13.

(C) “Return on Equity” means, for any given year, the Net Income for such year divided by the Average Annual Shareholders’ Equity for such year.

(D) “Earnings Per Share” means, for any given year, the diluted earnings (or loss) per share of the Company for such year, as reported by the Company. The calculation of Earnings Per Share, for any given year, will be adjusted in the same fashion as Net Income for such year.

(iv) To the extent permissible for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), in the event of any change in the corporate capitalization of the Company, such as by reason of any stock split, or a material corporate transaction, such as any merger of the Company into another corporation, any consolidation of the Company and one or more corporations into another corporation, any separation of the Company (including a spin-off or other distribution of stock or property by the Company), any reorganization of the Company (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), or any partial or complete liquidation by the Company, other than a normal cash dividend, if the Committee shall determine that such a change equitably requires an adjustment in the calculation or terms of Earnings Per Share, on the grounds that any such change would produce an unreasonable value, such equitable adjustment will be made by the Committee. Any such determination by the Committee to reflect such change under this Subparagraph 3(b)(iv) shall be final, binding and conclusive.

(c) As soon as practicable after the last day of the Award Period, the Committee will determine, in its sole discretion, that the Schedule A Value, if any (as determined above in Subparagraph 3(b)), may be adjusted downward, but in no event upward, by a percentage from 0-100%. In no event may the Committee amend any provision hereof so as to increase or otherwise adjust upward the Schedule A Value. In exercising its discretion to make a downward adjustment, the Committee will take into account factors such as: (i) the increase in shareholder value (as indicated, for example, by shareholder return, earnings growth and return on equity); (ii) customer satisfaction (as indicated, for example, by customer satisfaction measures, client retention and growth in products and services); (iii) employee satisfaction (as indicated, for example, by the employee values survey results); (iv) implementation of initiatives (as indicated, for example, by process changes that achieve significant results); (v) achievement of reengineering initiatives (as indicated, for example, by cost savings); and (vi) such other factors deemed relevant by the Committee; provided that any such determination by the Committee need not be made in a uniform manner and may be made selectively among holders of awards of performance grants, whether or not such award holders are similarly situated.

(d) The Committee’s determinations as to the Schedule A Value, the Cash Value and the Number of Restricted Shares or the Number of Restricted Stock Units pursuant to this Agreement shall be final, binding and conclusive upon you and all persons claiming under or through you.

4. Payment of Award .

(a) As soon as practicable after the last day of the Award Period, the Committee shall determine whether the conditions of Paragraphs 2 and 3 hereof have been met and, if so, shall ascertain the Schedule A Value (and the negative adjustment thereto), Cash Value and the Number of Restricted Shares or the Number of Restricted Stock Units, if any, in accordance with Paragraph 3 hereof.

(b) If the Committee determines that there is no Schedule A Value, this Award will be canceled. If the Committee determines that there is some Schedule A Value, however, the Cash Value as determined pursuant to Paragraph 3 hereof shall become payable to you in cash, and the Number of Restricted Shares or the Number of Restricted Stock Units shall be issued to you in the form of a restricted stock or restricted stock unit award under the Plan, within fifteen business days following the regularly scheduled payroll payment date of the applicable pay period beginning after January 31 of the year following the Award Period, but in no event later than 90 days after January 31 of the year following the Award Period (or at such other time or times as the Committee shall determine as provided in Paragraph 6 below).

5. Termination of Employment after the Award Period but on or before the Payment Date . If, after the last day of the Award Period and on or before the date specified above in Subparagraph 4(b), but during a period when you have been in continuous employment with the American Express companies since the Award Date, you terminate your employment with the American Express companies for any reason, then you and all others claiming under or through you shall not be entitled to receive any amounts or awards under this Award, except as otherwise determined by the Committee in its sole discretion.

6. Deferral or Acceleration of Payment of Award . Any payments to be made under this Award may be deferred or accelerated in such manner as the Committee shall determine; provided, however, that any such deferral or acceleration must comply with the applicable requirements of Section 409A of the Code. As to such a deferral of payment, any such payment in excess of the amount that was originally payable to you under this Agreement will be based on a reasonable interest rate or on one or more predetermined actual investments (whether or not assets associated with the amount are actually invested therein) as determined by the Committee, and as to such an acceleration of payment to you under this Agreement, any such payment will be discounted to reasonably reflect the time value of money as determined by the Committee.

7. Change in Control .

(a) Notwithstanding anything in this Award to the contrary, if you have not received payment under this Award as discussed in Subparagraph 4(b) above, and within two years following a Change in Control, as that term is defined in the Company's Senior Executive Severance Plan, you experience a separation from service (as that term is defined for purposes of Section 409A of the Code) that would otherwise entitle you to receive the payment of severance benefits under the provisions of the severance plan that you participate in as of the date of such separation from service, then you shall be paid under this Award, subject to Paragraph 15, within five days after the date of such separation from service, a cash payment under this Award equal to the value of (i) (A) the average award paid or payable to you under the 20 ____and 20 ____Annual Incentive Award or such other annual incentive award program of the Company or one of its subsidiaries that you participated in at the time of such prior payment for the two years

prior to the Change in Control, or (B) if you have not received two such awards, the most recent award paid or payable (or guideline amount payable, if you have not previously received any such award) to you under the applicable annual incentive award program of the Company or one of its subsidiaries at the time of such prior payment), multiplied by (ii) the number of full or partial months that have elapsed during the Award Period at the time of such separation from service divided by 12.

(b) The Committee reserves the right to amend or delete this Paragraph 7 in whole or in part at any time and from time to time; provided, that upon and following the occurrence of a Change in Control, the Committee may not amend this Paragraph 7 in a manner that is detrimental to your rights without your express written consent. Any amendment of the definition of "Change in Control" in the Senior Executive Severance Plan will be deemed to be an amendment permitted under this Paragraph.

8. Tax Withholding and Furnishing of Information . There shall be withheld from any payment of cash or vesting of any restricted shares or restricted stock units under this Award, such amount, if any, as the Company determines is required by law, including, but not limited to, U.S. federal, state, local or foreign income, employment or other taxes incurred by reason of making of the Award or of such payment. It shall be a condition precedent to the obligation of the Company to make payments under this Award that you (or those claiming under or through you) promptly provide the Company with all forms, documents or other information reasonably required by the Company in connection with the Award.

9. Rights Not Assignable . Your rights and interests under the Award and the Plan may not be sold, assigned, transferred, or otherwise disposed of, or made subject to any encumbrance, pledge, hypothecation or charge of any nature, except that you may designate a beneficiary pursuant to Paragraph 10 hereof. If you (or those claiming under or through you) attempt to violate this Paragraph 9, such attempted violation shall be null and void and without effect, and the Company's obligation to make any further payments to you (or those claiming under or through you) hereunder shall terminate.

10. Beneficiary Designation . Subject to the provisions of the Plan, you may, by completing a form acceptable to the Company and returning it to the Corporate Secretary's Office, at 200 Vesey Street, New York, New York 10285, name a beneficiary or beneficiaries to receive any payment to which you may become entitled under this Agreement in the event of your death. You may change your beneficiary or beneficiaries from time to time by submitting a new form to the Corporate Secretary's Office at the same address. If you do not designate a beneficiary, or if no designated beneficiary is living on the date any amount or award becomes payable under this Agreement, such payment will be made to the legal representatives of your estate, which will be deemed to be your designated beneficiary under this Agreement.

11. Administration . Any action taken or decision made by the Company, the Board or the Committee or its delegates arising out of or in connection with the construction, administration, interpretation or effect of the Plan or this Agreement shall lie within its sole and absolute discretion, as the case may be, and shall be final, conclusive and binding upon you and all persons claiming under or through you. By accepting this Award or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or decision made under the Plan by the Company, the Board or the Committee or its delegates.

12. Change in Control Payments . This Paragraph shall apply in the event of Change in Control (as defined in the American Express Senior Executive Severance Plan, as amended from time to time).

(a) In the event that any payment or benefit received or to be received by you hereunder in connection with a Change in Control or termination of your 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 you would be subject in respect of such unreduced Total Payments; provided, however, that you may elect in writing to have other components of your Total Payments reduced, to the extent permitted by Section 409A of the Code, prior to any reduction in the Payments hereunder.

(b) 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 you in connection with such Change in Control or the termination of your 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 you 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 of your Payments shall be reduced, you 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 your 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.

(c) As soon as practicable following a Change in Control, but in no event later than 30 days thereafter, if your Payments are proposed to be reduced, the Company shall provide to you a written statement setting forth the manner in which your Total Payments 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).

13. Miscellaneous . Neither you nor any person claiming under or through you shall have any right or interest, whether vested or otherwise, in the Plan or the Award, unless and until all of the terms, conditions and provisions of the Plan and this Agreement shall have been complied with. In addition, neither the adoption of the Plan nor the execution of this Agreement shall in any way affect the rights and powers of any person to dismiss or discharge you at any time from employment with the American Express companies. Notwithstanding anything herein to the contrary, neither the Company nor any of its Affiliates (as that term is defined in the Plan) nor their respective officers, directors, employees or agents shall have any liability to you (or those claiming under or through you) under the Plan, this Agreement or otherwise on account of any action taken, or decision not to take any action made, by any of the foregoing persons with respect to the business or operations of the Company or any of its Affiliates (as that term is defined in the Plan), despite the fact that any such action or decision may adversely affect in any way whatsoever Average Annual Shareholders' Equity, Earnings Per Share, Net Income or other financial measures or amounts which are accrued or payable or any of your other rights or interests under this Agreement.

14. Governing Law . The validity, construction, interpretation, administration and effect of this Agreement shall be governed by the substantive laws, but not the choice of law rules, of the State of New York.

15. Compliance with Section 409A . The payment of the Award under this Agreement is intended to comply with Section 409A of the Code and the Treasury Regulations promulgated and other official guidance issued thereunder, and this Agreement shall be interpreted, operated and administered consistent with this intent and the American Express Section 409A Compliance Policy, as amended from time to time, and any successor policy thereto. Notwithstanding any other provision of this Agreement, to the extent that you are a Specified Employee at the time of your separation from service and any payment is required to be delayed by six months pursuant to Section 409A of the Code, then such payment shall be made, without interest, on the first day of the seventh month following your separation from service.

16. FDIA Limitations . Notwithstanding any other provision of this Agreement to the contrary, any payments or benefits to you pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 USC Section 1828(k) and any regulations promulgated, or other guidance issued, with respect thereto.

17. Dodd-Frank Clawback . Notwithstanding any other provision of this Agreement to the contrary, in order to comply with Section 10D of the Securities Exchange Act of 1934, as amended, and any regulations promulgated, or national securities exchange listing conditions adopted, with respect thereto (collectively, the "Clawback Requirements"), if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirements under the securities laws, then you shall

return to the Company, or forfeit if not yet paid, the amount of any Award received during the three-year period preceding the date on which the Company is required to prepare the accounting restatement, based on the erroneous data, in excess of what would have been paid to you under the accounting restatement as determined by the Committee in accordance with the Clawback Requirements and any policy adopted by the Committee pursuant to the Clawback Requirements.

AMERICAN EXPRESS COMPANY
By the Compensation and Benefits
Committee of the Board of Directors:

J. LESCHLY
P. CHERNIN
R. MCGINN
E. MILLER
R. WALTER

By 

Carol V. Schwartz, Secretary

Notwithstanding any contrary provision in the American Express Company 2007 Incentive Compensation Plan, as amended, the Company reserves the right to correct nonmaterial clerical errors in, and make subsequent nonmaterial clarifications to, any Award Agreement in the future, without prior notification to participants.

AMERICAN EXPRESS COMPANY
2007 INCENTIVE COMPENSATION PLAN
PERFORMANCE GRANT
(ALSO KNOWN AS THE _____INCENTIVE AWARD)

SCHEDULE A

Annual Measure	Weighting	Payout Level for Each Metric 0% of Max.	% of Max.	Maximum
EPS				
ROE				

For purposes of determining the Schedule A Value, if the 20 ___Return on Equity or the 20 ___Earnings Per Share are equal to or greater than those levels needed to have some Schedule A Value and less than or equal to the maximum specified levels, and are not represented on the table, the Schedule A Value shall be determined by straight-line interpolation from the amounts specified in such table immediately less than and greater than the amounts actually attained.

Note: the Award is designed to provide the Committee maximum flexibility in determining an appropriate bonus, while maintaining the ability to deduct the amount of the Award. This table produces the maximum deductible amount of the Award, and not the amount actually to be paid. The Committee uses negative discretion to reduce such amount as it deems appropriate.

Exhibit 10.39

AMERICAN EXPRESS COMPANY
2007 INCENTIVE COMPENSATION PLAN
PORTFOLIO GRANT 20 ____-20 ____
TO

_____
Name of Employee

_____ _____
Award Date Expiration Date of the Award Period

$ _____
Total Target Value

We are pleased to inform you that, pursuant to the Company's 2007 Incentive Compensation Plan, as amended (the "Plan"), the Compensation and Benefits Committee (the "Committee") of the Board of Directors (the "Board") of American Express Company (the "Company"), made an award of a portfolio grant to you as hereinafter set forth (the "Award") under the Plan as of the award date specified above (the "Award Date"). The Award is subject to the Detrimental Conduct Provisions established by the Committee, and as from time to time amended.

1. General . You have been granted the Award subject to the provisions of the Plan and the terms, conditions and restrictions set forth in this agreement (this "Agreement"). The Total Target Value of the Award consists of the Target Values of four components: the Target Value of the Average Annual EPS Incentive Component (the "Average Annual EPS Target Value"), which shall equal ____% of the Total Target Value; the Target Value of the Average Annual Net Revenue Incentive Component (the "Average Annual Net Revenue Target Value"), which shall equal ____ % of the Total Target Value; the Target Value of the Average Annual ROE Incentive Component (the "Average Annual ROE Target Value"), which shall equal ____% of the Total Target Value; and the Target Value of the Relative Total Shareholder Return Incentive Component (the "Relative TSR Target Value"), which shall equal ____% of the Total Target Value. The period beginning _____, 20 ____and ending on the expiration date specified above (the "Expiration Date") is the "Award Period." The Total Target Value, or any of its components, may be reduced by the Committee in its sole discretion, which may include but need not be limited to, situations where on the last day of the Award Period you are engaged in Related Employment, as that term is defined in the Plan. The Schedule A Value (as that term is defined below), if any, of each component will be determined as specified in Paragraph 3.

2. Requirement of Employment . Except as otherwise provided in Paragraphs 4 and 6, your rights to the Cash Value and the Number of Restricted Shares or Restricted Stock Units (as those terms are defined below) under Paragraph 5 shall be provisional and shall be canceled in whole or in part, as determined by the Committee in its sole discretion if your continuous employment with the Company and its Affiliates (as that term is defined in the Plan)

or your Related Employment (as that term is defined in the Plan) (hereinafter collectively referred to as "employment with the American Express companies"), terminates for any reason on or before the Payment Date set forth in Paragraph 5. Whether and as of what date your employment with the American Express companies shall terminate if you are granted a leave of absence or commence any other break in employment intended by your employer to be temporary, shall be determined by the Committee in its sole discretion.

3. Determination of the Schedule A Values, Initial Value, Final Value, Cash Value and the Number of Restricted Shares or Restricted Stock Units .

(a) Except as otherwise provided in this Paragraph 3 and in Paragraphs 2, 4 and 6, there shall be paid to you in accordance with Paragraph 5, the sum, as may be adjusted by the Committee pursuant to Subparagraph 3(i), of:

(i) the Schedule A Value of the Average Annual EPS Incentive Component (the "Average Annual EPS Schedule A Value") as of the last day of the Award Period, as provided in Subparagraph 3(b);

(ii) the Schedule A Value of the Average Annual Net Revenue Incentive Component (the "Average Annual Net Revenue Schedule A Value") as of the last day of the Award Period, as provided in Subparagraph 3(c);

(iii) the Schedule A Value of the Average Annual ROE Incentive Component (the "Average Annual ROE Schedule A Value") as of the last day of the Award Period, as provided in Subparagraph 3(d); and

(iv) the Schedule A Value of the Relative Total Shareholder Return Incentive Component (the "Relative TSR Schedule A Value") as of the last day of the Award Period, as provided in Subparagraph 3(e).

(b) Average Annual EPS Schedule A Value . Except as otherwise provided in this Paragraph 3, the Average Annual EPS Schedule A Value as of the last day of the Award Period will be equal to (X_b) times (Y_b), where (X_b) equals the Average Annual EPS Incentive Payout Percentage, if any, determined by the Committee in its sole discretion based on the Average Annual EPS (as that term is defined below) of the Company or of a unit of the Company, as the case may be, pursuant to the formula provided in Schedule A to this Agreement, and where (Y_b) is the Average Annual EPS Target Value. However, in no event will the Average Annual EPS Schedule A Value be greater than the Maximum Average Annual EPS Value, which equals the maximum Average Annual EPS Incentive Payout Percentage set forth in Schedule A to this Agreement, times the Average Annual EPS Target Value.

(c) Average Annual Net Revenue Schedule A Value . Except as otherwise provided in this Paragraph 3, the Average Annual Net Revenue Schedule A Value as of the last day of the Award Period will be equal to (X_c) times (Y_c), where (X_c) equals the Average Annual Net Revenue Incentive Payout Percentage, if any, determined by the Committee in its sole discretion based on the Average Annual Net Revenue (as that term is defined below) of the Company or of a unit of the Company, as the case may be, pursuant to the formula provided in Schedule A to this Agreement, and where (Y_c) is the Average Annual Net Revenue Target

Value. However, in no event will the Average Annual Net Revenue Schedule A Value be greater than the Maximum Average Annual Net Revenue Value, which equals the maximum Average Annual Net Revenue Incentive Payout Percentage set forth in Schedule A to this Agreement, times the Average Annual Net Revenue Target Value.

(d) Average Annual ROE Schedule A Value . Except as otherwise provided in this Paragraph 3, the Average Annual ROE Schedule A Value as of the last day of the Award Period will be equal to (X_d) times (Y_d), where (X_d) equals the Average Annual ROE Incentive Payout Percentage, if any, determined by the Committee in its sole discretion based on the Average Annual ROE (as that term is defined below) of the Company or of a unit of the Company, as the case may be, pursuant to the formula provided in Schedule A to this Agreement, and where (Y_d) is the Average Annual ROE Target Value. However, in no event will the Average Annual ROE Schedule A Value be greater than the Maximum Average Annual ROE Value, which equals the maximum Average Annual ROE Incentive Payout Percentage set forth in Schedule A to this Agreement, times the Average Annual ROE Target Value.

(e) Relative TSR Schedule A Value . Except as otherwise provided in this Paragraph 3, the Relative TSR Schedule A Value as of the last day of the Award Period will be equal to (X_e) times (Y_e), where (X_e) equals the Relative TSR Incentive Payout Percentage, if any, determined by the Committee in its sole discretion based on a comparison of the Amex TSR and the S&P 500 TSR, pursuant to the formula provided in Schedule A to this Agreement, and where (Y_e) is the Relative TSR Target Value. However, in no event will the Relative TSR Schedule A Value be greater than the Maximum TSR Value, which equals the maximum Relative TSR Incentive Payout Percentage set forth in Schedule A to this Agreement, times the Relative TSR Target Value.

(f) Calculation . In the application of Schedule A to this Agreement after the end of the Award Period for purposes of determining the Schedule A Values pursuant to Subparagraphs 3(b), (c), (d) and (e):

(i) if the Average Annual EPS is less than the level needed to have some Average Annual EPS Schedule A Value, there shall be no Average Annual EPS Schedule A Value; and if the Average Annual EPS is equal to or greater than the level to have some Average Annual EPS Schedule A Value, but less than or equal to the maximum level, and the Average Annual EPS actually attained is not represented in the table set forth on Schedule A, then the Average Annual EPS Schedule A Value shall be determined by straight-line interpolation from the amounts specified in such table immediately less than and greater than the Average Annual EPS actually attained;

(ii) if the Average Annual Net Revenue is less than the level needed to have some Average Annual Net Revenue Schedule A Value, there shall be no Average Annual Net Revenue Schedule A Value; and if the Average Annual Net Revenue is equal to or greater than the level to have some Average Annual Net Revenue Schedule A Value, but less than or equal to the maximum level, and the Average Annual Net Revenue actually attained is not represented in the table set forth on Schedule A, then the Average Annual Net Revenue Schedule A Value shall be determined by straight-line interpolation from the amounts specified in such table immediately less than and greater than the Average Annual Net Revenue actually attained;

(iii) if the Average Annual ROE is less than the level needed to have some Average Annual ROE Schedule A Value, there shall be no Average Annual ROE Schedule A Value; and if the Average Annual ROE is equal to or greater than the level to have some Average Annual ROE Schedule A Value, but less than or equal to the maximum level, and the Average Annual ROE actually attained is not represented in the table set forth on Schedule A, then the Average Annual ROE Schedule A Value shall be determined by straight-line interpolation from the amounts specified in such table immediately less than and greater than the Average Annual ROE actually attained; and

(iv) if the difference between the Amex TSR and the S&P 500 TSR is less than the level needed to have some Relative TSR Schedule A Value, there shall be no Relative TSR Schedule A Value; and if the difference between the Amex TSR and the S&P 500 TSR is equal to or greater than the level to have some Relative TSR Schedule A Value, but less than or equal to the maximum level, and the actual difference between the Amex TSR and the S&P 500 TSR is not represented in the table set forth on Schedule A, then the Relative TSR Schedule A Value shall be determined by straight-line interpolation from the amounts specified in such table immediately less than and greater than the actual difference between the Amex TSR and the S&P 500 TSR.

(g) Definitions . For purposes of this Award, the following terms shall have the following meanings (which will take into account, in each case, the expenses and other financial effect for the applicable year(s) of portfolio grants under the Plan except as adjusted by the application of Subparagraphs 3(h) and 3(i)).

(i) “Net Revenue” means, for any given year, the total managed revenue net of interest expense of the Company or of a segment or other part of the Company, as the case may be, for such year, as reported by the Company.

(ii) “Average Annual Net Revenue” means, for the Award Period, the sum of the Net Revenue for every year during the Award Period, divided by 3.

(iii) “Net Income” means, for any given year, the after-tax net income (or loss) of the Company or of a segment or other part of the Company, as the case may be, for such year, as reported by the Company and as adjusted below. The calculation of Net Income for any given year will be adjusted to exclude:

- reported cumulative effect of accounting changes;
- reported income and losses from discontinued operations; and
- reported extraordinary gains and losses as determined under generally accepted accounting principles.

(iv) “Earnings Per Share” means, for any given year, the diluted earnings (or loss) per share of the Company for such year, as determined by the Company. The calculation of Earnings Per Share, for any given year, will be adjusted in the same fashion as Net Income for such year.

(v) “Average Annual EPS” means, for the Award Period, the sum of the Earnings Per Share for every year during the Award Period, divided by 3.

(vi) “Annual Return on Equity” means, for any given year, the Net Income for such year divided by the Average Annual Shareholders’ Equity for such year.

(vii) “Average Annual ROE” means, for the Award Period, the sum of the Annual Return on Equity for every year in the Award Period, divided by 3.

(viii) “Average Annual Shareholders’ Equity” means, for any given year, the sum of the total shareholders’ equity of the Company or of a segment or other part of the Company, as the case may be, as of the first day of such year and as of the end of each month during such year (each as reported by the Company), divided by 13.

(ix) “Annual ROE” means, for any given year, the Net Income for such year divided by the Average Annual Shareholders’ Equity for such year.

(x) “Amex Total Shareholder Return” or “Amex TSR” means the compounded annual growth rate, expressed as a percentage with one decimal point, in the value of a share of common stock in the Company due to stock appreciation and dividends, assuming dividends are reinvested, during the Award Period. For this purpose, the “Beginning Stock Price” shall mean the average closing sales prices of the Company’s common stock on the New York Stock Exchange Composite Transaction Tape for the trading days in the month of _____immediately preceding the beginning of the Award Period; and, the “Ending Stock Price” shall mean the average closing sales prices of the Company’s common stock on the New York Stock Exchange Composite Transaction Tape for the trading days in the month of _____immediately preceding the Expiration Date. Where “Y” is the number of fractional Shares resulting from the deemed reinvestment of dividends paid during the Award Period, the Amex TSR is calculated as follows:

$$\left(\frac{\text{Ending Stock Price x } (1 + Y)}{\text{Beginning Stock Price}}\right)^{1/3} - 1$$

(xi) “S&P 500 Total Shareholder Return” or “S&P 500 TSR” means the compounded annual growth rate, expressed as a percentage with one decimal point, in the value of the S&P 500 Index during the Award Period, as determined from information publicly reported by Standard & Poors Company (or the entity that publishes such other index, as the case may be).

(h) To the extent permissible for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), in the event of any change in the corporate capitalization of the Company, such as by reason of any stock split, or a material corporate transaction, such as any merger of the Company into another corporation, any consolidation of the Company and one or more corporations into another corporation, any separation of the Company (including a spin-off or other distribution of stock or property by the Company), any reorganization of the Company (whether or not such reorganization comes within the definition of such term in Section 368 of the Code), or any partial or complete liquidation by the Company, other than a normal cash dividend, if the Committee shall determine that such a change equitably

requires an adjustment in the calculation or terms of the Average Annual ROE, the Average Annual Net Revenue, the Average Annual EPS or the Relative Total Shareholder Return Incentive Component under this Award, on the grounds that any such change would produce an unreasonable value, such equitable adjustment will be made by the Committee. Any such determination by the Committee under this Subparagraph 3(h) shall be final, binding and conclusive.

(i) As soon as practicable after the last day of the Award Period, the Committee may determine, in its sole discretion, that the sum of the Schedule A Values (as initially determined in Subparagraphs 3(b), (c), (d) and (e)) may be adjusted downward (that is, to a value of zero), but in no event upward, as follows:

(i) Your Unit's Results . Downward by a percentage (ranging from 0-100%) of such initially determined sum, based on such criteria as the Committee shall deem appropriate relating to your unit's results, with such resultant sum being the "Initial Value"; provided that any such determination by the Committee need not be made in a uniform manner and may be made selectively among holders of awards of portfolio grants in your unit, whether or not such award holders are similarly situated.

(ii) Your Individual Results . The Initial Value may be adjusted further downward by a percentage (ranging from 0-100%) of such Initial Value after the application of Subparagraph 3(i)(i), based on such criteria as the Committee shall deem appropriate relating to your individual results, with such resultant sum being the "Final Value" (except as otherwise provided by Paragraph 8); provided that any such determination by the Committee need not be made in a uniform manner and may be made selectively among holders of awards of portfolio grants, whether or not such award holders are similarly situated.

(j) In no event may the Committee amend any provision hereof so as to increase or otherwise adjust upward the Schedule A Value of any component.

(k) Subject to the limitations set forth in Paragraph 8, the Committee shall determine the Schedule A Values, the Initial Value and the Final Value pursuant to this Agreement, and such determinations by the Committee shall be final, binding and conclusive upon you and all persons claiming under or through you.

(l) The Committee shall determine in its own discretion what portion of the Final Value, if any, shall be payable in cash (the "Cash Value"), and what portion shall be denominated in Restricted Shares or Restricted Stock Units of the Company (the "RSA" or the "RSU"), in accordance with Paragraph 5 below. The RSA or the RSU shall have the terms substantially as set forth in the form of Restricted Share or Restricted Stock Unit awards granted generally under the Plan, or its successor, except that the RSA or the RSU shall (A) vest pursuant to a period determined in the Committee's discretion, except that such vesting period shall not be less than one year from date of grant, and (B) be forfeitable only if your employment with the American Express companies terminates by reason of voluntary resignation or terminates for cause (that is, violation of the Code of Conduct as in effect from time to time) prior to the applicable vesting dates. The number of restricted shares or restricted stock units of the Company comprising the RSA or the RSU (the "Number of Restricted Shares" or the "Number

of Restricted Stock Units") shall be determined by dividing such portion of the Final Value so designated by the Committee, if any, by the closing price of the shares on the date that the Committee approves payout of the Award, and shall be payable in the form of an RSA or an RSU in accordance with Paragraph 5 below.

4. Death, Disability or Retirement .

(a) *Death or Disability* . If, on or before the Payment Date set forth in Subparagraph 5(b), but during a period when you have been in continuous employment with the American Express companies since the Award Date, you terminate your employment with the American Express companies by reason of Disability at any time following the Award Date or you die at any time following the Award Date, you will be entitled to a payment equal to the Final Value, which for this purpose shall be calculated by applying the rate at which the expense for the Award was being accrued for purposes of the Company's annual audited financial statement at the end of the last completed calendar quarter prior to your Disability or death, as applicable. Such amount, if any, shall be payable within 90 days from the date of your Disability or death (or such later date permitted by Section 409A of the Code and the Treasury Regulations promulgated and other official guidance issued thereunder), and unless otherwise determined by the Committee, in cash, common shares of the Company, or other property, or any combination thereof, and you and all others claiming under or through you shall not be entitled to receive any other amounts under this Award. For purposes of this Agreement, "Disability" means that you (x) are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (y) are, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company. In making its determination, the Committee shall be guided by the prevailing authorities applicable under Section 409A of the Code.

(b) *Early Retirement* . If, on or before the Payment Date set forth in Subparagraph 5(b) but during a period when you have been in continuous employment with the American Express companies since the Award Date, you terminate your employment with the American Express companies by reason of Early Retirement, and such event occurs more than one year after the Award Date, then you generally will be entitled to a payment equal to the Final Value, which shall be determined for this purpose after the last day of the Award Period in the normal course in accordance with Paragraph 3. For purposes of this Agreement, "Early Retirement" means that at the time of your termination of employment with the American Express companies, you have ten or more years of service with the American Express companies and you are age 55 or older, but younger than age 62. Such amount, if any, shall be payable in cash or Restricted Stock Units, as described in Subparagraph 3(l) above, or other property, or any combination thereof, after the Award Period in accordance with Paragraphs 5 and 6, and you and all others claiming under or through you shall not be entitled to receive any other amounts under this Award.

(c) *Full Retirement* . If, on or before the Payment Date set forth in Subparagraph 5(b) but during a period when you have been in continuous employment with the

American Express companies since the Award Date, you terminate your employment with the American Express companies by reason of Full Retirement, then you generally will be entitled to a payment equal to the Final Value, which shall be determined for this purpose after the last day of the Award Period in the normal course in accordance with Paragraph 3. For purposes of this Agreement, "Full Retirement" means that at the time of your termination of employment with the American Express companies, you have ten or more years of service with the American Express companies and you are age 62 or older. Such amount, if any, shall be payable in cash or Restricted Stock Units, as described in Subparagraph 3(l) above, or other property, or any combination thereof, after the Award Period in accordance with Paragraphs 5 and 6, and you and all others claiming under or through you shall not be entitled to receive any other amounts under this Award.

(d) *Grandfathered Executives* . If you are both (i) age 60 or older, but younger than age 62, and (ii) you have ten or more years of service with the American Express companies, both as of December 31, 2013, then notwithstanding the other Subparagraphs of this Paragraph 4, if, on or before the Payment Date set forth in Subparagraph 5(b) but during a period when you have been in continuous employment with the American Express companies since the Award Date, you terminate your employment with the American Express companies, and such event occurs more than one year after the Award Date, then you generally will be entitled to a payment equal to the sum of (i) the Final Value multiplied by a fraction, the numerator of which is the number of full months which have elapsed between the first day of the Award Period and the end of the month in which your termination of employment occurs (not to exceed 36), and the denominator of which is 36, and (ii) 50% of an amount equal to the Final Value less the amount payable pursuant to Subparagraph 4(d)(i). The Final Value for this purpose shall be determined after the last day of the Award Period in the normal course in accordance with Paragraph 3. Such amount, if any, shall be payable in cash or Restricted Stock Units, as described in Subparagraph 3(l) above, or other property, or any combination thereof, after the Award Period in accordance with Paragraphs 5 and 6, and you and all others claiming under or through you shall not be entitled to receive any other amounts under this Award.

5. Payment of Award .

(a) As soon as practicable after the last day of the Award Period, or the earlier date your continuous employment with American Express companies terminates by reason of Disability or death in accordance with Paragraph 4, the Committee shall determine whether the conditions of Paragraph 2, and Paragraph 3 or 4, have been met and, if so, shall ascertain the Final Value, the Cash Value and the Number of Restricted Shares or the Number of Restricted Stock Units, if any, for the Award Period, in accordance with Paragraph 3 or 4, as the case may be.

(b) If the Committee determines that there is no Average Annual EPS Schedule A Value, no Average Annual Net Revenue Schedule A Value, no Average Annual ROE Schedule A Value and no Relative TSR Schedule A Value, then this Award will be cancelled. If the Committee determines that there is some Average Annual EPS Schedule A Value, Average Annual Net Revenue Schedule A Value, Average Annual ROE Schedule A Value or Relative TSR Schedule A Value, however, the Cash Value as determined pursuant to Paragraph 3 shall become payable to you in cash, and the Number of Restricted Shares or the

Number of Restricted Stock Units shall be issued to you in the form of a Restricted Share or Restricted Stock Unit award under the Plan, or its successor (except that the RSA or the RSU shall vest pursuant to a period determined in the Committee's discretion, and such vesting period shall not be less than one year from date of grant), or other property, or any combination thereof, as soon as practicable following _____, 20 ____, but in no event later than 90 days thereafter (the "Payment Date").

6. Other Termination of Employment .

(a) If you terminate your employment with the American Express companies and you receive separation payments under a severance plan or arrangement of the Company, then the Award shall continue to vest and become payable until the earlier of (i) the date that you receive your last separation payment or (ii) the date that you begin a new full-time position outside the Company (the earlier of such dates, the "Forfeiture Date"). Except as otherwise provided by Paragraph 4, if the Payment Date occurs after the Forfeiture Date, then the Award will be cancelled and forfeited. If the Payment Date occurs before the Forfeiture Date, then you shall be entitled to receive payment of the Final Value, as determined by the Committee, and you shall be entitled to the Cash Value and the Number of Restricted Shares or the Number of Restricted Stock Units, if any, as the case may be, which shall be paid to you on the Payment Date pursuant to Paragraph 5.

(b) If, after the last day of the Award Period and on or before the Payment Date, but during a period when you have been in continuous employment with the American Express companies since the Award Date, your employment with the American Express companies terminates for any reason other than death, Disability, Early Retirement or Full Retirement as set forth in Paragraph 4, then except as otherwise provided by Subparagraph 6(a), you and all others claiming under or through you shall not be entitled to receive any amounts under this Award, except as otherwise determined by the Committee in its sole discretion.

7. Deferral or Acceleration of Payment of Award . Any payments to be made under this Award may be deferred or accelerated in such manner as the Committee shall determine; provided, however, that any such deferral or acceleration must comply with the applicable requirements of Section 409A of the Code. As to such a deferral of payment, any amount paid in excess of the amount that was originally payable to you under this Agreement will be based on a reasonable interest rate as determined by the Committee, and as to such an acceleration of payment to you under this Agreement, any amount so paid will be discounted to reasonably reflect the time value of money as determined by the Committee.

8. Change in Control .

(a) Notwithstanding anything in this Agreement to the contrary (except for the provision dealing with a limitation under Section 280G of the Code, and except as otherwise provided by Paragraph 8(b) below), if there is a Change in Control (as defined below) prior to the payment of the Award, your Final Value of the Award determined under Section 3(i)(ii) of the Agreement may not be less than the Total Target Value of the Award multiplied by the Average Payout Percentage (as defined below).

(b) Notwithstanding anything in this Agreement to the contrary (except for the provision dealing with a limitation under Section 280G of the Code), if you have not received payment under the Agreement and, within two years after the date of a Change in Control (as defined below), you experience a separation from service (as that term is defined for purposes of Section 409A of the Code) that would otherwise entitle you to receive the payment of severance benefits under the provisions of the severance plan that is in effect and in which you participate as of the date of such Change in Control, then:

(i) you shall immediately be 100% vested in the Award;

(ii) the Final Value of the Award will equal the Total Target Value of the Award multiplied by the Average Payout Percentage (as defined below), but prorated based on (a) the total number of full and partial months of the Award Period which have elapsed between _____, 20 ____, and the date of such separation from service (not to exceed 36), divided by (b) the total number of months in the Award Period; and

(iii) such value of the Award shall be paid to you in cash within five days after the date of such separation from service.

(c) "Average Payout Percentage" means the average of the payout percentages for you under the two portfolio grant awards that were paid by the Company immediately preceding the date of such Change in Control; provided, however, if you only received one portfolio grant award payment immediately preceding the date of the Change of Control, then such payout percentage and the payout percentage for your unit for the portfolio grant award that immediately preceded the portfolio grant for which you received payment shall be used to determine your Average Payout Percentage; and provided further, if you have not received any portfolio grant award payment prior to the date of the Change in Control, then your Average Payout Percentage shall be the average of the payout percentages for your unit under the two portfolio grant awards that were paid by the Company immediately preceding the date of such Change in Control. For purposes of this Subparagraph 8(c), the payout percentage of the Portfolio Grant 2011-2013, if applicable, will be based solely on the payout percentage for the final payment under such award and the interim payment after the first year of the its Performance Period shall not be treated as a separate payment for purposes of such determination.

(d) A "Change in Control" has that meaning as defined in American Express Senior Executive Severance Plan, as amended from time to time.

(e) The Committee may not amend or delete this Paragraph 8 of this Agreement in a manner that is detrimental to you, without your written consent.

9. Tax Withholding and Furnishing of Information . There shall be withheld from any payment of cash or vesting of restricted shares or restricted stock units under this Award, such amount, if any, as the Company and/or your employer determines is required by law, including, but not limited to, U.S. federal, state, local or foreign income, employment or other taxes incurred by reason of making of the Award or of such payment. It shall be a condition to the obligation of the Company to make payments under this Award that you (or those claiming

under or through you) promptly provide the Company and/or your employer with all forms, documents or other information reasonably required by the Company and/or your employer in connection with the Award.

10. Rights Not Assignable . Except as otherwise determined by the Committee in its sole discretion, your rights and interests under the Award and the Plan may not be sold, assigned, transferred, or otherwise disposed of, or made subject to any encumbrance, pledge, hypothecation or charge of any nature, except that you may designate a beneficiary pursuant to Paragraph 11. If you (or those claiming under or through you) attempt to violate this Paragraph 10, such attempted violation shall be null and void and without effect, and the Company's obligation to make any further payments to you (or those claiming under or through you) hereunder shall terminate.

11. Beneficiary Designation . Subject to the provisions of the Plan, you may, by completing a form acceptable to the Company and returning it to the Corporate Secretary's Office, at 200 Vesey Street, New York, New York 10285, name a beneficiary or beneficiaries to receive any payment to which you may become entitled under this Agreement in the event of your death. You may change your beneficiary or beneficiaries from time to time by submitting a new form to the Corporate Secretary's Office at the same address. If you do not designate a beneficiary, or if no designated beneficiary is living on the date any amount becomes payable under this Agreement, such payment will be made to the legal representatives of your estate, which will be deemed to be your designated beneficiary under this Agreement.

12. Administration . Any action taken or decision made by the Company, the Board or the Committee or its delegates arising out of or in connection with the construction, administration, interpretation or effect of the Plan or this Agreement shall lie within its sole and absolute discretion, as the case may be, and shall be final, conclusive and binding upon you and all persons claiming under or through you. By accepting this Award or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or decision made under the Plan by the Company, the Board or the Committee or its delegates.

13. Amendment . This Agreement may be amended or terminated by the Company, the Board or the Committee at any time prior to a Change in Control of the Company. For the avoidance of doubt, you have no legally binding right to payment under this Award until such payment is made to you.

14. Change in Control Payments . This Paragraph shall apply in the event of Change in Control.

(a) In the event that any payment or benefit received or to be received by you hereunder in connection with a Change in Control or termination of your 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 you would be subject in respect of such unreduced Total Payments; provided, however, that you may elect in writing to have other components of your Total Payments reduced, to the extent permitted by Section 409A of the Code, prior to any reduction in the Payments hereunder.

(b) 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 you in connection with such Change in Control or the termination of your 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 you 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 of your Payments shall be reduced, you 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 your 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.

(c) As soon as practicable following a Change in Control, but in no event later than 30 days thereafter, if your Payments are proposed to be reduced, then the Company shall provide to you a written statement setting forth the manner in which your Total Payments 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).

15. Miscellaneous . Neither you nor any person claiming under or through you shall have any right or interest, whether vested or otherwise, in the Plan or the Award, unless and until all of the terms, conditions and provisions of the Plan and this Agreement shall have been

complied with. In addition, neither the adoption of the Plan nor the execution of this Agreement shall in any way affect the rights and powers of any person to dismiss or discharge you at any time from employment with the American Express companies. Notwithstanding anything herein to the contrary, neither the Company nor any of its Affiliates (as that term is defined in the Plan) nor their respective officers, directors, employees or agents shall have any liability to you (or those claiming under or through you) under the Plan, this Agreement or otherwise on account of any action taken, or decision not to take any action made, by any of the foregoing persons with respect to the business or operations of the Company or any of its Affiliates (as that term is defined in the Plan), despite the fact that any such action or decision may adversely affect in any way whatsoever Average Annual EPS, Average Annual Net Revenue, Average Annual ROE or other financial measures or amounts which are accrued or payable or any of your other rights or interests under this Agreement.

16. Governing Law . The validity, construction, interpretation, administration and effect of this Agreement shall be governed by the substantive laws, but not the choice of law rules, of the State of New York.

17. Section 409A Compliance . This Agreement and the payment of the Award hereunder are intended to comply with Section 409A of the Code and the Treasury Regulations promulgated and other official guidance issued thereunder, and this Agreement shall be administered and interpreted consistent with such intent and the American Express Section 409A Compliance Policy, as amended from time to time, and any successor policy thereto. Notwithstanding any other provision of this Agreement, to the extent that you are a Specified Employee at the time of your separation from service and any payment is required to be delayed by six months pursuant to Section 409A of the Code, then such payment shall be made, without interest, on the first day of the seventh month following your separation from service.

18. FDIA Limitations . Notwithstanding any other provision of this Agreement to the contrary, any payments or benefits to you pursuant to this Agreement, or otherwise, are subject to and conditioned upon their compliance with 12 USC Section 1828(k) and any regulations promulgated, or other guidance issued, with respect thereto.

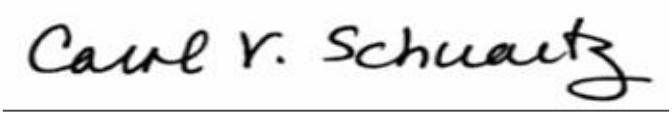
19. Dodd-Frank Clawback . Notwithstanding any other provision of this Agreement to the contrary, in order to comply with Section 10D of the Securities Exchange Act of 1934, as amended, and any regulations promulgated, or national securities exchange listing conditions adopted, with respect thereto (collectively, the “Clawback Requirements”), if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirements under the securities laws, then you shall return to the Company, or forfeit if not yet paid, the amount of any Award received during the three-year period preceding the date on which the Company is required to prepare the accounting restatement, based on the erroneous data, in excess of what would have been paid to you under the accounting restatement as determined by the Committee in accordance with the Clawback Requirements and any policy adopted by the Committee pursuant to the Clawback Requirements.

* * * * *

AMERICAN EXPRESS COMPANY
By the Compensation and Benefits
Committee of the Board of Directors:

J. LESCHLY
P. CHERNIN
R. MCGINN
E. MILLER
R. WALTER

By



Carol V. Schwartz

Notwithstanding any contrary provision in the American Express Company 2007 Incentive Compensation Plan, as amended, the Company reserves the right to correct nonmaterial clerical errors in, and make subsequent nonmaterial clarifications to, any Award Agreement in the future, without prior notification to participants.

AMERICAN EXPRESS COMPANY
2007 INCENTIVE COMPENSATION PLAN
PORTFOLIO GRANT 20 ____-20 ____

SCHEDULE A

Measure	Weighting	Maximum Payout Level		
		Threshold (0)	Target (_____)	Maximum (_____)
Average Annual EPS				
Average Annual Net Revenue				
Average Annual ROE				
Amex TSR Relative to S&P 500				

For purposes of determining the Schedule A Value, if the Average Performance Period Earnings Per Share, the Average Annual Net Revenue, the Average Annual ROE or the Amex TSR Relative to S&P 500 are equal to or greater than those levels needed to have some Schedule A Value and less than or equal to the maximum specified levels, and are not represented on the table, the Schedule A Value shall be determined by straight-line interpolation from the amounts specified in such table immediately less than and greater than the amounts actually attained.

Note: the Award is designed to provide the Committee maximum flexibility in determining an appropriate award amount, while maintaining the ability to deduct the amount of the Award. The tables produce the maximum deductible amount of the Award, and not the amount actually to be paid. The Committee uses negative discretion to reduce such amount as it deems appropriate.

Exhibit 10.45

AMENDMENT NO. 1 TO THE TIME SHARING AGREEMENT

This Amendment No. 1 (including the Schedules A and B attached hereto, collectively hereinafter "Amendment No. 1"), dated as of February 21, 2013, to the Time Sharing Agreement will amend that certain Time Sharing Agreement (including any Schedules attached thereto, collectively hereinafter "Time Sharing Agreement"), dated as of May 27, 2010, by and between National Express Company, Inc. ("NEC") and Kenneth I. Chenault ("User").

W I T N E S S E T H:

WHEREAS, pursuant to Section 1 of the Time Sharing Agreement, NEC and User desire to amend the Time Sharing Agreement, as provided herein, to reflect the addition of one (1) 2012 Gulfstream Aerospace GV-SP (G550) aircraft, bearing manufacturer's serial number 5390 and Federal Aviation Administration Registration Number N552X, to the list of Aircraft on Schedule A.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree that, from and as of the date hereof, the Time Sharing Agreement shall be, and hereby is, amended as set forth below.

1. NEC and User hereby expressly agree that the Schedule A attached hereto amends and replaces the Schedule A attached to the Time Sharing Agreement.
2. All notices and other communications given pursuant to Section 12 of the Time Sharing Agreement under this Amendment No. 1 and/or the Time Sharing Agreement shall be addressed to the parties as provided on the signature page of this Amendment No. 1.
3. All capitalized terms not defined herein shall have the meanings ascribed to them in the Time Sharing Agreement.
4. Except as expressly amended by this Amendment No. 1, the Time Sharing Agreement remains in full force and effect, and this Amendment No. 1 shall not be construed to alter or amend any of the other terms or conditions set forth in the Time Sharing Agreement. In the event of a conflict between the terms of the Time Sharing Agreement and this Amendment No. 1, the provisions of this Amendment No. 1 shall prevail.
5. This Amendment No. 1 may be executed in counterparts, each of which will be deemed to be an original, but both of which together shall constitute one and the same instrument.
6. TRUTH-IN-LEASING STATEMENT PURSUANT TO SECTION 91.23 OF THE FEDERAL AVIATION REGULATIONS.

   THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO HAVE BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12-MONTH PERIOD PRECEDING THE DATE OF THIS AGREEMENT OR, IF THE AIRCRAFT ARE LESS THAN 12 MONTHS OLD, SINCE NEW. NATIONAL

EXPRESS COMPANY, INC., 1 EXPRESS DR., NEWBURGH, NY 12550, CERTIFIES THAT ALL OF THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO ARE COMPLIANT WITH APPLICABLE MAINTENANCE AND INSPECTION REQUIREMENTS OF FAR PART 91 FOR THE OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT. ALL OF THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT.

DURING THE DURATION OF THIS AGREEMENT, NATIONAL EXPRESS COMPANY, INC., 1 EXPRESS DR., NEWBURGH, NY 12550, IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF ALL OF THE AIRCRAFT UNDER THIS AGREEMENT.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE “INSTRUCTIONS FOR COMPLIANCE WITH TRUTH-IN-LEASING REQUIREMENTS” ATTACHED HERETO IN SCHEDULE B ARE INCORPORATED HEREIN BY REFERENCE.

THE UNDERSIGNED, AS A DULY AUTHORIZED OFFICER OF NATIONAL EXPRESS COMPANY, INC., 1 EXPRESS DR., NEWBURGH, NY 12550, CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF ALL OF THE AIRCRAFT LISTED ON SCHEDULE A ATTACHED HERETO AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed on the day and year first above written. The persons signing below warrant their authority to sign.

NATIONAL EXPRESS COMPANY, INC.

By: /s/ Jeffrey W. Lee
Name: Jeffrey W. Lee
Title: Vice President

Address: National Express Company, Inc.
Attn: VP of Flight Operations
1 Express Dr.
Newburgh, NY 12550
Phone: 845-567-[redacted]
Facsimile: 845-567-[redacted]
Email: [redacted]@aexp.com

KENNETH I. CHENAULT

/s/ Kenneth I. Chenault

Address: Kenneth I. Chenault
c/o American Express Company
200 Vesey St., [redacted]
New York, NY 10285
Phone: 212-640-[redacted]
Facsimile: 212-640-[redacted]
Email: [redacted]@aexp.com

A legible copy of this Amendment No. 1 shall be kept in the Aircraft for all operations conducted hereunder.

SCHEDULE A

One (1) Gulfstream Aerospace G-V aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted];

One (1) Gulfstream Aerospace GIV-X (G450) aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted];

One (1) Gulfstream Aerospace G-IV aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted];

One (1) Sikorsky S-76C aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted]; and

One (1) Gulfstream Aerospace GV-SP (G550) aircraft bearing Federal Aviation Administration Registration Number [redacted] and Manufacturer's Serial Number [redacted].

SCHEDULE B

INSTRUCTIONS FOR COMPLIANCE
WITH "TRUTH-IN-LEASING" REQUIREMENTS

1. Mail a copy of the lease to the following address via certified mail, return receipt requested, immediately upon execution of the lease (14 C.F.R. 91.23 requires that the copy be sent within twenty-four hours after it is signed):

   Federal Aviation Administration
   Aircraft Registration Branch
   ATTN: Technical Section
   P.O. Box 25724
   Oklahoma City, Oklahoma 73125

2. Telephone or fax the nearest Flight Standards District Office at least forty-eight hours prior to the first flight under this lease.

3. Carry a copy of the lease in the aircraft at all times.

Exhibit 12

AMERICAN EXPRESS COMPANY
COMPUTATION IN SUPPORT OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Millions)

	Years Ended December 31,				
	2012	2011	2010	2009	2008
Earnings:					
Pretax income from continuing operations	**$ 6,451**	$ 6,956	$ 5,964	$ 2,841	$ 3,581
Interest expense [(a)]	**2,226**	2,320	2,423	2,208	3,628
Other adjustments [(b)]	**117**	124	126	129	144
Total earnings	**$ 8,794**	$ 9,400	$ 8,513	$ 5,178	$ 7,353
Fixed charges:					
Interest expense	**$ 2,226**	$ 2,320	$ 2,423	$ 2,208	$ 3,628
Other adjustments [(c)]	**102**	94	85	121	114
Total fixed charges	**$ 2,328**	$ 2,414	$ 2,508	$ 2,329	$ 3,742
Ratio of earnings to fixed charges	**3.78**	3.89	3.39	2.22	1.96

(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.

Table of Contents

2012 FINANCIAL RESULTS

16 FINANCIAL REVIEW
57 MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
58 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
59 INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
60 CONSOLIDATED FINANCIAL STATEMENTS
65 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
114 CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
115 COMPARISON OF FIVE-YEAR TOTAL RETURN TO SHAREHOLDERS

AMERICAN EXPRESS COMPANY

2012 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 52.

This Financial Review and the Notes to the Consolidated Financial Statements exclude discontinued operations unless otherwise noted.

EXECUTIVE OVERVIEW

BUSINESS INTRODUCTION

American Express is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. The Company'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 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.

The Company competes 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, the Company is facing increasing competition from non-traditional players, such as online networks, telecom providers and software-as-a-service providers, that leverage new technologies and customers' existing charge and credit card accounts and bank relationships to create payment or other fee-based solutions. The Company is transforming its existing businesses and creating new products and services for the digital marketplace as it increases its share of online spend, enhances customers' digital experiences and develops platforms for online and mobile commerce.

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 generally 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 card membership fees;
- 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 partners of our Global Network Services (GNS) business (including royalties and signing fees), publishing revenues and other miscellaneous revenue and fees; and
- Interest on loans, which principally represents interest income earned on outstanding balances.

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 approximately 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.

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 information 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 2012 continued to reflect strong spending growth and credit performance in both the United States and internationally. The rate of growth was, however, slower than in the prior year, reflecting in part the impact of a challenging global economic environment. The Company also saw its average loans continue to grow modestly year over year, leading to a 6 percent growth in net interest income while lending loss rates are near all-time lows.

The positive impacts of strong billings and loan growth were offset by lower lending reserve releases this year as compared to the prior year, and three charges taken in the fourth quarter of 2012, related to restructuring of $400 million, Membership Rewards estimation process enhancements of $342 million and cardmember reimbursements of $153 million, in addition to amounts incurred in prior quarters during the year. In 2010 and 2011 the Company saw operating expenses increase as a result of its strategy to invest in the business in light of the favorable impacts of lending reserve releases and the settlement proceeds from Visa and MasterCard. In 2012, the Company's objective was to grow operating expenses at a slower pace than revenue growth. Adjusting for the fourth quarter restructuring charge, as well as the Visa and MasterCard settlement payments recognized in 2011, the Company was successful in achieving this objective.

The Company believes the restructuring charge taken in the fourth quarter will help to make its cost structure leaner and more efficient. The Company's aim is to grow operating expenses at an annual rate of less than 3 percent in both 2013 and 2014, with the 2012 operating expenses, excluding the restructuring charge, as the base. The Company will seek to invest in growth opportunities in the United States and internationally and will aim to keep marketing and promotion expenses at approximately 9 percent of revenues.

The Company recognized a $342 million charge in the fourth quarter reflecting enhancements to the process that estimates redemptions of Membership Rewards points by U.S. cardmembers. In particular, the changes increased the global Ultimate Redemption Rate (URR) by approximately 100 basis points, resulting in a URR of 94 percent, representing the estimate of the amount of earned points that will ultimately be redeemed by cardmembers.

The regulatory environment continues to evolve and has heightened the focus that all financial companies, including the Company, must have on their controls and processes. Additional regulation, increased compliance efforts and enhanced regulatory enforcement had an impact on the Company. The review of products and practices will be a continuing focus of regulators, as well as by the Company.

Competition remains extremely intense across the Company's businesses. In addition, the global economic environment remains uneven. While the Company's business is diversified, including the corporate card business, a large international business and GNS partners around the world, any impact of potential U.S. income tax law changes and continued budget and debt ceiling discussions in Washington remains uncertain. In addition, the current instability in Europe could further adversely affect global economic conditions, including continued pressure on consumer and corporate confidence and spending, and cause disruptions of the debt, equity and foreign exchange markets. Europe accounted for approximately 11 percent of the Company's total billed business for the year ended December 31, 2012.

RESTRUCTURING INITIATIVES

The Company recently committed to undertake a companywide restructuring plan designed to contain future operating expenses, adapt parts of the business as more customers transact online or through mobile channels, and provide the resources for additional growth initiatives in the United States and internationally. The charges relating to the plan total approximately $400 million pre-tax (approximately $287 million after-tax), which the Company recognized in the fourth quarter of 2012. The total charges include approximately $370 million pre-tax (approximately $265 million after-tax) in employee severance obligations and other employee-related costs.

A major portion of the restructuring plan involves reengineering the Company's model in its Global Business Travel group as the Company continues the shift toward online channels and automated servicing tools. It will also include streamlining its staff groups to concentrate more resources in high-growth areas, optimizing the Company's client management and eliminating duplicate efforts, while continuing to maintain the right focus and resources on risk and control activities. The restructuring is expected to result in the elimination of approximately 5,400 jobs in the aggregate. Those reductions are expected to be partly offset by jobs the Company anticipates to add during the year. Overall staffing levels by year-end 2013 are expected to be 4 to 6 percent less than the current total of 63,500. The restructuring plan is expected to be substantially completed by the end of 2013. The Company estimates that substantially all of the costs will result in future cash expenditures.

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 the probable losses inherent in the Company's outstanding portfolio of cardmember loans and receivables, as of the balance sheet date.

In estimating these 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. Management also considers other external environmental factors in establishing reserves for cardmember losses.

The process of estimating these reserves 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 cardmember losses.

As of December 31, 2012, 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 $215 million. This sensitivity analysis is provided as a hypothetical scenario to assess the sensitivity of the provision for cardmember losses. It does not represent management's expectations for write-offs in the future, nor does it include how other portfolio factors such as loss migration rates or recoveries, or the amount of outstanding balances, may impact the level of reserves for cardmember losses and the corresponding impact on the provision for cardmember losses.

LIABILITY FOR MEMBERSHIP REWARDS EXPENSE

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 records a Membership Rewards liability that represents the estimated cost of points earned that are expected to be redeemed. The liability reflects management's judgment regarding ultimate redemptions and associated redemption costs.

Management uses statistical and actuarial models to estimate ultimate redemption rates of points earned to date by current cardmembers based on redemption trends of current enrollees, card product type, enrollment tenure, card spend levels and credit attributes. 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 estimate redemption costs. Management periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

The liability 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.

Changes in the URR and weighted-average cost per point have the effect of either increasing or decreasing the liability through the current period marketing, promotion, rewards and cardmember services expense by an amount estimated to cover the cost of all points previously earned but not yet redeemed by current enrollees as of the end of the reporting period. As of December 31, 2012, an increase in the estimated URR of current enrollees of 100 basis points would increase the balance sheet liability and corresponding expense for the cost of Membership Rewards by approximately $270 million. Similarly, an increase in the weighted-average cost (WAC) per point of 1 basis point would increase the balance sheet liability and corresponding expense for the cost of Membership Rewards by approximately $80 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 based on the principal or, in the absence of a principal, most advantageous market for the specific asset or liability. 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 measured on a recurring basis. 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 or recent trades of similar securities. The pricing services did not apply any adjustments to the pricing models used as of December 31, 2012 and 2011. In addition, the Company did not apply any adjustments to prices received from the pricing services. The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services for reasonableness by comparing the prices from the respective pricing services to valuations obtained from different pricing sources as well as comparing prices to the sale prices received from sold securities at least quarterly.

In 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 about 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 a third-party valuation service at least annually.

To mitigate credit risk arising from the Company's derivative instruments, counterparties are required to be pre-approved and rated as investment grade. In addition, the Company manages certain counterparty credit risks by exchanging cash and noncash collateral under executed credit support agreements. The noncash collateral does not reduce the derivative balance reflected in the other assets line but effectively reduces risk exposure as it is available in the event of counterparty default. 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 U.S. generally accepted accounting principles (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 in the impairment test 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, 2012. 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.

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

2012 FINANCIAL REVIEW

AMERICAN EXPRESS COMPANY CONSOLIDATED RESULTS OF OPERATIONS

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

Beginning the first quarter of 2012, the Company revised the income statement reporting of annual membership card fees on lending products, increasing net card fees and reducing interest on loans. Amounts presented in prior periods for this item and certain other amounts have been reclassified to conform to the current period presentation. This change has no impact on total revenues net of interest expense in the consolidated statements of income or the net interest yield on cardmember loans statistic, a non-GAAP measure, as reported in the Company's selected statistical tables.

SUMMARY OF THE COMPANY'S FINANCIAL PERFORMANCE

Years Ended December 31, *(Millions, except percentages, per share amounts and ratio data)*	**2012**	2011	2010	Change 2012 vs. 2011		Change 2011 vs. 2010	
Total revenues net of interest expense	**$ 31,582**	$ 29,962	$ 27,582	$ 1,620	5 %	$ 2,380	9 %
Provisions for losses	**$ 1,990**	$ 1,112	$ 2,207	$ 878	79 %	$ (1,095)	(50)%
Expenses	**$ 23,141**	$ 21,894	$ 19,411	$ 1,247	6 %	$ 2,483	13 %
Income from continuing operations	**$ 4,482**	$ 4,899	$ 4,057	$ (417)	(9)%	$ 842	21 %
Net income	**$ 4,482**	$ 4,935	$ 4,057	$ (453)	(9)%	$ 878	22 %
Earnings per common share from continuing operations — diluted [(a)]	**$ 3.89**	$ 4.09	$ 3.35	$ (0.20)	(5)%	$ 0.74	22 %
Earnings per common share — diluted [(a)]	**$ 3.89**	$ 4.12	$ 3.35	$ (0.23)	(6)%	$ 0.77	23 %
Return on average equity [(b)]	**23.1%**	27.7%	27.5%				
Return on average tangible common equity [(c)]	**29.2%**	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 $49 million, $58 million and $51 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(b) ROE is computed by dividing (i) one-year period net income ($4.5 billion, $4.9 billion and $4.1 billion for 2012, 2011 and 2010, respectively) by (ii) one-year average total shareholders' equity ($19.4 billion, $17.8 billion and $14.8 billion for 2012, 2011 and 2010, respectively).

(c) Return on average tangible common equity, a non-GAAP measure, 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, $4.2 billion and $3.3 billion as of December 31, 2012, 2011 and 2010, respectively. The Company believes return on average tangible common equity is a useful measure of the profitability of its business.

SELECTED STATISTICAL INFORMATION

Years Ended December 31,	**2012**	2011	2010	Change 2012 vs. 2011	Change 2011 vs. 2010
Card billed business: *(billions)*					
United States	**$ 590.7**	$ 542.8	$ 479.3	9%	13%
Outside the United States	**297.7**	279.4	234.0	7%	19%
Total	**$ 888.4**	$ 822.2	$ 713.3	8%	15%
Total cards-in-force: *(millions)*					
United States	**52.0**	50.6	48.9	3%	3%
Outside the United States	**50.4**	46.8	42.1	8%	11%
Total	**102.4**	97.4	91.0	5%	7%
Basic cards-in-force: *(millions)*					
United States	**40.3**	39.3	37.9	3%	4%
Outside the United States	**40.5**	37.4	33.7	8%	11%
Total	**80.8**	76.7	71.6	5%	7%
Average discount rate	**2.52%**	2.54%	2.55%		
Average basic cardmember spending *(dollars)* [(a)]	**$ 15,720**	$ 14,881	$ 13,259	6%	12%
Average fee per card *(dollars)* [(a)]	**$ 39**	$ 39	$ 38	—%	3%
Average fee per card adjusted *(dollars)* [(a)]	**$ 43**	$ 43	$ 41	—%	5%

(a) 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 divided by average worldwide proprietary cards-in-force. 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. The amount of amortization excluded was $257 million, $219 million and $207 million for the years ended December 31, 2012, 2011 and 2010, 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, *(Millions, except percentages and where indicated)*	2012	2011	2010	Change 2012 vs. 2011	Change 2011 vs. 2010
Worldwide cardmember receivables					
Total receivables *(billions)*	**$ 42.8**	$ 40.9	$ 37.3	5 %	10 %
Loss reserves					
Beginning balance	**$ 438**	$ 386	$ 546	13 %	(29)%
Provisions [a]	**601**	603	439	— %	37 %
Other additions [b]	**141**	167	156	(16)%	7 %
Net write-offs [c]	**(640)**	(560)	(598)	14 %	(6)%
Other deductions [d]	**(112)**	(158)	(157)	(29)%	1 %
Ending balance	**$ 428**	$ 438	$ 386	(2)%	13 %
% of receivables	**1.0%**	1.1%	1.0%		
Net write-off rate — principal — USCS [e]	**1.9%**	1.7%	1.6%		
Net write-off rate — principal and fees — USCS [e]	**2.1%**	1.9%	1.8%		
30 days past due as a % of total — USCS	**1.8%**	1.9%	1.5%		
Net loss ratio as a % of charge volume — ICS/GCS	**0.10%**	0.09%	0.16%		
90 days past billing as a % of total — ICS/GCS	**0.9%**	0.9%	0.9%		
Worldwide cardmember loans					
Total loans *(billions)*	**$ 65.2**	$ 62.6	$ 60.9	4 %	3 %
Loss reserves					
Beginning balance	**$ 1,874**	$ 3,646	$ 3,268	(49)%	12 %
Adoption of GAAP consolidation standard [f]	**—**	—	2,531	— %	#
Provisions [a]	**1,031**	145	1,445	#	(90)%
Other additions [b]	**118**	108	82	9 %	32 %
Net write-offs — principal [c]	**(1,280)**	(1,720)	(3,260)	(26)%	(47)%
Net write-offs — interest and fees [c]	**(157)**	(201)	(359)	(22)%	(44)%
Other deductions [d]	**(115)**	(104)	(61)	11 %	70 %
Ending balance	**$ 1,471**	$ 1,874	$ 3,646	(22)%	(49)%
Ending Reserves — principal	**$ 1,423**	$ 1,818	$ 3,551	(22)%	(49)%
Ending Reserves — interest and fees	**$ 48**	$ 56	$ 95	(14)%	(41)%
% of loans	**2.3%**	3.0%	6.0%		
% of past due	**182%**	206%	287%		
Average loans *(billions)*	**$ 61.5**	$ 59.1	$ 58.4	4 %	1 %
Net write-off rate — principal only [e]	**2.1%**	2.9%	5.6%		
Net write-off rate — principal, interest and fees [e]	**2.3%**	3.3%	6.2%		
30 days past due as a% of total	**1.2%**	1.5%	2.1%		
Net interest income divided by average loans [g]	**7.5%**	7.4%	8.0%		
Net interest yield on cardmember loans [g]	**9.1%**	9.1%	9.7%		

# denotes a variance greater than 100 percent.

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

(b) Provisions for unauthorized transactions.

(c) Consists of principal (resulting from authorized transactions) interest and/or fees, less recoveries.

(d) For cardmember receivables, includes net write-offs resulting from unauthorized transactions of $(141) million, $(161) million and $(148) million for the years ended December 31, 2012, 2011 and 2010, respectively; foreign currency translation adjustments of $2 million, $(2) million and $1 million for the years ended December 31, 2012, 2011 and 2010, respectively; cardmember bankruptcy reserves of $18 million, nil and nil for the years ended December 31, 2012, 2011 and 2010, respectively; and other items of $9 million, $5 million and $(10) million for the years ended December 31, 2012, 2011 and 2010, respectively. For cardmember loans, includes net write-offs for unauthorized transactions of $(116) million, $(103) million and $(78) million for the years ended December 31, 2012, 2011 and 2010, respectively; foreign currency translation adjustments of $7 million, $(2) million and $23 million for the years ended December 31, 2012, 2011 and 2010, respectively; cardmember bankruptcy reserves of $4 million, nil and nil for the years ended December 31, 2012, 2011 and 2010, respectively; and other items of $(10) million, $1 million and $(6) million for the years ended December 31, 2012, 2011 and 2010, respectively. Cardmember bankruptcy reserves were classified as other liabilities in prior periods.

(e) 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.

(f) Upon the adoption of accounting standards related to transfers of financial assets and consolidation of VIEs, which resulted in the consolidation of the American Express Credit Account Master 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.

(g) Refer to the following table for the calculation of net interest yield on cardmember loans, a non-GAAP measure, net interest income divided by average loans, a GAAP measure, and the Company's rationale for presenting net interest yield on cardmember loans.

Calculation of Net Interest Yield on Cardmember Loans

Years Ended December 31, *(Millions, except percentages and where indicated)*	2012	2011	2010
Net interest income	**$ 4,628**	$ 4,376	$ 4,650
Exclude:			
Interest expense not attributable to the Company's cardmember loan portfolio	**1,366**	1,445	1,537
Interest income not attributable to the Company's cardmember loan portfolio	**(401)**	(476)	(558)
Adjusted net interest income [(a)]	**$ 5,593**	$ 5,345	$ 5,629
Average loans *(billions)*	**$ 61.5**	$ 59.1	$ 58.4
Exclude:			
Unamortized deferred card fees, net of direct acquisition costs of cardmember loans, and other *(billions)*	**(0.2)**	(0.1)	(0.1)
Adjusted average loans *(billions)* [(a)]	**$ 61.3**	$ 59.0	$ 58.3
Net interest income divided by average loans	**7.5%**	7.4%	8.0%
Net interest yield on cardmember loans [(a)]	**9.1%**	9.1%	9.7%

(a) Net interest yield on cardmember loans, adjusted net interest income, and adjusted average loans are non-GAAP measures. The Company believes adjusted net interest income and adjusted average loans are useful to investors because they are components of net interest yield on cardmember loans, which provides a measure of profitability of the Company's cardmember loan portfolio.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2012

The Company's consolidated income from continuing operations decreased $417 million or 9 percent, and diluted EPS from continuing operations decreased by $0.20, in 2012 as compared to the prior year. Consolidated income from continuing operations increased $842 million or 21 percent, and diluted EPS from continuing operations increased by $0.74, in 2011 as compared to the prior year.

Consolidated net income for 2012, 2011 and 2010 was $4.5 billion, $4.9 billion and $4.1 billion, respectively. Net income included income from discontinued operations of nil, $36 million and nil for 2012, 2011 and 2010, respectively.

The Company's total revenues net of interest expense, total expenses and total provisions for losses increased approximately 5 percent, 6 percent and 79 percent, respectively, in 2012 as compared to the prior year.

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 as compared to the prior year.

Results from continuing operations for 2012 included:

- $461 million ($328 million after-tax) of net charges for costs related to the Company's reengineering initiatives, including a $400 million ($287 million after-tax) restructuring charge in the fourth quarter;
- A $342 million ($212 million after-tax) expense reflecting enhancements to the process that estimates future redemptions of Membership Rewards points by U.S. cardmembers;
- A $153 million ($95 million after-tax) charge related to cardmember reimbursements in the fourth quarter, in addition to amounts incurred in prior quarters during the year; and
- A $146 million tax benefit related to the realization of certain foreign tax credits.

Results from continuing operations for 2011 included:

- $300 million and $280 million ($186 million and $172 million after-tax) related to the MasterCard and Visa litigation settlements, respectively;
- A $188 million ($117 million after-tax) expense reflecting enhancements to the process that estimates future redemptions of Membership Rewards points by U.S. cardmembers;
- $153 million ($106 million after-tax) of net charges for costs related to the Company's reengineering initiatives; and
- Tax benefits of $102 million and $77 million related to the favorable resolution of certain prior years' tax items and the realization of certain foreign tax credits, respectively.

Results from continuing operations for 2010 included:

- $600 million and $280 million ($372 million and $172 million after-tax) related to the MasterCard and Visa litigation settlements, respectively; and
- $127 million ($83 million after-tax) of net charges for costs related to the Company's reengineering initiatives.

Total Revenues Net of Interest Expense

Consolidated total revenues net of interest expense increased $1.6 billion or 5 percent in 2012 as compared to the prior year, reflecting increases of 7 percent in Global Network & Merchant Services (GNMS), 6 percent in U.S. Card Services (USCS), 3 percent in Global Commercial Services (GCS) and 1 percent in International Card Services (ICS). The increase in total revenues net of interest expense primarily reflects higher discount revenues, higher other revenues and higher net interest income. Consolidated total revenues net of interest expense increased $2.4 billion or 9 percent in 2011 as compared to the prior year, primarily reflecting 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.

Discount revenue increased $1.0 billion or 6 percent in 2012 as compared to the prior year, primarily due to an 8 percent increase in worldwide billed business volumes, partially offset by a decline in the average discount rate and higher contra-revenue

items, including cash rebate rewards and corporate client incentives. Discount revenue increased $1.9 billion or 12 percent in 2011 as compared to the prior year, primarily due to a 15 percent increase in worldwide billed business, partially offset by a slightly lower average 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 2.52 percent and 2.54 percent for 2012 and 2011, respectively. Over time, certain pricing initiatives, changes in the mix of spending by location and industry, an increase in the amount of prepaid products and volume-related pricing discounts and strategic investments will likely result in further erosion of the average discount rate.

U.S. billed business and billed business outside the United States increased 9 percent and 7 percent, respectively, in 2012 as compared to the prior year, 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:

	2012		2011	
	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	**8%**	**9%**	15%	13%
Proprietary billed business	**8**	**8**	13	12
GNS billed business [c]	**10**	**14**	27	22
Airline-related volume (10% of worldwide billed business for both 2012 and 2011)	**3**	**4**	15	13
United States [b]				
Billed business	**9**		13	
Proprietary consumer card billed business [d]	**8**		11	
Proprietary small business billed business [d]	**12**		14	
Proprietary Corporate Services billed business [e]	**11**		14	
T&E-related volume (27% and 28% of U.S. billed business for 2012 and 2011, respectively)	**6**		12	
Non-T&E-related volume (73% and 72% of U.S. billed business for 2012 and 2011, respectively)	**10**		14	
Airline-related volume (9% and 10% of U.S. billed business for 2012 and 2011, respectively)	**4**		13	
Outside the United States [b]				
Billed business	**7**	**10**	19	13
Japan, Asia Pacific & Australia (JAPA) billed business	**12**	**12**	28	18
Latin America & Canada (LACC) billed business	**7**	**12**	17	14
Europe, the Middle East & Africa (EMEA) billed business	**—**	**5**	13	8
Proprietary consumer and small business billed business [f]	**4**	**6**	15	9
JAPA billed business	**7**	**7**	19	9
LACC billed business	**5**	**8**	13	10
EMEA billed business	**(1)**	**4**	13	7
Proprietary Corporate Services billed business [e]	**3**	**7**	19	13

(a) The foreign currency adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes the foreign exchange rates used to determine results for the current 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.
(b) Captions in the table above not designated as "proprietary" or "GNS" include both proprietary and GNS data.
(c) Included in the GNMS segment.
(d) Included in the USCS segment.
(e) Included in the GCS segment.
(f) Included in the ICS segment.

Travel commissions and fees decreased $31 million or 2 percent in 2012 as compared to the prior year, primarily due to a 1 percent decline in worldwide travel sales. Business travel sales declined 4 percent, while U.S. consumer travel sales increased 12 percent. Travel commissions and fees increased $198 million or 11 percent in 2011 as compared to the prior year, primarily due to a 13 percent increase in worldwide travel sales.

Other commissions and fees increased $48 million or 2 percent in 2012 as compared to the prior year, driven primarily by higher fee revenues from the Loyalty Partner business. Assuming no changes in foreign exchange rates, other commissions and fees increased 5 percent in 2012 as compared to the prior year. [1] Other commissions and fees increased $238 million or 12 percent in 2011 as compared to the prior year, primarily driven by fee revenues from the Loyalty Partner business.

Other revenues increased $288 million or 13 percent in 2012 as compared to the prior year, primarily reflecting higher gains on the sale of investment securities, higher GNS partner royalty revenues, and the favorable effects of revised estimates in the liability for uncashed Travelers Cheques in international markets. Other revenues increased $237 million or 12 percent in 2011 as compared to the prior year, primarily reflecting higher royalties from GNS partners, a contractual payment from a GNS partner and greater merchant-related fee revenues.

Interest income increased $158 million or 2 percent in 2012 as compared to the prior year. Interest on loans increased $239 million or 4 percent, primarily reflecting higher average cardmember loans. Interest and dividends on investment securities decreased $81 million or 25 percent, primarily reflecting decreased levels of investment securities. Interest on deposits with banks and other remained flat year over year. Interest income decreased $377 million or 5 percent in 2011 as compared to the prior year. Interest on loans decreased $292 million or 4 percent, driven by a lower net yield on cardmember loans, partially offset by a slight increase in average cardmember loans. Interest and dividends on investment securities decreased $116 million or 26 percent, primarily reflecting decreased levels of investment securities. Interest on deposits with banks and other increased $31 million or 47 percent, primarily due to higher average deposit balances.

Interest expense decreased $94 million or 4 percent in 2012 as compared to the prior year. Interest on deposits decreased $48 million or 9 percent, primarily due to a lower cost of funds, partially offset by an increase in average customer deposit balances. Interest on long-term debt and other decreased $46 million or 3 percent, reflecting a lower average long-term debt balance. Interest expense decreased $103 million or 4 percent in 2011 as compared to the prior year. Interest on deposits decreased $18 million or 3 percent, primarily due to a lower cost of funds, partially offset by an increase in average customer deposit balances. Interest on long-term debt and other decreased $85 million or 5 percent, reflecting a lower average long-term debt balance, partially offset by a higher cost of funds.

[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 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.

Provisions for Losses

Provisions for losses increased $878 million or 79 percent in 2012 as compared to the prior year. Charge card provisions for losses decreased $28 million or 4 percent, primarily due to a net reserve release in 2012 compared to a reserve build in 2011. Cardmember loans provisions for losses increased $896 million or over 100 percent, primarily reflecting a smaller reserve release in 2012 than in 2011 due to the slowing pace of improved credit conditions. Other provisions for losses increased $10 million or 11 percent in 2012 as compared to the prior year.

Provisions for losses decreased $1.1 billion or 50 percent in 2011 as compared to the prior year. Charge card provisions for losses increased $175 million or 29 percent, primarily driven by higher average cardmember receivables, higher net 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 net write-offs and a lower cardmember loan reserve requirement in 2011 as compared to the prior year. Other provisions for losses increased $4 million or 5 percent in 2011 as compared to the prior year.

Expenses

Consolidated expenses increased $1.2 billion or 6 percent in 2012 as compared to the prior year. The increase reflects higher other expenses, higher salaries and employee benefits costs, higher occupancy and equipment expenses and higher cardmember services expenses, partially offset by lower marketing and promotion expenses. Consolidated expenses increased $2.5 billion or 13 percent in 2011 as compared to the prior year. The increase reflected higher cardmember rewards expenses, salaries and employee benefits costs, other expenses, cardmember services expenses, professional services expenses and occupancy and equipment expenses, partially offset by lower marketing and promotion expenses. Consolidated expenses in 2012, 2011 and 2010 also included $461 million, $153 million and $127 million, respectively, of reengineering costs, of which $403 million, $119 million and $96 million, respectively, represent restructuring charges.

Marketing and promotion expenses decreased $106 million or 4 percent in 2012 as compared to the prior year, primarily reflecting lower loyalty and brand spending. Marketing and promotion expenses decreased $151 million or 5 percent in 2011 as compared to the prior year, due to lower product media and brand spending. Marketing and promotion spending represented 9.2 percent of total revenues in 2012 as compared to 10.0 percent and 11.4 percent of total revenues in 2011 and 2010, respectively.

Cardmember rewards expenses increased $64 million or 1 percent in 2012 as compared to the prior year due to an increase

in co-brand rewards expense of $148 million partially offset by a decrease in Membership Rewards expense of $84 million.

For 2012, co-brand rewards expenses increased $148 million primarily related to higher spending volumes. Membership Rewards expenses decreased $84 million as compared to the prior year as a result of a $353 million reduction in expenses related to a slower average URR growth rate (including the effects of enhancements to the U.S. URR estimation process of $342 million in 2012 and $188 million in 2011) and a shift in the redemption mix that drove a favorable change in the WAC assumption, offset by higher expenses of $269 million relating to an increase in new points earned.

For 2011, Membership Rewards expenses increased $920 million as compared to the prior year as a result of higher expenses of $558 million related to an increase in new points earned, a $362 million increase in expenses related to a higher average URR growth rate (including the effects of enhancements to the U.S. URR estimation process of $188 million) in addition to a shift in the redemption mix resulting in a higher WAC assumption. Co-brand rewards expenses increased $298 million primarily related to higher spending volumes.

The Company's Membership Rewards URR for current participants was 94 percent *(rounded up)* at December 31, 2012, an increase from 92 percent *(rounded down)* at December 31, 2011 and 91 percent *(rounded up)* in 2010. The increases in the ultimate redemption rate are a result of cardmembers' increased engagement with the Company's Membership Rewards program.

Cardmember services expenses increased $83 million or 12 percent and $125 million or 21 percent in 2012 and 2011, respectively, as compared to the prior year, driven by increases in the costs associated with enhanced benefits to U.S. cardmembers.

Salaries and employee benefits expenses increased $345 million or 6 percent in 2012 as compared to the prior year, primarily reflecting higher restructuring costs in 2012. Salaries and employee benefits expenses increased $686 million or 12 percent in 2011 as compared to the prior year, reflecting higher employee levels, merit increases for existing employees, higher employee benefits costs and higher incentive-related compensation.

Other, net increased $861 million or 15 percent in 2012 as compared to the prior year, primarily reflecting the absence of the benefits of the Visa and MasterCard litigation settlement payments that ceased in the fourth quarter 2011. In addition, the increase includes higher costs associated with cardmember reimbursements of $143 million, as well as impairment of certain cost method investments. Other, net also includes occupancy and equipment expenses, which also increased, reflecting higher data processing expenses. Other, net increased $460 million or 20 percent in 2011 as compared to the prior year, 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 expenses following the closing of the acquisition in the first quarter of 2011, data processing and software amortization expense, as well as lease termination costs. Other, net also includes an increase in 2011 as compared to 2010 in professional services expenses related to 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.

Income Taxes

The effective tax rate on continuing operations was 30.5 percent, 29.6 percent and 32.0 percent in 2012, 2011 and 2010, respectively. The tax rates for 2012 and 2011 included benefits of $146 million and $77 million, respectively, related to the realization of certain foreign tax credits. The tax rate for 2011 also included a benefit of $102 million related to the resolution of certain prior years' tax items. In addition, the tax rates in all years reflected the level of pretax income in relation to recurring permanent tax benefits and geographic mix of business.

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 provisions 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, 2012, net cash provided by operating activities of $7.1 billion decreased $2.7 billion compared to $9.8 billion in 2011. The decrease was primarily due to a decrease in the liabilities for accounts payable and other liabilities in 2012 as compared to the prior year versus an increase in 2011 as compared to the prior year.

For the year ended December 31, 2011, net cash provided by operating activities of $9.8 billion increased $1.1 billion compared to $8.7 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.

Cash Flows from Investing Activities

The Company's investing activities primarily include funding cardmember loans and receivables and the Company's available-for-sale investment portfolio.

For the year ended December 31, 2012, net cash used in investing activities of $6.5 billion increased $6.0 billion compared to $0.5 billion in 2011, primarily due to a reduction in maturities, redemptions and sales of investments, and a net decrease in the cash flows related to cardmember loans and receivables and restricted cash, partially offset by lower purchases of investments and fewer acquisitions in 2012 as compared to 2011.

For the year ended December 31, 2011, net cash used in investing activities of $0.5 billion decreased $0.7 billion

compared to $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.

Cash Flows from Financing Activities

The Company's financing activities primarily include issuing and repaying debt, taking customer deposits, issuing and repurchasing its common shares, and paying dividends.

For the year ended December 31, 2012, net cash used in financing activities of $3.3 billion increased $2.6 billion compared to $0.7 billion in 2011, due to a decrease in short-term borrowings, and an increase in the repurchase of common shares in 2012, which more than offset a decrease in principal payments on long-term debt.

For the year ended December 31, 2011, net cash used in financing activities of $0.7 billion decreased $7.2 billion compared to $7.9 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 on long-term debt and repurchases of common shares and a decrease in short-term borrowings in 2011.

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 its 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. In light of recent legislative initiatives and continuing regulatory reform implementation, compliance requirements and expenditures have risen for financial services firms, including the Company, and the Company expects compliance requirements and expenditures will continue to rise with continuing implementation of these reforms.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), 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 created an 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's 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. The review of products and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB and banking regulators more broadly, as well as by the Company itself. The ultimate impact of this heightened scrutiny is uncertain, but internal and regulatory reviews have resulted in, and are likely to continue to result in, changes to pricing, practices, products and procedures. Such reviews are also likely to continue to result in increased costs related to regulatory oversight, supervision and examination, additional restitution to cardmembers and possible additional regulatory actions which could include civil money penalties. In July 2012, the CFPB issued a bulletin regarding its review of marketing practices with respect to credit card add-on products, including debt cancellation, identity theft protection, credit reporting and monitoring, and other supplementary products. The Company is cooperating with regulators in their ongoing regulatory examination of credit card add-on products. For a description of the settlements reached with, and ongoing reviews by, several bank regulators, including the CFPB, relating to certain aspects of the Company's U.S. consumer card practices, see "Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Dodd-Frank 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 Dodd-Frank, 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's rule 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 the rule.

Dodd-Frank 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 Dodd-Frank require the adoption of rules for implementation. In addition, Dodd-Frank 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 Dodd-Frank 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, with certain exceptions, from adopting or enforcing rules or entering into contracts that prohibit merchants from engaging in various actions to steer cardholders to other card 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 January 2012, the European Commission (the Commission) published a Green Paper (a document to begin a process of consultation toward potential regulation) covering a range of issues affecting the payments industry, including interchange fees, non-discrimination and honor-all-cards rules, surcharging, separation of processing from card network management, perceived barriers to cross-border acquiring, mobile payments and technical standardization. The Commission has completed a consultation period and is expected to issue its preliminary conclusions in early 2013. These conclusions may involve proposals for regulation or recommendations for self-regulation and could take up to 18-24 months to adopt and implement.

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. Surcharging, particularly where it disproportionately impacts American Express cardmembers, which is known as differential surcharging, could have a material adverse effect on the Company if it becomes widespread. In June 2012, the Reserve Bank of Australia announced changes to the Australian surcharging standards beginning March 18, 2013 that will allow the Company and other networks to limit a merchant's right to surcharge to "the reasonable cost of card acceptance." In the European Union (the EU), the 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 EU member states have until December 2013 to transpose the directive into national law.

Although neither a legislative nor regulatory initiative, the settlement by MasterCard and Visa in a U.S. merchant class litigation (which has been given preliminary, but not final, approval by the trial court) requires, among other things, MasterCard and Visa to permit U.S. merchants, subject to certain conditions, to surcharge credit cards, while allowing them to continue to prohibit surcharges on debit card transactions.

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 payment networks.

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 12-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. The Company's consolidated capital position is 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 United States.

Dodd-Frank 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. On June 7, 2012, the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued three joint notices of proposed rulemaking, collectively referred to as Basel III, which presents details of the proposed new U.S. regulatory capital standards. The proposed U.S. rules are generally in line with the aforementioned capital standards published by Basel in 2010.

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, 2012.

	Well-Capitalized Ratios [a]	Ratios as of December 31, 2012
Risk-Based Capital		
Tier 1	6%	
American Express Company		11.9%
American Express Centurion Bank		17.6%
American Express Bank, FSB		16.5%
Total	10%	
American Express Company		13.8%
American Express Centurion Bank		18.9%
American Express Bank, FSB		18.7%
Tier 1 Leverage	5%	
American Express Company		10.2%
American Express Centurion Bank		17.0%
American Express Bank, FSB		17.5%
Common Equity to Risk-Weighted Assets		
American Express Company		15.0%
Tier 1 Common Risk-Based [b]		
American Express Company		11.9%
Tangible Common Equity to Risk-Weighted Assets [b]		
American Express Company		11.7%

(a) As defined by the Federal Reserve.
(b) Refer to page 30 for a reconciliation of Tier 1 common equity and tangible common equity, both non-GAAP measures.

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, 2012 were $125.7 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, 2012 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, 2012 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, 2012 were $147.0 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,
(Billions)	**2012**
Total shareholders' equity	**$ 18.9**
Net effect of certain items in accumulated other comprehensive loss excluded from Tier 1 common equity	**0.1**
Less: Ineligible goodwill and intangible assets	**(3.9)**
Less: Ineligible deferred tax assets	**(0.2)**
Total Tier 1 common equity	**$ 14.9**

The Company believes the Tier 1 common risk-based capital ratio is 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 U.S. 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 $18.9 billion as of December 31, 2012, and tangible common equity, a non-GAAP measure, equals common equity less goodwill and other intangibles of $4.2 billion as of December 31, 2012. 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 Company (Parent Company) level. The Company does not currently intend or foresee a need to shift capital from non-U.S. subsidiaries with permanently reinvested earnings to a U.S. parent company.

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. 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 2012, the reported Tier 1 risk-based capital and Tier 1 common risk-based ratios would have been 11.7 percent, the reported Tier 1 leverage ratio would have been 10.1 percent and the supplementary leverage ratio would have been 8.5 percent. [2] These ratios are calculated using the standardized approach as described in the proposed rules and are based on the Company's reported Basel I ratios, without taking into account the potential impact of Basel II implementation. As noted above, the Company is currently taking steps toward Basel II implementation in the United States.

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.

[2] 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 proposed new rules as currently proposed are implemented by the Federal Reserve.

implementation of the Basel III rules; and the estimated impact for 2012 is not necessarily indicative of the impact in future periods.

The following provides definitions for capital ratios as defined by the proposed U.S. Basel III guidelines using the standardized approach. All calculations are non-GAAP measures.

Basel III Tier 1 Common Risk-Based Capital Ratio — The Basel III Tier 1 common risk-based capital ratio is calculated as adjusted Tier 1 common equity divided by adjusted risk-weighted assets.

Basel III Tier 1 Risk-Based Capital Ratio — The Basel III Tier 1 risk-based capital ratio is calculated as adjusted Tier 1 capital divided by adjusted risk-weighted assets.

The following table presents a comparison of the Company's Tier 1 and Tier 1 common risk-based capital under Basel I rules to its estimated Tier 1 and Tier 1 common risk-based capital under Basel III rules.

	December 31,
(Billions)	2012
Risk-Based Capital under Basel I	$ 14.9
Adjustments related to:	
AOCI for available for sale securities	0.3
Pension and other post-retirement benefit costs	(0.5)
Other	0.1
Estimated Risk-Based Capital under Basel III [(a)]	$ 14.8

(a) Estimated Basel III Tier 1 capital and Tier 1 common equity reflects the Company's current interpretation of the Basel III rules. The estimated Basel III Tier 1 capital and Tier 1 common equity could change in the future as the U.S. regulatory agencies implement Basel III or if the Company's business changes.

Basel III Risk-Weighted Assets — The Basel III risk-weighted assets reflect the Company's current interpretation of the Basel III rules on the Company's Basel I risk-weighted assets. Risk-weighted assets include adjustments relating to the impact of the incremental risk weighting applied to deferred tax assets and significant investments in unconsolidated financial institutions, as well as exposures to past due accounts, equities and sovereigns. Basel III risk-weighted assets as of December 31, 2012 were estimated to be $126.8 billion.

Basel III Tier 1 Leverage Ratio — The Basel III Tier 1 leverage ratio is calculated by dividing Basel III Tier 1 capital by the Company's average total consolidated assets.

Basel III Supplementary Leverage Ratio — The Basel III supplementary leverage ratio is calculated by dividing Basel III Tier 1 capital by the Company's estimated total assets for leverage capital purposes under Basel III. Estimated total assets for leverage capital purposes includes adjustments for Tier 1 capital deductions, off-balance sheet derivatives, undrawn unconditionally cancellable commitments and other off-balance sheet liabilities. Total assets for leverage capital purposes as of December 31, 2012 based on the Company's current interpretation of the Basel III rules were estimated to be $173.5 billion.

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 2012, the Company returned $4.9 billion to its shareholders in the form of dividends ($909 million) and share repurchases ($4.0 billion). The Company repurchased 69 million common shares at an average price of $57.56 in 2012. These dividend and share repurchase amounts represent approximately 98 percent of total capital generated during the year. This percentage for 2012 is significantly greater than the on average and over time target to distribute approximately 50 percent of the capital to shareholders as dividends or through the repurchases of common stock. This payout percentage is also higher than most of the other U.S. financial institutions that are required to submit their capital distribution plans to the Federal Reserve for approval. These distribution percentages result from the strength of the Company's capital ratios and the amount of capital it generates from net income and through employee stock plans in relation to the amount of capital required to support its organic business growth and through acquisitions.

Since the inception of the program in December 1994, the Company has distributed approximately 66 percent of capital generated through share repurchases and dividends on a cumulative basis.

On January 7, 2013, the Company submitted its comprehensive capital plan to the Federal Reserve requesting approval to proceed with additional share repurchases in 2013. The capital plan includes an analysis of performance and capital availability under certain adverse economic assumptions. The capital plan 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 14, 2013. Additionally, the Company was informed in March 2012 that the Federal Reserve had no objections to the Company's plan to repurchase up to $1 billion of shares in the first quarter of 2013.

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 secured financing facilities 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)	**2012**	2011
Short-term borrowings	**$ 3.3**	$ 4.3
Long-term debt	**59.0**	59.6
Total debt	**62.3**	63.9
Customer deposits	**39.8**	37.9
Total debt and customer deposits	**$ 102.1**	$ 101.8

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 2013 includes, among other sources, approximately $4.0 billion to $10.0 billion of unsecured term debt issuance and $3.0 billion to $9.0 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 support the Company's access to cost-effective unsecured funding as part of its overall funding strategy. The Company's asset-backed securitization (ABS) activities are rated separately.

Unsecured Debt Ratings

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	TRS and rated operating subsidiaries	A-2	A-	Stable
S&P	American Express Company	A-2	BBB+	Stable

(a) American Express Travel Related Services Company, Inc.

Downgrades in the ratings of the Company's unsecured debt or asset securitization program securities 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 2012. 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)	2012	2011
Commercial paper	$ —	$ 0.6
Other short-term borrowings	3.3	3.7
Total	$ 3.3	$ 4.3

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 was 5.3 percent and 6.8 percent as of December 31, 2012 and 2011, respectively.

As of December 31, 2012, the Company had no commercial paper outstanding. Average commercial paper outstanding was $0.4 billion and $0.6 billion in 2012 and 2011, respectively.

American Express Credit Corporation's (Credco) total back-up liquidity coverage, which includes its undrawn committed bank facilities, was 73 percent and 62 percent of its net short-term borrowings as of December 31, 2012 and 2011, respectively. The undrawn committed bank credit facilities were $3.0 billion as of December 31, 2012.

DEPOSIT PROGRAMS

The Company offers deposits within its American Express Centurion Bank and American Express Bank, FSB (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 the 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.

The Company held the following deposits as of December 31:

(Billions)	2012	2011
U.S. retail deposits:		
Savings accounts — Direct	$ 18.7	$ 14.6
Certificates of deposit: [a]		
Direct	0.7	0.9
Third-party	8.9	10.8
Sweep accounts — Third-party	11.4	11.0
Other deposits	0.1	0.6
Total customer deposits	$ 39.8	$ 37.9

(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 18.5 months and 2.1 percent, respectively, as of December 31, 2012.

LONG-TERM DEBT PROGRAMS

During 2012, the Company and its subsidiaries issued debt and asset securitizations with maturities ranging from 3 to 5 years. These amounts included approximately $4.6 billion of AAA-rated lending securitization certificates, $0.6 billion of subordinated certificates and $5.6 billion of unsecured debt across a variety of maturities and markets. During the year, the Company retained approximately $0.4 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 2012 debt issuances were as follows:

(Billions)	Amount [a]
American Express Credit Corporation:	
Fixed Rate Senior Notes (weighted-average coupon of 2.0%)	$ 3.5
Floating Rate Senior Notes (3-month LIBOR plus 110 basis points)	0.8
American Express Centurion Bank:	
Fixed Rate Senior Notes (0.9% coupon)	0.8
Floating Rate Senior Notes (3-month LIBOR plus 45 basis points)	0.5
American Express Credit Account Master Trust: [b]	
Fixed Rate Senior Certificates (weighted-average coupon of 0.7%)	2.1
Fixed Rate Subordinated Certificates (weighted-average coupon of 1.1%)	0.3
Floating Rate Senior Certificates (1-month LIBOR plus 21 basis points on average)	2.5
Floating Rate Subordinated Certificates (1-month LIBOR plus 76 basis points on average)	0.3
Total	$ 10.8

(a) Does not include new notes issued as a result of the debt exchange transaction the Company entered into in the fourth quarter of 2012. See Debt Exchange section below for further details on this transaction.

(b) Issuances from the American Express Credit Account Master Trust (the Lending Trust) do not include $0.4 billion of subordinated securities retained by the Company during the year.

DEBT EXCHANGE

During the fourth quarter of 2012, the Company completed an exchange of $1.1 billion of its outstanding $1.75 billion 8.125 percent notes maturing on May 20, 2019 for $1.3 billion of 2.65 percent notes maturing on December 2, 2022 and cash; in addition, the Company exchanged $0.8 billion of its outstanding $1.0 billion 8.15 percent notes maturing on March 19, 2038 for $1.1 billion of 4.05 percent notes maturing on December 3, 2042 and cash. The exchange was completed to retire high coupon debt in the current favorable interest rate environment.

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 associated with the performance of the assets of each trust could result in payment of trust expenses, establishment of reserve funds, or in a worst-case scenario, early amortization of investor certificates. During the year ended December 31, 2012, no such triggering events occurred.

The ability of issuers of asset-backed securities relating to cardmember receivables and loans of an originating bank 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, including a final rule for securitization safe harbor, issued in 2010, requiring issuers to comply with a new set of requirements in order to qualify for the safe harbor protection. Issuances out of the Lending Trust are grandfathered under the new FDIC final rule. There are two trusts for the Company's cardmember charge card receivable securitization, the American Express Issuance Trust (the Charge Trust) and the American Express Issuance Trust II (the Charge Trust II). 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, so 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 Charge Trust II, which was formed in October 2012, was designed to satisfy the criteria to be covered by the FDIC's new safe harbor rule.

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, so that the Company can continuously meet expected future financing obligations and business requirements for at least a 12-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 facilities and the Federal Reserve discount window as well as committed bank credit facilities.

As of December 31, 2012, the Company's excess cash available to fund long-term maturities was as follows:

(Billions)	Total
Cash	$ 15.8[(a)]
Securities held as collateral	0.3[(b)]
Cash available to fund maturities	$ 16.1

(a) Includes $22.3 billion classified as cash and cash equivalents, less $6.5 billion of cash available to fund day-to-day operations. The $15.8 billion represents cash residing in the United States.
(b) Off-balance sheet securities held as collateral from a counterparty that had not been sold or repledged.

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			
2013 Quarters Ending:	Unsecured Debt	Asset-Backed Securitizations	Certificates of Deposit	Total
March 31	$ —	$ —	$ 0.8	$ 0.8
June 30	4.5	0.9	0.9	6.3
September 30	3.1	2.0	0.6	5.7
December 31	—	1.2	2.6	3.8
Total	$ 7.6	$ 4.1	$ 4.9	$16.6

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 and 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. Refer also to "Business Segment Results — Corporate & Other."

Securitized Borrowing Capacity

On August 3, 2012, the Company extended its $3.0 billion committed, revolving, secured financing facility, with an original maturity date in December 2013, to July 15, 2014. This secured financing facility gives the Company the right to sell up to $3.0 billion face amount of eligible AAA notes from the Charge Trust.

On October 3, 2012, the Company entered into a new three-year committed, revolving, secured financing facility maturing on September 15, 2015 that gives the Company the right to sell up to $2.0 billion face amount of eligible AAA certificates from the Lending Trust at any time. Both facilities are used in the ordinary course of business to fund seasonal working capital needs, as well as to further enhance the Company's contingent funding resources. As of December 31, 2012, $3.0 billion was drawn on the Charge Trust facility and no amounts were drawn on the Lending Trust facility.

Federal Reserve Discount Window

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

The Company had approximately $44.2 billion as of December 31, 2012 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 facilities described above, the Company maintained committed syndicated bank credit facilities as of December 31, 2012 of $7.7 billion which expires as follows:

(Billions)	
2014	$ 2.1
2015	3.0
2016	2.6
Total	$ 7.7

The availability of the credit lines is subject to the Company's compliance with certain financial covenants, principally the maintenance by Credco of a certain ratio of combined earnings and fixed charges to fixed charges. As of December 31, 2012, the Company was in compliance with each of its covenants. The drawn balance of the committed credit facilities of $4.7 billion as of December 31, 2012 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.

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 [a]				
(Millions)	2013	2014–2015	2016–2017	2018 and thereafter	Total
Long-term debt	$ 11,665	$ 27,131	$ 13,324	$ 7,179	$ 59,299
Interest payments on long-term debt [b]	1,386	1,917	1,057	2,616	6,976
Certificates of deposit	4,959	3,338	1,090	190	9,577
Other long-term liabilities [c]	170	123	38	37	368
Operating lease obligations	275	439	284	1,005	2,003
Purchase obligations [d]	387	200	123	49	759
Total	$ 18,842	$ 33,148	$ 15,916	$ 11,076	$ 78,982

(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, 2012, and reflects the effect of existing interest rate swaps. Actual cash flows may differ from estimated payments.

(c) As of December 31, 2012, 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 2013 are anticipated to be approximately $67 million, and this amount has been included within other long-term liabilities. Remaining obligations under defined benefit pension and postretirement benefit plans aggregating $729 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 $5.8 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, 2012. 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 $4.1 billion as of December 31, 2012.

In addition to the contractual obligations noted above, the Company has off-balance sheet arrangements that include guarantees 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, 2012, the Company had guarantees totaling approximately $45 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, 2012, the Company had approximately $253 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 generally have no pre-set limit, and therefore are not reflected in unused credit available to cardmembers.

To mitigate counterparty credit risk related to derivatives, the Company accepted noncash collateral in the form of security interest in U.S. Treasury securities from its derivatives counterparties with a fair value of $335 million as of December 31, 2012, none of which was sold or repledged.

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 two of its committees: the Audit, Risk and Compliance Committee and the Compensation and Benefits Committee. Both committees consist solely of independent directors and provide regular updates to the Board of Directors.

The Audit, Risk and Compliance Committee approves key risk management policies, and monitors the Company's risk culture, personnel, capabilities and outcomes. The Committee approves the Enterprise-wide Risk Management Policy along with its sub-policies governing individual credit risk, institutional credit risk, market risk, liquidity risk, operational risk, asset/liability risk and capital management, as well as the launch of new products and services. The Committee receives regular reports about key risks affecting the Company, including their potential likelihood and impact, as well as risk escalation and compliance with the policy-based risk limits. The Committee regularly reviews the credit risk profiles of the major business units, including their risk trends and risk management capabilities. It also reviews enterprise-wide operational risk trends, events and capabilities, with an emphasis on compliance, fraud, legal, information security, and privacy impacts; as well as trends in market, funding, liquidity and reputational risk. The Committee meets regularly in private sessions with the Company's Chief Risk Officer and other senior management with regard to the Company's risk management processes, controls and capabilities.

The Compensation and Benefits Committee works with the Chief Risk Officer to ensure that the compensation programs covering risk-taking employees, business units, and the Company overall appropriately balance risk with incentives and that business performance is achieved without taking imprudent risks. The Company's Chief Risk Officer is actively involved in the goal-setting process; reviews the current and forward-looking risk profiles of each business unit; and provides input into performance evaluation. The Chief Risk Officer attests to the Compensation and Benefits Committee that performance goals and actual results have been achieved without taking imprudent risks. The Compensation and Benefits Committee uses a risk-balanced incentive compensation framework to decide on the Company's bonus pools and the compensation of senior executives.

There are several 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, which support the Audit, Risk and Compliance Committee of the Board of Directors in overseeing risks across the Company. The ERMC is responsible for credit, operational and reputational risks, while the ALCO is responsible for market, liquidity, asset/liability risk and capital. In 2012, the ERMC created a dedicated compliance sub-committee.

The Enterprise-wide Risk Management Policy defines risk management roles and responsibilities. The policy sets the Company's risk appetite and defines governance over risk taking and the risk monitoring processes across the Company. Risk appetite defines the overall risk levels the Company is willing to accept while operating in full compliance with regulatory and legal requirements. In addition, it establishes principles for risk taking in the aggregate and for each risk type, and is supported by a comprehensive system of risk limits, escalation triggers and controls designed to ensure that the risks remain within the defined risk appetite boundaries.

The Policy also defines the Company's "three lines of defense" approach to risk management. Business Unit presidents are supported by Chief Credit and Lead Operational Risk Officers, who lead the first line of defense. The Global Risk Oversight group (described below) is the second line of defense and provides oversight of risks across the Company that is independent from the first line of defense. The Internal Audit Group constitutes the third line of defense, ensuring that the first and second lines operate as intended.

GLOBAL RISK OVERSIGHT

The Global Risk Oversight (GRO) group provides the Chief Risk Officer with its independent assessment of risks. The GRO seeks to ensure that key risk management policies are consistently implemented and enforced throughout the Company, including risk-based limits and escalations. In addition, the GRO is responsible for aggregation and reporting of risks across risk types, business units and geography and maintains enterprise-wide standards, procedures, tools and processes for managing credit and operational risks. The head of GRO has a solid line reporting relationship to the Company's Chief Risk Officer.

CREDIT RISK MANAGEMENT

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 to broad economic trends, such as unemployment rates and GDP growth, which can affect customer liquidity.

The business unit leaders and Chief Credit Officers take the lead in managing the individual credit risk 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 ensure 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 and data feeds from credit bureaus. 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, GNS, Prepaid Services and Foreign Exchange Services businesses, as well as 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 the business unit Chief credit officers, make investment decisions in core risk capabilities, ensure proper implementation of the underwriting standards and contractual rights of risk mitigation, monitor risk exposures, and determine risk mitigation actions. The IRMC formally reviews large institutional risk 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 the business unit risk teams to optimize risk-adjusted returns on capital. A centralized risk rating unit and a specialized airline risk group provide risk assessment of institutional obligors across the Company.

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 in the Consolidated Financial Statements for further details 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 profiles. The Company is closely monitoring its exposures in 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, 2012, 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.

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.

To appropriately measure and manage operational risk, the Company has implemented a comprehensive operational risk framework that is defined in the Operational Risk Management Policy approved by the Audit, Risk and Compliance Committee. The Operational Risk Management Committee (ORMC) coordinates with all control groups on effective risk assessments and controls and oversees the preventive, responsive and mitigation efforts by Lead Operational Risk Officers in the business units and staff groups. In addition, enhanced processes for issue resolution and customer remediation were implemented in 2012 to strengthen the Company's commitment to the customer and its focus on quality execution.

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 such as customer complaints or pre-implementation test metrics, and (d) process and entity-level risk self-assessments.

The framework requires the assessment of operational risk events to determine root causes, customer impacts and resolution plan accountability to correct any defect, remediate customers, and enhance controls and testing to mitigate future issues. The impact on the Company is assessed from an operational, financial, brand, regulatory compliance and legal perspective.

COMPLIANCE RISK MANAGEMENT PROCESS

The Company defines compliance risk as the risk of legal or reputational harm, fines, monetary penalties, payment of damages or other forms of sanction as a result of non-compliance with applicable laws, regulations, rules or standards of conduct.

The Company views its ability to effectively mitigate compliance risk as an important aspect of its business model. The Company's Global Compliance and Ethics organization is responsible for establishing and maintaining the Company's Corporate-wide Compliance Risk Management Program. Pursuant to this program, the Company seeks to manage and mitigate compliance risk by assessing, controlling, monitoring, measuring and reporting the regulatory risks to which it is exposed.

The Audit, Risk and Compliance Committee of the Board of Directors is responsible for approving key compliance policies following their review by the ERMC and for reviewing the effectiveness of the Corporate-wide Compliance Risk Management Program across the Company's business functions. In addition, the Audit, Risk and Compliance Committee approves the Company's compliance risk tolerance statement, which reinforces the importance of compliance risk management at the Company.

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 assessments 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.

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, Risk and Compliance Committee of the Board of Directors 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, 2012, the detrimental effect on the Company's annual net interest income of a hypothetical 100 basis point increase in interest rates would be approximately $223 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, 2012, the

percentage of worldwide charge card accounts receivable and credit card loans that were deemed to be fixed rate was 67.5 percent, or $74 billion, with the remaining 32.5 percent, or $36 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 $35 billion of Prime-based, variable-rate U.S. lending receivables and $34 billion of 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, 2012 and 2011, foreign currency derivative instruments with total notional amounts of approximately $27 billion and $23 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, 2012. 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 $187 million as of December 31, 2012. 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, 2012.

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, Risk and Compliance 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 12-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.

BUSINESS SEGMENT RESULTS

The Company is a global service company 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 U.S. versus non-U.S.) and regulatory environment considerations. Refer to Note 25 to the Consolidated Financial Statements for additional discussion of the 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.

Refer to Note 1 to the Consolidated Financial Statements for a discussion of a change in classification of card fees on lending products, which impacts the selected income statement and statistical data presented herein for the USCS and ICS segments. This change does not impact the net interest yield on cardmember loans statistic, a non-GAAP measure, for these segments.

As discussed more fully below, results are presented on a GAAP basis unless otherwise stated. Refer to the “Glossary of Selected Terminology” for the definitions of certain key terms and related information appearing in the tables within this section.

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 proportion of merchant business generated by the segment’s cardmembers. Within the USCS, ICS and GCS segments, discount revenue reflects the issuer component of the overall discount revenue; within the GNMS segment, discount revenue reflects the network and merchant component of the overall discount revenue. 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, except percentages)*	**2012**	2011	2010	Change 2012 vs. 2011		Change 2011 vs. 2010	
Revenues							
Discount revenue, net card fees and other	**$ 11,469**	$ 10,804	$ 9,997	$ 665	6 %	$ 807	8 %
Interest income	**5,342**	5,074	5,277	268	5	(203)	(4)
Interest expense	**765**	807	812	(42)	(5)	(5)	(1)
Net interest income	**4,577**	4,267	4,465	310	7	(198)	(4)
Total revenues net of interest expense	**16,046**	15,071	14,462	975	6	609	4
Provisions for losses	**1,429**	687	1,591	742	#	(904)	(57)
Total revenues net of interest expense after provisions for losses	**14,617**	14,384	12,871	233	2	1,513	12
Expenses							
Marketing, promotion, rewards and cardmember services	**6,552**	6,593	5,744	(41)	(1)	849	15
Salaries and employee benefits and other operating expenses	**3,996**	3,662	3,623	334	9	39	1
Total	**10,548**	10,255	9,367	293	3	888	9
Pretax segment income	**4,069**	4,129	3,504	(60)	(1)	625	18
Income tax provision	**1,477**	1,449	1,279	28	2	170	13
Segment income	**$ 2,592**	$ 2,680	$ 2,225	$ (88)	(3) %	$ 455	20 %
Effective tax rate	**36.3%**	35.1%	36.5%				

# denotes a variance greater than 100 percent.

U.S. CARD SERVICES
SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	2012	2011	2010	Change 2012 vs. 2011	Change 2011 vs. 2010
Card billed business	**$ 462.3**	$ 424.3	$ 378.1	9 %	12%
Total cards-in-force *(millions)*	**42.2**	40.9	39.9	3 %	3%
Basic cards-in-force *(millions)*	**31.3**	30.4	29.7	3 %	2%
Average basic cardmember spending *(dollars)* *	**$ 14,986**	$ 14,124	$ 12,795	6 %	10%
U.S. Consumer Travel:					
Travel sales *(millions)*	**$ 4,042**	$ 3,603	$ 3,116	12 %	16%
Travel commissions and fees/sales	**7.6%**	8.3%	8.2%		
Total segment assets	**$ 98.3**	$ 97.8	$ 91.3	1 %	7%
Segment capital *(millions)*	**$ 8,714**	$ 8,804	$ 7,411	(1)%	19%
Return on average segment capital [a]	**28.8%**	33.0%	35.0%		
Return on average tangible segment capital [a]	**30.1%**	34.8%	37.8%		
Cardmember receivables:					
Total receivables	**$ 21.1**	$ 20.6	$ 19.2	2 %	7%
30 days past due as a % of total	**1.8%**	1.9%	1.5%		
Average receivables	**$ 19.8**	$ 18.8	$ 17.1	5 %	10%
Net write-off rate — principal only [b]	**1.9%**	1.7%	1.6%		
Net write-off rate — principal, interest and fees [b]	**2.1%**	1.9%	1.8%		
Cardmember loans:					
Total loans	**$ 56.0**	$ 53.7	$ 51.6	4 %	4%
30 days past due loans as a % of total	**1.2%**	1.4%	2.1%		
Net write-off rate — principal only [b]	**2.1%**	2.9%	5.8%		
Net write-off rate — principal, interest and fees [b]	**2.3%**	3.2%	6.3%		
Calculation of Net Interest Yield on Cardmember Loans:					
Net interest income *(millions)*	**$ 4,577**	$ 4,267	$ 4,465		
Exclude:					
Interest expense not attributable to the Company's cardmember loan portfolio *(millions)*	**204**	233	231		
Interest income not attributable to the Company's cardmember loan portfolio *(millions)*	**(9)**	(10)	(12)		
Adjusted net interest income *(millions)* [c]	**$ 4,772**	$ 4,490	$ 4,684		
Average loans	**$ 52.8**	$ 50.3	$ 49.8		
Exclude:					
Unamortized deferred card fees, net of direct acquisition costs of cardmember loans	**—**	—	—		
Adjusted average loans [c]	**$ 52.8**	$ 50.3	$ 49.8		
Net interest income divided by average loans	**8.7%**	8.5%	9.0%		
Net interest yield on cardmember loans [c]	**9.0%**	8.9%	9.4%		

* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($2.6 billion, $2.7 billion and $2.2 billion for 2012, 2011 and 2010, respectively) by (ii) one-year average segment capital ($9.0 billion, $8.1 billion and $6.4 billion for 2012, 2011 and 2010, respectively). Return on average tangible segment capital, a non-GAAP measure, 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 $379 million, $425 million and $459 million as of December 31, 2012, 2011 and 2010, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Refer to "Selected Statistical Information" footnote (e) on page 22.

(c) Net interest yield on cardmember loans, adjusted net interest income, and adjusted average loans are non-GAAP measures. The Company believes adjusted net interest income and adjusted average loans are useful to investors because they are components of net interest yield on cardmember loans, which provides a measure of profitability of the Company's cardmember loan portfolio.

AMERICAN EXPRESS COMPANY

2012 FINANCIAL REVIEW

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2012

USCS segment income decreased $88 million or 3 percent in 2012 as compared to the prior year. USCS segment income increased $455 million or 20 percent in 2011 as compared to the prior year.

Total Revenues Net of Interest Expense

Total revenues net of interest expense increased $975 million or 6 percent in 2012 as compared to the prior year, primarily driven by higher discount revenue, increased net interest income, higher other revenues and higher net card fees.

Discount revenue, net card fees and other revenues increased $665 million or 6 percent in 2012 as compared to the prior year, primarily due to higher discount revenue resulting from billed business growth, partially offset by higher contra-revenues primarily related to cash rebates tied to volume growth on cash-back rewards products. Billed business increased 9 percent in 2012 as compared to the prior year, primarily driven by 6 percent increase in average spending per proprietary basic cards-in-force and 3 percent higher cards-in-force.

Interest income increased $268 million or 5 percent in 2012 as compared to the prior year, primarily due to a 5 percent increase in average cardmember loans and a slight increase in the net interest yield on cardmember loans.

Interest expense decreased $42 million or 5 percent in 2012 as compared to the prior year, reflecting a lower cost of funds, partially offset by higher average cardmember receivable and loan balances.

Total revenues net of interest expense increased $609 million or 4 percent in 2011 as compared to the prior year, due to higher discount revenue, net card fees and other revenues and a decrease in interest expense, partially offset by a decrease in interest income.

Provisions for Losses

Provisions for losses increased $742 million or over 100 percent in 2012 as compared to the prior year, primarily reflecting a smaller reserve release in 2012 than in 2011 due to the slowing pace of improved credit conditions. The provisions for losses increase was partially offset by lower net write-offs due to improved cardmember lending credit trends in the current period.

Provisions for losses decreased $904 million or 57 percent in 2011 as compared to the prior year, principally reflecting lower reserve requirements driven by improving cardmember loan trends, partially offset by a higher charge card provision resulting from higher cardmember receivable balances and a higher net write-off rate.

Refer to the USCS Selected Statistical Information table for the lending and charge write-off rates for 2012, 2011 and 2010.

Expenses

Expenses increased $293 million or 3 percent in 2012 as compared to the prior year, primarily due to higher salaries and employee benefits and other operating expenses, partially offset by lower marketing, promotion, rewards and cardmember services expenses. Expenses included a reengineering net charge of $29 million in 2012, a net benefit of $8 million in 2011 and a net charge of $55 million in 2010. Expenses increased $888 million or 9 percent in 2011 as compared to the prior year, due to increased marketing, promotion, rewards and cardmember services expenses, and higher salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses decreased $41 million or 1 percent in 2012 as compared to the prior year, due to lower marketing, promotion and rewards expenses, partially offset by higher cardmember services expenses. Marketing, promotion, rewards and cardmember services expenses increased $849 million or 15 percent in 2011 as compared to the prior year, due to higher rewards and cardmember services expenses.

Cardmember rewards expenses decreased $33 million or 1 percent in 2012 as compared to the prior year due to a decrease in Membership Rewards expense of $108 million offset by an increase in co-brand rewards expense of $75 million.

For 2012, Membership Rewards expenses decreased $108 million as compared to the prior year as a result of a reduction in expenses related to a slower average URR growth rate (including the effect of enhancements to the U.S. URR estimation process of $317 million in 2012 and $188 million in 2011) and a shift in the redemption mix which drove a favorable change in the WAC assumption, offset by higher expenses relating to an increase in new points earned. Co-brand rewards expenses increased $75 million primarily related to higher spending volumes.

For 2011, Membership Rewards expenses increased $736 million as compared to the prior year as a result of higher expenses related to an increase in new points earned, an increase in expenses related to a higher average URR growth rate (including the effects of enhancements to the U.S. URR estimation process of $188 million) and a shift in the redemption mix resulting in a higher WAC assumption. Co-brand rewards expenses increased $211 million primarily related to higher spending volumes.

Salaries and employee benefits and other operating expenses increased $334 million or 9 percent in 2012 as compared to the prior year, primarily driven by higher other operating expenses related to cardmember reimbursement costs as a result of internal and regulatory reviews of the Company’s U.S. banking subsidiaries, an increase in expenses related to hedge ineffectiveness and higher restructuring charges. Salaries and employee benefits and other operating expenses increased $39 million or 1 percent in 2011 as compared to the prior year, primarily reflecting increased salary and employee benefits costs, partially offset by higher reengineering expense in the prior year.

Income Taxes

The tax rate in all periods reflected 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, except percentages)*	**2012**	2011	2010	Change 2012 vs. 2011		Change 2011 vs. 2010	
Revenues							
Discount revenue, net card fees and other	**$ 4,561**	$ 4,470	$ 3,784	$ 91	2 %	$ 686	18 %
Interest income	**1,147**	1,195	1,287	(48)	(4)	(92)	(7)
Interest expense	**402**	426	428	(24)	(6)	(2)	—
Net interest income	**745**	769	859	(24)	(3)	(90)	(10)
Total revenues net of interest expense	**5,306**	5,239	4,643	67	1	596	13
Provisions for losses	**330**	268	392	62	23	(124)	(32)
Total revenues net of interest expense after provisions for losses	**4,976**	4,971	4,251	5	—	720	17
Expenses							
Marketing, promotion, rewards and cardmember services	**1,927**	1,857	1,612	70	4	245	15
Salaries and employee benefits and other operating expenses	**2,390**	2,352	2,050	38	2	302	15
Total	**4,317**	4,209	3,662	108	3	547	15
Pretax segment income	**659**	762	589	(103)	(14)	173	29
Income tax provision	**25**	39	52	(14)	(36)	(13)	(25)
Segment income	**$ 634**	$ 723	$ 537	$ (89)	(12)%	$ 186	35 %
Effective tax rate	**3.8%**	5.1%	8.8%				

INTERNATIONAL CARD SERVICES
SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	2012	2011	2010	Change 2012 vs. 2011	Change 2011 vs. 2010
Card billed business	**$ 128.9**	$ 124.2	$ 107.9	4%	15 %
Total cards-in-force *(millions)*	**15.6**	15.3	15.0	2%	2 %
Basic cards-in-force *(millions)*	**10.6**	10.5	10.4	1%	1 %
Average basic cardmember spending *(dollars)* *	**$ 12,221**	$ 11,935	$ 10,366	2%	15 %
International Consumer Travel:					
Travel sales *(millions)*	**$ 1,372**	$ 1,324	$ 1,126	4%	18 %
Travel commissions and fees/sales	**7.2%**	7.8%	8.0%		
Total segment assets	**$ 31.8**	$ 29.1	$ 25.3	9%	15 %
Segment capital *(millions)*	**$ 2,875**	$ 2,840	$ 2,199	1%	29 %
Return on average segment capital [a]	**21.8%**	25.8%	25.1%		
Return on average tangible segment capital [a]	**43.0%**	49.8%	34.8%		
Cardmember receivables:					
Total receivables	**$ 7.8**	$ 7.2	$ 6.7	8%	7 %
90 days past billing as a % of total	**0.9%**	0.9%	1.0%		
Net loss ratio (as a % of charge volume)	**0.16%**	0.15%	0.24%		
Cardmember loans:					
Total loans	**$ 9.2**	$ 8.9	$ 9.3	3%	(4)%
30 days past due loans as a % of total	**1.5%**	1.7%	2.3%		
Net write-off rate — principal only [b]	**1.9%**	2.7%	4.6%		
Net write-off rate — principal, interest and fees [b]	**2.4%**	3.3%	5.5%		
Calculation of Net Interest Yield on Cardmember Loans:					
Net interest income *(millions)*	**$ 745**	$ 769	$ 859		
Exclude:					
Interest expense not attributable to the Company's cardmember loan portfolio *(millions)*	**102**	125	124		
Interest income not attributable to the Company's cardmember loan portfolio *(millions)*	**(25)**	(38)	(38)		
Adjusted net interest income *(millions)* [c]	**$ 822**	$ 856	$ 945		
Average loans	**$ 8.7**	$ 8.8	$ 8.6		
Exclude:					
Unamortized deferred card fees, net of direct acquisition costs of cardmember loans, and other	**(0.2)**	(0.1)	(0.1)		
Adjusted average loans [c]	**$ 8.5**	$ 8.7	$ 8.5		
Net interest income divided by average loans	**8.5%**	8.8%	10.0%		
Net interest yield on cardmember loans [c]	**9.6%**	9.9%	11.1%		

* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($634 million, $723 million and $537 million for 2012, 2011 and 2010, respectively) by (ii) one-year average segment capital ($2.9 billion, $2.8 billion and $2.1 billion for 2012, 2011 and 2010, respectively). Return on average tangible segment capital, a non-GAAP measure, 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 $1.4 billion, $1.3 billion and $592 million as of December 31, 2012, 2011 and 2010, respectively. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

(b) Refer to "Selected Statistical Information" footnote (e) on page 22.

(c) Net interest yield on cardmember loans, adjusted net interest income and adjusted average loans are non-GAAP measures. The Company believes adjusted net interest income and adjusted average loans are useful to investors because they are components of net interest yield on cardmember loans, which provides a measure of profitability of the Company's cardmember loan portfolio.

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2012

ICS segment income decreased $89 million or 12 percent in 2012 as compared to the prior year. ICS segment income increased $186 million or 35 percent in 2011 as compared to the prior year.

Total Revenues Net of Interest Expense

Total revenues net of interest expense increased $67 million or 1 percent in 2012 as compared to the prior year, primarily due to higher discount revenue, net card fees and other revenues, partially offset by lower net interest income.

Discount revenue, net card fees and other revenues increased $91 million or 2 percent in 2012 as compared to the prior year, primarily due to higher cardmember spending and fee revenues related to Loyalty Partner, higher conversion revenue and higher discount revenue. Assuming no changes in foreign exchange rates, discount revenue, net card fees and other revenues increased 5 percent in 2012 as compared to the prior year. [3]

Billed business increased 4 percent in 2012 as compared to the prior year, primarily reflecting a 2 percent increase in average spending per proprietary basic cards-in-force. Refer to the Consolidated Selected Statistical Information table on page 24 for additional information on billed business by region.

Interest income decreased $48 million or 4 percent in 2012 as compared to the prior year, reflecting a lower yield on cardmember loans.

Interest expense decreased $24 million or 6 percent in 2012 as compared to the prior year, reflecting a lower cost of funds.

Total revenues net of interest expense increased $596 million or 13 percent in 2011 as compared to the prior year, primarily due to higher discount revenue, net card fees and other revenues, partially offset by lower interest income.

Provisions for Losses

Provisions for losses increased $62 million or 23 percent in 2012 as compared to the prior year, primarily driven by higher cardmember lending provisions due to lower reserve releases in the current period, partially offset by lower charge card provisions and lower cardmember lending net write-off rates.

Provisions for losses decreased $124 million or 32 percent in 2011 as compared to the prior year, primarily reflecting lower reserve requirements due to improving cardmember loan and charge card credit trends, partially offset by a larger charge card provision expense driven by higher average receivable balances.

Refer to the ICS Selected Statistical Information table for the lending and charge write-off rates for 2012, 2011 and 2010.

[3] Refer to footnote 1 on page 25 relating to changes in foreign exchange rates.

Expenses

Expenses increased $108 million or 3 percent in 2012 as compared to the prior year, due to higher marketing, promotion, rewards and cardmember services expenses and higher salaries and employee benefits and other operating expenses. Expenses in 2012, 2011 and 2010 included $63 million, $36 million and $19 million, respectively, of net reengineering charges. Expenses increased $547 million or 15 percent in 2011 as compared to the prior year, due to higher marketing, promotion, rewards and cardmember services expenses and higher salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses increased $70 million or 4 percent in 2012 as compared to the prior year, driven by higher volume-related rewards costs and co-brand expenses and higher cardmember services expenses, partially offset by lower marketing and promotion expenses. Marketing, promotion, rewards and cardmember services expenses increased $245 million or 15 percent in 2011 as compared to the prior year, primarily due to greater volume-related rewards costs and co-brand expenses and the inclusion of the Loyalty Partner business.

Salaries and employee benefits and other operating expenses increased $38 million or 2 percent in 2012 as compared to the prior year, primarily due to higher restructuring charges, partially offset by lower other operating expenses. Salaries and employee benefits and other operating expenses increased $302 million or 15 percent in 2011 as compared to the prior year, reflecting the inclusion of Loyalty Partner expenses, as well as increased salary and employee benefits costs.

Income Taxes

The tax rate in all periods reflected the recurring permanent tax benefit related to the segment's ongoing funding activities outside the United States, which is allocated to ICS under the Company's internal tax allocation process. The tax rates for 2012 and 2011 also reflected the allocated share of tax benefits related to the realization of certain foreign tax credits, and the tax rate for 2010 reflected a benefit from the resolution of certain prior years' items. In addition, the tax rate in each of the periods reflected the impact of recurring permanent tax benefits on varying levels of pretax income.

GLOBAL COMMERCIAL SERVICES

SELECTED INCOME STATEMENT DATA

Years Ended December 31, *(Millions, except percentages)*	**2012**	2011	2010	Change 2012 vs. 2011		Change 2011 vs. 2010	
Revenues							
Discount revenue, net card fees and other	**$ 4,995**	$ 4,880	$ 4,347	$ 115	2 %	$ 533	12 %
Interest income	**11**	9	7	2	22	2	29
Interest expense	**257**	264	227	(7)	(3)	37	16
Net interest expense	**(246)**	(255)	(220)	(9)	(4)	35	16
Total revenues net of interest expense	**4,749**	4,625	4,127	124	3	498	12
Provisions for losses	**136**	76	157	60	79	(81)	(52)
Total revenues net of interest expense after provisions for losses	**4,613**	4,549	3,970	64	1	579	15
Expenses							
Marketing, promotion, rewards and cardmember services	**579**	547	439	32	6	108	25
Salaries and employee benefits and other operating expenses	**3,074**	2,927	2,808	147	5	119	4
Total	**3,653**	3,474	3,247	179	5	227	7
Pretax segment income	**960**	1,075	723	(115)	(11)	352	49
Income tax provision	**316**	337	273	(21)	(6)	64	23
Segment income	**$ 644**	$ 738	$ 450	$ (94)	(13)%	$ 288	64 %
Effective tax rate	**32.9%**	31.3%	37.8%				

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	**2012**	2011	2010	Change 2012 vs. 2011	Change 2011 vs. 2010
Card billed business	**$ 166.4**	$ 154.2	$ 132.8	8 %	16 %
Total cards-in-force *(millions)*	**7.0**	7.0	7.1	— %	(1)%
Basic cards-in-force *(millions)*	**7.0**	7.0	7.1	— %	(1)%
Average basic cardmember spending *(dollars)* *	**$ 23,737**	$ 21,898	$ 18,927	8 %	16 %
Global Corporate Travel:					
Travel sales *(millions)*	**$ 18,894**	$ 19,618	$ 17,460	(4)%	12 %
Travel commissions and fees/sales	**8.1%**	8.0%	8.2%		
Total segment assets	**$ 18.9**	$ 18.8	$ 18.1	1 %	4 %
Segment capital *(millions)*	**$ 3,625**	$ 3,564	$ 3,650	2 %	(2)%
Return on average segment capital (a)	**17.6%**	20.4%	12.6%		
Return on average tangible segment capital (a)	**35.1%**	42.1%	27.1%		
Cardmember receivables:					
Total receivables	**$ 13.7**	$ 12.8	$ 11.3	7 %	13 %
90 days past billing as a % of total	**0.8%**	0.8%	0.8%		
Net loss ratio (as a % of charge volume)	**0.06%**	0.06%	0.11%		

* Proprietary cards only.

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($644 million, $738 million and $450 million for 2012, 2011 and 2010, respectively) by (ii) one-year average segment capital ($3.6 billion for each of the years 2012, 2011 and 2010). Return on average tangible segment capital, a non-GAAP measure, 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 $1.8 billion at December 31, 2012 and $1.9 billion at both December 31, 2011 and 2010. The Company believes return on average tangible segment capital is a useful measure of the profitability of its business.

AMERICAN EXPRESS COMPANY

2012 FINANCIAL REVIEW

RESULTS OF OPERATIONS FOR THE THREE YEARS ENDED DECEMBER 31, 2012

GCS segment income decreased $94 million or 13 percent in 2012 as compared to the prior year. GCS segment income increased $288 million or 64 percent in 2011 as compared to the prior year.

Total Revenues Net of Interest Expense

Total revenues net of interest expense increased $124 million or 3 percent in 2012 as compared to the prior year, primarily due to higher discount revenue, net card fees and other revenues.

Discount revenue, net card fees, and other revenues increased $115 million or 2 percent in 2012 as compared to the prior year, primarily due to higher discount revenue resulting from an increased level of cardmember spending, partially offset by lower travel commissions and fees and other revenues. Billed business increased 8 percent in 2012 as compared to the prior year, primarily driven by an 8 percent increase in average spending per proprietary basic cards-in-force. Billed business volume increased 11 percent within the United States and 3 percent outside the United States. Assuming no changes in foreign exchange rates, billed business volume increased 7 percent outside the United States. [4]

Net interest expense decreased $9 million or 4 percent in 2012 as compared to the prior year, primarily driven by a lower cost of funds, partially offset by increased funding requirements due to higher average cardmember receivable balances.

Total revenues net of interest expense increased $498 million or 12 percent in 2011 as compared to the prior year, primarily due to higher discount revenue, net card fees, and other revenues and higher interest income, partially offset by higher interest expense.

Provisions for Losses

Provisions for losses increased $60 million or 79 percent in 2012 as compared to the prior year, reflecting a change in estimate for certain credit reserves that resulted in higher reserve releases in 2011. Provisions for losses decreased $81 million or 52 percent in 2011 as compared to the prior year, driven by improved credit performance within the underlying cardmember receivable portfolio and reserve releases. Refer to the GCS Selected Statistical Information table for the charge card net loss ratio as a percentage of charge volume.

[4] Refer to footnote 1 on page 25 relating to changes in foreign exchange rates.

Expenses

Expenses increased $179 million or 5 percent in 2012 as compared to the prior year, due to higher salaries and employee benefits and other operating expenses and higher marketing, promotion, rewards and cardmember services expenses. Expenses in 2012, 2011 and 2010 included $172 million, $37 million and $32 million, respectively, of net reengineering charges. Expenses increased $227 million or 7 percent in 2011 as compared to the prior year, due to higher marketing, promotion, rewards and cardmember services expenses and increased salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses increased $32 million or 6 percent in 2012 as compared to the prior year, primarily due to a $25 million charge related to a change in the U.S. Membership Rewards URR estimation process. Marketing, promotion, rewards and cardmember services expenses increased $108 million or 25 percent in 2011 as compared to the prior year, primarily reflecting higher volume-related rewards costs.

Salaries and employee benefits and other operating expenses increased $147 million or 5 percent in 2012 as compared to the prior year, primarily driven by higher restructuring charges and other operating expenses. Salaries and employee benefits and other operating expenses increased $119 million or 4 percent in 2011 as compared to the prior year, primarily driven by increased salary and employee benefits costs.

Income Taxes

The tax rates for 2012 and 2011 reflected the allocated share of tax benefits related to the realization of certain foreign tax credits. The tax rate for 2012 also reflected the impact of a valuation allowance primarily from the restructuring charges associated with certain non-U.S. travel operations. In addition, the tax rate for 2010 reflected an increase in the valuation allowance against deferred tax assets.

GLOBAL NETWORK & MERCHANT SERVICES

SELECTED INCOME STATEMENT DATA

Years Ended December 31, *(Millions, except percentages)*	2012	2011	2010	Change 2012 vs. 2011		Change 2011 vs. 2010	
Revenues							
Discount revenue, net card fees and other	**$ 5,005**	$ 4,713	$ 4,101	$ 292	6 %	$ 612	15%
Interest income	**23**	5	4	18	#	1	25
Interest expense	**(243)**	(224)	(200)	(19)	8	(24)	12
Net interest income	**266**	229	204	37	16	25	12
Total revenues net of interest expense	**5,271**	4,942	4,305	329	7	637	15
Provisions for losses	**74**	75	61	(1)	(1)	14	23
Total revenues net of interest expense after provisions for losses	**5,197**	4,867	4,244	330	7	623	15
Expenses							
Marketing, promotion, rewards and cardmember services	**744**	755	755	(11)	(1)	—	—
Salaries and employee benefits and other operating expenses	**2,234**	2,133	1,900	101	5	233	12
Total	**2,978**	2,888	2,655	90	3	233	9
Pretax segment income	**2,219**	1,979	1,589	240	12	390	25
Income tax provision	**776**	686	564	90	13	122	22
Segment income	**$ 1,443**	$ 1,293	$ 1,025	$ 150	12 %	$ 268	26%
Effective tax rate	**35.0%**	34.7%	35.5%				

# denotes a variance greater than 100 percent.

SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, *(Billions, except percentages and where indicated)*	2012	2011	2010	Change 2012 vs. 2011	Change 2011 vs. 2010
Global Card billed business	**$ 888.4**	$ 822.2	$ 713.3	8 %	15%
Global Network & Merchant Services:					
Total segment assets	**$ 16.5**	$ 17.8	$ 13.6	(7)%	31%
Segment capital *(millions)*	**$ 2,048**	$ 2,037	$ 1,922	1 %	6%
Return on average segment capital [a]	**68.6%**	66.3%	61.6%		
Return on average tangible segment capital [a]	**75.9%**	74.3%	64.3%		
Global Network Services: [b]					
Card billed business	**$ 128.8**	$ 116.8	$ 91.7	10 %	27%
Total cards-in-force *(millions)*	**37.6**	34.2	29.0	10 %	18%

(a) Return on average segment capital is calculated by dividing (i) one-year period segment income ($1.4 billion, $1.3 billion and $1.0 billion for 2012, 2011 and 2010, respectively) by (ii) one-year average segment capital ($2.1 billion, $1.9 billion and $1.7 billion for 2012, 2011 and 2010, respectively). Return on average tangible segment capital, a non-GAAP measure, 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 $203 million, $209 million and $70 million as of December 31, 2012, 2011 and 2010, 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, 2012

GNMS segment income increased $150 million or 12 percent in 2012 as compared to the prior year. GNMS segment income increased $268 million or 26 percent in 2011 as compared to the prior year.

Total Revenues Net of Interest Expense

Total revenues net of interest expense increased $329 million or 7 percent in 2012 as compared to the prior year, primarily due to higher discount revenue, net card fees and other revenues and higher net interest income.

Discount revenue, net card fees and other revenues increased $292 million or 6 percent in 2012 as compared to the prior year. The increase reflects higher merchant-related revenues, driven by an 8 percent increase in global card billed business volumes, as well as higher GNS revenues.

Interest expense credit increased $19 million or 8 percent in 2012 as compared to the prior year, in line with higher merchant accounts payable, which are funded primarily through intercompany transfer pricing agreements with card issuers.

Total revenues net of interest expense increased $637 million or 15 percent in 2011 as compared to the prior year, due to higher discount revenue, net card fees and other revenues and a higher interest expense credit.

Provisions for Losses

Provisions for losses decreased $1 million or 1 percent in 2012 as compared to the prior year. Provisions for losses increased $14 million or 23 percent in 2011 as compared to the prior year, primarily due to higher merchant-related debit balances.

Expenses

Expenses increased $90 million or 3 percent in 2012 as compared to the prior year, primarily due to higher salaries and employee benefits and other operating expenses, partially offset by lower marketing, promotion, rewards and cardmember services expenses. Expenses in 2012, 2011 and 2010 included $31 million, $11 million and $18 million, respectively, of net reengineering charges. Expenses increased $233 million or 9 percent in 2011 as compared to the prior year, due to higher salaries and employee benefits and other operating expenses.

Marketing, promotion, rewards and cardmember services expenses decreased $11 million or 1 percent in 2012 as compared to the prior year, reflecting lower marketing and promotion expenses. Marketing, promotion, rewards and cardmember services expenses were flat in 2011 as compared to the prior year.

Salaries and employee benefits and other operating expenses increased $101 million or 5 percent in 2012 as compared to the prior year, primarily due to higher professional services costs and increases in salary and employee benefits costs, partially offset by other operating expenses. Salaries and employee benefits and other operating expenses increased $233 million or 12 percent in 2011 as compared to the prior year, primarily due to increases in salary and employee benefits costs, greater third-party merchant sales force commissions and higher legal costs.

CORPORATE & OTHER

Corporate & Other had net after-tax expense of $831 million, $535 million and $180 million in 2012, 2011 and 2010, respectively. Net after-tax expense in 2012 reflected an increase in reengineering costs, partially offset by gains on sales of investment securities and the favorable effects of revised estimates of the liability for uncashed international Travelers Cheques. Results in 2011 and 2010 reflected $186 million and $372 million of after-tax income related to the MasterCard litigation settlement, respectively, and $172 million of after-tax income for both 2011 and 2010 related to the Visa litigation settlement. The Company no longer receives payments on the MasterCard and Visa litigation settlements. After-tax costs of $109 million, $49 million and $2 million for 2012, 2011 and 2010, respectively, were related to the Company's reengineering initiatives.

Net after-tax expense in 2011 reflected various investment 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.

Results for all periods disclosed also included net interest expense related to maintaining the liquidity pool discussed in "Consolidated Capital Resources and Liquidity — Liquidity Management" above, as well as interest expense related to other corporate indebtedness.

OTHER REPORTING MATTERS

ACCOUNTING DEVELOPMENTS

Refer to 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 excluding the impact of deferred card fees, net of direct acquisition costs of cardmember loans and certain other immaterial items.

Adjusted net interest income — Represents net interest income attributable to the Company's cardmember loans portfolio excluding the impact of interest expense and interest income not attributable to the Company's cardmember loan portfolio.

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 GNS) retained by the Company from merchants it acquires, prior to payments to third parties unrelated to merchant acceptance.

Basel III supplementary leverage ratio — Refer to the Capital Strategy section under "Consolidated Capital Resources and Liquidity" for the definition .

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 GNS, 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 deferred card fees.

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 that 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 generally 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. Discount revenue is reduced by payments made to third-party card issuing partners, cash-back reward costs, corporate incentive payments and other contra-revenue items.

Four-party network — A payment network, such as Visa or MasterCard, in which the card issuer and merchant acquirer are different entities and the network does not have direct relationships with merchants or cardholders.

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 two categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions and (ii) long-term debt, which primarily relates to

interest expense on the Company's long-term financing and short-term borrowings, which primarily relates to interest expense on commercial paper, federal funds purchased, bank overdrafts and other short-term borrowings.

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

Interest on loans 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.

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 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 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, occupancy and equipment, communications and other 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 the Capital Strategy section under "Consolidated Capital Resources and Liquidity" for the definitions under Basel I and Basel III.

Segment capital — Represents the 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.

Three-party network — A payment network, such as American Express, that acts as both the card issuer and merchant acquirer.

Tier 1 common risk-based capital ratio — Refer to the Capital Strategy section under "Consolidated Capital Resources and Liquidity" for the definitions under Basel I and Basel III.

Tier 1 leverage ratio — Refer to the Capital Strategy section under "Consolidated Capital Resources and Liquidity" for the definitions under Basel I and Basel III.

Tier 1 risk-based capital ratio — Refer to the Capital Strategy section under "Consolidated Capital Resources and Liquidity" for the definitions under Basel I and Basel III.

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 the Capital Strategy section under "Consolidated Capital Resources and Liquidity" for the 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

2012 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:

- the possibility of not achieving the expected timing and financial impact of the Company's restructuring plan and higher than expected employee levels, which could be caused by factors such as the Company's ability to mitigate the operational and other risks posed by planned staff reductions, the Company's ability to develop and implement technology resources to realize cost savings, underestimating hiring needs related to some of the job positions being eliminated and other employee needs not currently anticipated, lower than expected attrition rates and higher than expected redeployment rates;
- the ability to hold annual operating expense growth to less than 3 percent for the next two years, which will depend in part on the Company's ability to achieve the expected benefits of the Company's restructuring plan, which will be impacted by, among other things, the factors identified above, the Company's ability to balance the control and management of expenses and the maintenance of competitive service levels for its customers, unanticipated increases in significant categories of operating expenses, such as consulting or professional fees, compliance or regulatory-related costs and technology costs, the payment of monetary damages and penalties, disgorgement and restitution, the Company's decision to increase or decrease discretionary operating expenses depending on overall business performance, the impact of changes in foreign currency exchange rates on costs and results, and the level of acquisition activity and related expenses;
- uncertainty in the growth of operating expenses relative to the growth of revenues in 2013 and subsequent years and the possibility that the ratio of total expenses to revenues will not migrate back towards historical levels over time, which will depend on (i) factors affecting revenue, such as, among other things, the growth of consumer and business spending on American Express cards, higher travel commissions and fees, the growth of and/or higher yields on the loan portfolio and the development of new revenue opportunities and (ii) the success of the Company in containing operating expenses, which will be impacted by, among other things, the factors identified in the preceding bullet, and in containing other expenses including the Company's ability to control and manage marketing and promotion expenses as described below as well as expenses related to increased redemptions or other growth in rewards and cardmember services expenses. Further, in any period, the ability to grow revenue faster than operating expenses and the ratio of total expenses to revenues may be impacted by rapid decreases in revenues that cannot be matched by decreases in operating expenses;
- uncertainty in the amount of marketing and promotion expenses relative to the revenues in 2013 and subsequent years, which will depend on (i) factors affecting revenue, which will be impacted by, among other things, the factors identified in the preceding bullet and (ii) the Company's ability to control and manage marketing and promotion expenses as described below, the availability of opportunities to invest at a higher level due to favorable business results and changes in macroeconomic conditions;
- 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 creditworthiness, 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 and penalties, disgorgement and restitution; 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 Dodd-Frank'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 to the taxation of the Company's 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 meet 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 factors such as the Company's success in implementing its strategies and initiatives, including growing the Company's share of overall spending, increasing merchant coverage, enhancing its pre-paid offerings, expanding the GNS business and expense management, and on factors outside management's control including the willingness of cardmembers to sustain spending, the effectiveness of marketing and loyalty programs, regulatory and market pressures on pricing, credit trends, currency and interest rate fluctuations, and changes in general economic conditions, such as GDP growth, consumer confidence, unemployment and the housing market;
- 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 Credit Card Accountability Responsibility and Disclosure Act of 2009 (including the regulations requiring the Company to periodically reevaluate annual percentage rate 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 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 GNS 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;
- 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, as well as the actual amount of resources arising from the restructuring plan the Company decides to invest in growth initiatives, 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 Company's funding plan for the full year 2013 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; and
- factors beyond the Company's control such as fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, terrorism, cyber attacks or fraud, which could significantly affect spending on American Express cards, delinquency rates, loan balances and travel-related spending or disrupt the Company's global network systems and ability to process 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, 2012 and the Company's other reports filed with the Securities and Exchange Commission.

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, 2012. 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, 2012, 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, 2012.

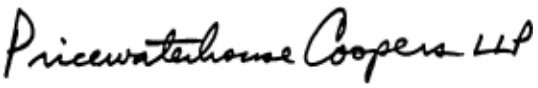
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, comprehensive 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, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, 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, 2012, 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.

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 22, 2013

AMERICAN EXPRESS COMPANY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS	PAGE
Consolidated Statements of Income — For the Years Ended December 31, 2012, 2011 and 2010	60
Consolidated Statements of Comprehensive Income — For the Years Ended December 31, 2012, 2011 and 2010	61
Consolidated Balance Sheets — December 31, 2012 and 2011	62
Consolidated Statements of Cash Flows — For the Years Ended December 31, 2012, 2011 and 2010	63
Consolidated Statements of Shareholders' Equity — For the Years Ended December 31, 2012, 2011 and 2010	64

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	
Note 1 — Summary of Significant Accounting Policies	65
Note 2 — Acquisitions	68
Note 3 — Fair Values	68
Note 4 — Accounts Receivable and Loans	72
Note 5 — Reserves for Losses	77
Note 6 — Investment Securities	79
Note 7 — Asset Securitizations	80
Note 8 — Other Assets	81
Note 9 — Customer Deposits	83
Note 10 — Debt	84
Note 11 — Other Liabilities	87
Note 12 — Derivatives and Hedging Activities	87
Note 13 — Guarantees	91
Note 14 — Common and Preferred Shares	92
Note 15 — Changes in Accumulated Other Comprehensive (Loss) Income	93
Note 16 — Restructuring Charges	94
Note 17 — Income Taxes	95
Note 18 — Earnings Per Common Share	97
Note 19 — Details of Certain Consolidated Statements of Income Lines	97
Includes further details of: • Other Commissions and Fees • Other Revenues • Marketing, Promotion, Rewards and Cardmember Services • Other, Net	
Note 20 — Stock Plans	98
Note 21 — Retirement Plans	100
Note 22 — Significant Credit Concentrations	105
Note 23 — Regulatory Matters and Capital Adequacy	106
Note 24 — Commitments and Contingencies	107
Note 25 — Reportable Operating Segments and Geographic Operations	108
Note 26 — Parent Company	111
Note 27 — Quarterly Financial Data (Unaudited)	113

AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 *(Millions, except per share amounts)*	2012	2011	2010
Revenues			
Non-interest revenues			
Discount revenue	**$ 17,739**	$ 16,734	$ 14,880
Net card fees	**2,506**	2,448	2,321
Travel commissions and fees	**1,940**	1,971	1,773
Other commissions and fees	**2,317**	2,269	2,031
Other	**2,452**	2,164	1,927
Total non-interest revenues	**26,954**	25,586	22,932
Interest income			
Interest on loans	**6,511**	6,272	6,564
Interest and dividends on investment securities	**246**	327	443
Deposits with banks and other	**97**	97	66
Total interest income	**6,854**	6,696	7,073
Interest expense			
Deposits	**480**	528	546
Long-term debt and other	**1,746**	1,792	1,877
Total interest expense	**2,226**	2,320	2,423
Net interest income	**4,628**	4,376	4,650
Total revenues net of interest expense	**31,582**	29,962	27,582
Provisions for losses			
Charge card	**742**	770	595
Cardmember loans	**1,149**	253	1,527
Other	**99**	89	85
Total provisions for losses	**1,990**	1,112	2,207
Total revenues net of interest expense after provisions for losses	**29,592**	28,850	25,375
Expenses			
Marketing, promotion, rewards and cardmember services	**9,971**	9,930	8,738
Salaries and employee benefits	**6,597**	6,252	5,566
Other, net	**6,573**	5,712	5,107
Total	**23,141**	21,894	19,411
Pretax income from continuing operations	**6,451**	6,956	5,964
Income tax provision	**1,969**	2,057	1,907
Income from continuing operations	**4,482**	4,899	4,057
Income from discontinued operations, net of tax	**—**	36	—
Net income	**$ 4,482**	$ 4,935	$ 4,057
Earnings per Common Share — Basic: (Note 18)			
Income from continuing operations attributable to common shareholders [(a)]	**$ 3.91**	$ 4.11	$ 3.37
Income from discontinued operations	**—**	0.03	—
Net income attributable to common shareholders [(a)]	**$ 3.91**	$ 4.14	$ 3.37
Earnings per Common Share — Diluted: (Note 18)			
Income from continuing operations attributable to common shareholders [(a)]	**$ 3.89**	$ 4.09	$ 3.35
Income from discontinued operations	**—**	0.03	—
Net income attributable to common shareholders [(a)]	**$ 3.89**	$ 4.12	$ 3.35
Average common shares outstanding for earnings per common share:			
Basic	**1,135**	1,178	1,188
Diluted	**1,141**	1,184	1,195

(a) Represents income from continuing operations or net income, as applicable, less earnings allocated to participating share awards and other items of $49 million, $58 million and $51 million for the years ended December 31, 2012, 2011 and 2010, respectively.

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31 *(Millions)*	**2012**	2011	2010
Net income	**$ 4,482**	$ 4,935	$ 4,057
Other comprehensive (loss) income:			
Net unrealized securities gains (losses), net of tax	**27**	231	(135)
Net unrealized derivatives gains, net of tax	**1**	6	21
Foreign currency translation adjustments, net of tax	**(72)**	(179)	219
Net unrealized pension and other postretirement benefit (losses) gains, net of tax	**(7)**	(17)	5
Other comprehensive (loss) income	**(51)**	41	110
Comprehensive income	**$ 4,431**	$ 4,976	$ 4,167

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY

CONSOLIDATED BALANCE SHEETS

December 31 *(Millions, except per share data)*	2012	2011
Assets		
Cash and cash equivalents		
Cash and due from banks	**$ 2,020**	$ 3,514
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2012, $58; 2011, $470)	**19,892**	20,572
Short-term investment securities	**338**	807
Total	**22,250**	24,893
Accounts receivable		
Cardmember receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2012, $8,012; 2011, $8,027), less reserves: 2012, $428; 2011, $438	**42,338**	40,452
Other receivables, less reserves: 2012, $86; 2011, $102	**3,576**	3,657
Loans		
Cardmember loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2012, $32,731; 2011, $33,834), less reserves: 2012, $1,471; 2011, $1,874	**63,758**	60,747
Other loans, less reserves: 2012, $20; 2011, $18	**551**	419
Investment securities	**5,614**	7,147
Premises and equipment, less accumulated depreciation: 2012, $5,429; 2011, $4,747	**3,635**	3,367
Other assets (includes restricted cash of consolidated variable interest entities: 2012, $76; 2011, $207)	**11,418**	12,655
Total assets	**$ 153,140**	$ 153,337
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits	**$ 39,803**	$ 37,898
Travelers Cheques and other prepaid products	**4,601**	5,123
Accounts payable	**10,006**	10,458
Short-term borrowings	**3,314**	4,337
Long-term debt (includes debt issued by consolidated variable interest entities: 2012, $19,277; 2011, $20,856)	**58,973**	59,570
Other liabilities	**17,557**	17,157
Total liabilities	**$ 134,254**	$ 134,543
Commitments and contingencies (Note 24)		
Shareholders' Equity		
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 1,105 million shares as of December 31, 2012 and 1,164 million shares as of December 31, 2011	**221**	232
Additional paid-in capital	**12,067**	12,217
Retained earnings	**7,525**	7,221
Accumulated other comprehensive (loss) income		
Net unrealized securities gains, net of tax of: 2012, $175; 2011, $168	**315**	288
Net unrealized derivatives losses, net of tax of: 2012, $—; 2011, $(1)	**—**	(1)
Foreign currency translation adjustments, net of tax of: 2012, $(611); 2011, $(459)	**(754)**	(682)
Net unrealized pension and other postretirement benefit losses, net of tax of: 2012, $(233); 2011, $(233)	**(488)**	(481)
Total accumulated other comprehensive loss	**(927)**	(876)
Total shareholders' equity	**18,886**	18,794
Total liabilities and shareholders' equity	**$ 153,140**	$ 153,337

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 *(Millions)*	2012	2011	2010
Cash Flows from Operating Activities			
Net income	**$ 4,482**	$ 4,935	$ 4,057
Income from discontinued operations, net of tax	**—**	(36)	—
Income from continuing operations	**4,482**	4,899	4,057
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Provisions for losses	**1,990**	1,112	2,207
Depreciation and amortization	**991**	918	917
Deferred taxes and other	**218**	818	1,135
Stock-based compensation	**297**	301	287
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Other receivables	**153**	663	(498)
Other assets	**390**	(635)	(590)
Accounts payable and other liabilities	**(358)**	2,186	1,531
Travelers Cheques and other prepaid products	**(540)**	(494)	(317)
Premium paid on debt exchange	**(541)**	—	—
Net cash provided by operating activities	**7,082**	9,768	8,729
Cash Flows from Investing Activities			
Sale of investments	**525**	1,176	2,196
Maturity and redemption of investments	**1,562**	6,074	12,066
Purchase of investments	**(473)**	(1,158)	(7,804)
Net increase in cardmember loans/receivables	**(6,671)**	(8,358)	(6,389)
Purchase of premises and equipment, net of sales: 2012, $3; 2011, $16; 2010, $9	**(1,053)**	(1,189)	(878)
Acquisitions/dispositions, net of cash acquired/sold	**(466)**	(610)	(400)
Net decrease (increase) in restricted cash	**31**	3,574	(20)
Net cash used in investing activities	**(6,545)**	(491)	(1,229)
Cash Flows from Financing Activities			
Net increase in customer deposits	**2,300**	8,232	3,406
Net (decrease) increase in short-term borrowings	**(1,015)**	705	1,262
Issuance of long-term debt	**13,934**	13,982	5,918
Principal payments on long-term debt	**(14,076)**	(21,029)	(17,670)
Issuance of American Express common shares	**443**	594	663
Repurchase of American Express common shares	**(3,952)**	(2,300)	(590)
Dividends paid	**(902)**	(861)	(867)
Net cash used in financing activities	**(3,268)**	(677)	(7,878)
Effect of exchange rate changes on cash	**88**	(63)	135
Net (decrease) increase in cash and cash equivalents	**(2,643)**	8,537	(243)
Cash and cash equivalents at beginning of year	**24,893**	16,356	16,599
Cash and cash equivalents at end of year	**$ 22,250**	$ 24,893	$ 16,356
Supplemental cash flow information			
Non-cash financing activities			
Impact of the debt exchange on long-term debt	**$ 439**	$ —	$ —

See Notes to Consolidated Financial Statements.

AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Three Years Ended December 31, 2012 *(Millions, except per share amounts)*	Total	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings
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
Net income	4,057				4,057
Other comprehensive income	110			110	
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
Net income	4,935				4,935
Other comprehensive income	41			41	
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
Net income	**4,482**				**4,482**
Other comprehensive loss	**(51)**			**(51)**	
Repurchase of common shares	**(4,000)**	**(14)**	**(765)**		**(3,221)**
Other changes, primarily employee plans	**570**	**3**	**615**		**(48)**
Cash dividends declared common, $0.80 per share	**(909)**				**(909)**
Balances as of December 31, 2012	**$ 18,886**	**$ 221**	**$ 12,067**	**$ (927)**	**$ 7,525**

(a) As a result of the adoption of accounting standards governing consolidations and variable interest entities, 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 (the Company) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company's principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. The Company also focuses on generating alternative sources of revenue on a global basis in areas such as online and mobile payments and fee-based services. The Company's various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, targeted direct and third-party sales forces and direct response advertising.

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.

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 $120 million, $145 million and $138 million in 2012, 2011 and 2010, 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, proprietary point liability 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 generally 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, net of direct card acquisition costs and a reserve for projected membership cancellations, are deferred and recognized on a straight-line basis over the 12-month card membership period as Net Card Fees in the Consolidated Statements of Income. The unamortized net card fee balance is reported net in Other Liabilities on the Consolidated Balance Sheets (refer to Note 11).

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 (e.g., 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 (e.g., 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, cardmembers and certain other customers. Payments to such 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 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 cardmember loans is assessed using the average daily balance method. Unless the loan is classified as non-accrual, interest is recognized based upon the outstanding balance, 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 two categories: (i) deposits, which primarily relates to interest expense on deposits taken from customers and institutions, and (ii) long-term debt and other, which primarily relates to interest expense on the Company's long-term financing and short-term borrowings, and the realized impact of derivatives hedging interest rate risk.

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 recognizes lease restoration obligations at the fair value of the restoration liabilities when incurred, and amortizes the 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.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 68
Accounts Receivable	Note 4	Accounts Receivable and Loans	Page 72
Loans	Note 4	Accounts Receivable and Loans	Page 72
Reserves for Losses	Note 5	Reserves for Losses	Page 77
Investment Securities	Note 6	Investment Securities	Page 79
Asset Securitizations	Note 7	Asset Securitizations	Page 80
Goodwill and Other Intangible Assets	Note 8	Other Assets	Page 81
Membership Rewards	Note 11	Other Liabilities	Page 87
Derivative Financial Instruments and Hedging Activities	Note 12	Derivatives and Hedging Activities	Page 87
Income Taxes	Note 17	Income Taxes	Page 95
Stock-based Compensation	Note 20	Stock Plans	Page 98
Retirement Plans	Note 21	Retirement Plans	Page 100
Regulatory Matters and Capital Adequacy	Note 23	Regulatory Matters and Capital Adequacy	Page 106
Legal Contingencies	Note 24	Commitments and Contingencies	Page 107
Reportable Operating Segments	Note 25	Reportable Operating Segments and Geographic Operations	Page 108

CLASSIFICATION OF VARIOUS ITEMS

Beginning the first quarter of 2012, the Company revised the income statement reporting of annual membership card fees on lending products, increasing net card fees and reducing interest on loans. Corresponding amounts presented in prior periods have been reclassified to conform to the current period presentation.

Certain other reclassifications of prior period amounts have been made to conform to the current period presentation. The card fees revision previously discussed and these other reclassifications did not have a material impact on the Company's financial position, results of operations or cash flows.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2

ACQUISITIONS

On March 1, 2011, the Company completed the acquisition of a controlling interest in Loyalty Partner, a leading marketing services company that operates loyalty programs in Germany, Poland, India and Mexico. Loyalty Partner also provides market analysis, operating platforms and consulting services that help merchants grow their businesses. Total consideration was $616 million. 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 $148 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, 2012, 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	$ 539	$ 132	$ 184
Definite-lived intangible assets	295	15	119
Other assets	208	10	7
Total assets	1,042	157	310
Total liabilities (including NCI)	426	6	5
Net assets acquired	$ 616	$ 151	$ 305
Reportable operating segment	ICS	GNMS	

(a) The final purchase price allocation was completed in 2012. The above amounts do not differ significantly from the estimates at the acquisition date.
(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 in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in the absence of a principal, most advantageous market for the specific asset or liability.

GAAP provides for a three-level hierarchy of inputs to valuation techniques used to measure fair value, defined as follows:

- Level 1 — Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in markets that are not active
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3 — Inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g., internally derived assumptions surrounding the timing and amount of expected cash flows). The Company did not measure any financial instruments presented on the Consolidated Balance Sheets at fair value on a recurring basis using significantly unobservable inputs (Level 3) during the years ended December 31, 2012 and 2011, although the disclosed fair value of certain assets that are not carried at fair value, as presented later in this Note, are classified within Level 3.

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

Financial Assets and Financial Liabilities Carried at Fair Value

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy (as described in the preceding paragraphs), as of December 31:

	2012			2011		
(Millions)	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets:						
Investment securities: [a]						
Equity securities	**$ 296**	**$ 296**	**$ —**	$ 360	$ 360	$ —
Debt securities and other [b]	**5,318**	**338**	**4,980**	6,787	340	6,447
Derivatives [a]	**942**	**—**	**942**	1,516	—	1,516
Total assets	**$ 6,556**	**$ 634**	**$ 5,922**	$ 8,663	$ 700	$ 7,963
Liabilities:						
Derivatives [a]	**$ 329**	**$ —**	**$ 329**	$ 108	$ —	$ 108
Total liabilities	**$ 329**	**$ —**	**$ 329**	$ 108	$ —	$ 108

(a) Refer to Note 6 for the fair values of investment securities and to Note 12 for the fair values of derivative assets and liabilities, both on a further disaggregated basis.
(b) The Level 1 amounts represent the Company's holdings of U.S. Government treasury obligations.

VALUATION TECHNIQUES USED IN THE FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

For the financial assets and liabilities measured at fair value on a recurring basis (categorized in the valuation hierarchy table above) the Company applies the following valuation techniques:

Investment Securities

- When available, quoted prices of identical investment securities in active markets are used to determine fair value. Such investment securities are classified within Level 1 of the fair value hierarchy.
- When quoted prices of identical investment securities in active markets are not available, the fair values for the Company's investment securities are obtained primarily from pricing services engaged by the Company, and the Company receives one price for each security. The fair values provided by the pricing services are estimated using pricing models, where the inputs to those models are based on observable market inputs or recent trades of similar securities. Such investment securities are classified within Level 2 of the fair value hierarchy. The inputs to the valuation techniques applied by the pricing services vary depending on the type of security being priced but are typically benchmark yields, benchmark security prices, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. The pricing services did not apply any adjustments to the pricing models used. In addition, the Company did not apply any adjustments to prices received from the pricing services.

The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services for reasonableness by comparing the prices from the respective pricing services to valuations obtained from different pricing sources as well as comparing prices to the sale prices received from sold securities at least quarterly. In instances where price discrepancies are identified between different pricing sources, the Company evaluates such discrepancies to ensure that the prices used for its valuation represent the fair value of the underlying investment securities. Refer to Note 6 for additional fair value information.

Derivative Financial Instruments

The fair value of the Company's derivative financial instruments is estimated by a third-party valuation service that uses proprietary pricing models or by internal pricing models, where the inputs to those models are readily observable from actively quoted markets. The pricing models used are consistently applied and reflect the contractual terms of the derivatives as described below. The Company reaffirms its understanding of the valuation techniques used by the third-party valuation service at least annually. The Company's derivative instruments are classified within Level 2 of the fair value hierarchy.

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

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

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

Credit valuation adjustments are necessary when the market parameters, such as a benchmark curve, used to value derivatives are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 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 required to be carried at fair value on a recurring basis, as of December 31, 2012 and 2011:

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

2011 *(Billions)*	Carrying Value	Fair Value
Financial Assets:		
Financial assets for which carrying values equal or approximate fair value		
Cash and cash equivalents	$ 25	$ 25
Other financial assets [b]	$ 45	$ 45
Financial assets carried at other than fair value		
Loans, net	$ 61	$ 62[c]
Financial Liabilities:		
Financial liabilities for which carrying values equal or approximate fair value	$ 51	$ 51
Financial liabilities carried at other than fair value		
Certificates of deposit [d]	$ 12	$ 12
Long-term debt	$ 59	$ 62[c]

(a) Reflects time deposits.
(b) Includes accounts receivables (including fair values of cardmember receivables of $8.0 billion held by consolidated VIEs as of December 31, 2012 and 2011, respectively), restricted cash and other miscellaneous assets.
(c) Includes fair values of loans of $32.4 billion and $33.3 billion, respectively, and long-term debt of $19.5 billion and $21.1 billion, respectively, held by consolidated VIEs as of December 31, 2012 and 2011.
(d) Presented as a component of customer deposits on the Consolidated Balance Sheets.

The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of December 31, 2012, and require management judgment. These figures may not be indicative of their future fair values. The fair value of the Company cannot be reliably estimated by aggregating the amounts presented.

VALUATION TECHNIQUES USED IN THE FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

For the financial assets and liabilities that are not required to be measured at fair value on a recurring basis (categorized in the valuation hierarchy table above) the Company applies the following valuation techniques to measure fair value:

FINANCIAL ASSETS FOR WHICH CARRYING VALUES EQUAL OR APPROXIMATE FAIR VALUE

Financial assets for which carrying values equal or approximate fair value include cash and cash equivalents, cardmember receivables, accrued interest and certain other assets. For these assets, the carrying values approximate fair value because they are short term in duration, have no defined maturity or have a market-based interest rate.

FINANCIAL ASSETS CARRIED AT OTHER THAN FAIR VALUE

Loans

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

FINANCIAL LIABILITIES FOR WHICH CARRYING VALUES EQUAL OR APPROXIMATE FAIR VALUE

Financial liabilities for which carrying values equal or approximate fair value include accrued interest, customer deposits (excluding certificates of deposit, which are described further below), Travelers Cheques outstanding, accounts payable, short-term borrowings and certain other liabilities for which the carrying values approximate fair value because they are short term in duration, have no defined maturity or have a market-based interest rate.

FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

Certificates of Deposit

Certificates of deposit (CDs) are recorded at their historical issuance cost on the Consolidated Balance Sheets. Fair value is estimated using a discounted cash flow methodology based on the future cash flows and the discount rate that reflects the Company's current rates for similar types of CDs within similar markets.

Long-term Debt

Long-term debt is recorded at historical issuance cost on the Consolidated Balance Sheets adjusted for the impact of fair value hedge accounting on certain fixed-rate notes and current translation rates for foreign-denominated debt. The fair value of the Company's long-term debt is measured using quoted offer prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates currently observed in publicly traded debt markets for debt of similar terms and credit risk. For long-term debt, where there are no rates currently observable in publicly traded debt markets of similar terms and comparable credit risk, the Company uses market interest rates and adjusts those rates for necessary risks, including its own credit risk. In determining an appropriate spread to reflect its credit standing, the Company considers credit default swap spreads, bond yields of other long-term debt offered by the Company, and interest rates currently offered to the Company for similar debt instruments of comparable maturities.

NONRECURRING FAIR VALUE MEASUREMENTS

The Company did not have any material assets that were measured at fair value for impairment on a nonrecurring basis during the years ended December 31, 2012 and 2011.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4
ACCOUNTS RECEIVABLE AND LOANS

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

CARDMEMBER AND OTHER RECEIVABLES

Cardmember receivables, representing amounts due from charge payment card product customers, are recorded at the time a cardmember enters into a point-of-sale transaction with a merchant. Each charge card transaction is authorized based on its likely economics reflecting a cardmember's most recent credit information and spend patterns. Additionally, global spend limits are established to limit the maximum exposure for the Company.

Charge card customers generally must pay the full amount billed each month.

Cardmember receivable balances are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 5), and include principal and any related accrued fees.

Accounts receivable as of December 31, 2012 and 2011 were as follows:

(Millions)	**2012**	2011
U.S. Card Services [a]	**$ 21,124**	$ 20,645
International Card Services	**7,778**	7,222
Global Commercial Services [b]	**13,671**	12,829
Global Network & Merchant Services [c]	**193**	194
Cardmember receivables [d]	**42,766**	40,890
Less: Reserve for losses	**428**	438
Cardmember receivables, net	**$ 42,338**	$ 40,452
Other receivables, net [e]	**$ 3,576**	$ 3,657

(a) Includes $7.5 billion of gross cardmember receivables available to settle obligations of a consolidated VIE as of both December 31, 2012 and 2011.
(b) Includes $476 million and $459 million of gross cardmember receivables available to settle obligations of a consolidated VIE as of December 31, 2012 and 2011, respectively. Also includes $913 million and $563 million due from airlines, of which Delta Air Lines (Delta) comprises $676 million and $340 million as of December 31, 2012 and 2011, respectively.
(c) Includes receivables primarily related to the Company's International Currency Card portfolios.
(d) Includes approximately $12.9 billion and $12.8 billion of cardmember receivables outside the United States as of December 31, 2012 and 2011, respectively.
(e) Other receivables primarily represent amounts related to (i) purchased joint venture receivables, (ii) certain merchants for billed discount revenue, (iii) the Company's travel customers and suppliers, and (iv) other receivables due to the Company in the ordinary course of business. 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 $86 million and $102 million as of December 31, 2012 and 2011, respectively.

CARDMEMBER AND OTHER LOANS

Cardmember loans, representing amounts due from lending payment card product customers, are recorded at the time a cardmember enters into a point-of-sale transaction with a merchant or when a charge card customer enters into an extended payment arrangement with the Company. The Company's lending portfolios primarily include revolving loans to cardmembers obtained through either their credit card accounts or the lending on charge feature of their charge card accounts. These loans have a range of terms such as credit limits, interest rates, fees and payment structures, which can be revised over time based on new information about cardmembers and in accordance with applicable regulations and the respective product's terms and conditions. Cardmembers holding revolving loans are typically required to make monthly payments based on pre-established amounts. The amounts that cardmembers choose to revolve are subject to finance charges.

Cardmember loans are presented on the Consolidated Balance Sheets net of reserves for losses (refer to Note 5), and include principal, accrued interest and fees receivable. The Company's policy generally is to cease accruing interest on a cardmember loan at the time the account is written off, and establish reserves for interest that the Company believes will not be collected.

Loans as of December 31, 2012 and 2011 consisted of:

(Millions)	**2012**	2011
U.S. Card Services [a]	**$ 55,953**	$ 53,686
International Card Services	**9,236**	8,901
Global Commercial Services	**40**	34
Cardmember loans	**65,229**	62,621
Less: Reserve for losses	**1,471**	1,874
Cardmember loans, net	**$ 63,758**	$ 60,747
Other loans, net [b]	**$ 551**	$ 419

(a) Includes approximately $32.7 billion and $33.8 billion of gross cardmember loans available to settle obligations of a consolidated VIE as of December 31, 2012 and 2011, respectively.
(b) Other loans primarily represent loans to merchants and a store card loan portfolio whose billed business is not processed on the Company's network. Other loans are presented net of reserves for losses of $20 million and $18 million as of December 31, 2012 and 2011, respectively.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2012 and 2011:

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

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

(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 financial reporting system constraints. Therefore, it has not been relied upon for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

CREDIT QUALITY INDICATORS FOR CARDMEMBER LOANS AND RECEIVABLES

The following tables present the key credit quality indicators as of or for the years ended December 31:

	2012			2011		
	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
Cardmember Loans:						
U.S. Card Services	**2.1%**	**2.3%**	**1.2%**	2.9%	3.2%	1.4%
International Card Services	**1.9%**	**2.4%**	**1.5%**	2.7%	3.3%	1.7%
Cardmember Receivables:						
U.S. Card Services	**1.9%**	**2.1%**	**1.8%**	1.7%	1.9%	1.9%

	2012		2011	
	Net Loss Ratio as a % of Charge Volume	90 Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90 Days Past Billing as a % of Receivables
Cardmember Receivables:				
International Card Services	**0.16%**	**0.9%**	0.15%	0.9%
Global Commercial Services	**0.06%**	**0.8%**	0.06%	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.

Refer to Note 5 for additional indicators, including external environmental factors, management considers in its monthly evaluation process for reserves for losses.

IMPAIRED CARDMEMBER 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 Company will be unable to collect all amounts due according to the original contractual terms of the loan and receivable agreement. The Company considers impaired loans and receivables to include: (i) loans over 90 days past due still accruing interest, (ii) non-accrual loans and (iii) loans and receivables modified as troubled debt restructurings (TDRs).

The Company may modify, through various company sponsored programs, cardmember loans and receivables in instances where the cardmember is experiencing financial difficulty to minimize losses while providing cardmembers with temporary or permanent financial relief. The Company has classified cardmember loans and receivables in these modification programs as TDRs. Such modifications to the loans and receivables may include (i) reducing the interest rate (as low as zero percent, in which case the loan is characterized as non-accrual in the Company's TDR disclosures), (ii) reducing the outstanding balance (in the event of a settlement), (iii) suspending delinquency fees until the cardmember exits the modification program and (iv) placing the cardmember on a fixed payment plan not to exceed 60 months. Upon entering the modification program, the cardmember's ability to make future purchases is either cancelled, or in certain cases suspended until the cardmember successfully exits the modification program. In accordance with the modification agreement with the cardmember, loans revert back to the original contractual terms (including the contractual interest rate) when the cardmember exits the modification program, either (i) when all payments have been made in accordance with the modification agreement or (ii) the cardmember defaults out of the modification program. In either case, the Company establishes a reserve for cardmember interest charges considered to be uncollectible.

The performance of a loan or a receivable modified as a TDR is closely monitored to understand its impact on the Company's reserve for losses. Though the ultimate success of modification programs remains uncertain, the Company believes the programs improve the cumulative loss performance of such loans and receivables.

Reserves for cardmember loans and receivables modified as TDRs are determined by the difference between the cash flows expected to be received from the cardmember (taking into consideration the probability of subsequent defaults), discounted at the original effective interest rates, and the carrying value of the cardmember loan or receivable balance. The Company determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty interest rate. All changes in the impairment measurement, including the component due to the passage of time, are included in the provision for losses in the Consolidated Statements of Income.

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

2012 *(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 [d]	Allowance for TDRs [e]
Cardmember Loans:						
U.S. Card Services	**$ 73**	**$ 426**	**$ 627**	**$ 1,126**	**$ 1,073**	**$ 152**
International Card Services	**59**	**5**	**6**	**70**	**69**	**1**
Cardmember Receivables:						
U.S. Card Services	**—**	**—**	**117**	**117**	**111**	**91**
Total	**$ 132**	**$ 431**	**$ 750**	**$ 1,313**	**$ 1,253**	**$ 244**

2011 *(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 [d]	Allowance for TDRs [e]
Cardmember Loans:						
U.S. Card Services	$ 64	$ 529	$ 736	$ 1,329	$ 1,268	$ 174
International Card Services	67	6	8	81	80	2
Cardmember Receivables:						
U.S. Card Services	—	—	174	174	165	118
Total	$ 131	$ 535	$ 918	$ 1,584	$ 1,513	$ 294

(a) The Company's policy is generally to accrue interest through the date of write-off (at 180 days past due). The Company establishes reserves for interest that the Company believes will not be collected. Excludes loans modified as a TDR.

(b) Non-accrual loans not in modification programs include certain cardmember loans placed with outside collection agencies for which the Company has ceased accruing interest. The Company's policy is generally not to resume the accrual of interest on these loans. Payments received are applied against the recorded loan balance. Interest income is recognized on a cash basis for any payments received after the loan balance has been paid in full. Excludes loans modified as a TDR.

(c) Total loans and receivables modified as a TDR includes $320 million and $410 million that are non-accrual and $6 million and $4 million that are past due 90 days and still accruing interest as of December 31, 2012 and 2011, respectively.

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

(e) Represents the reserve for losses for TDRs, which are evaluated 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.

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

	2012	
(Millions)	Interest Income Recognized	Average Balance
Cardmember Loans:		
U.S. Card Services	**$ 60**	**$ 1,221**
International Card Services	**16**	**75**
Cardmember Receivables:		
U.S. Card Services	**—**	**135**
Total	**$ 76**	**$ 1,431**

	2011	
(Millions)	Interest Income Recognized	Average Balance
Cardmember Loans:		
U.S. Card Services	$ 67	$ 1,498
International Card Services	26	98
Cardmember Receivables:		
U.S. Card Services	—	145
Total	$ 93	$ 1,741

CARDMEMBER LOANS AND RECEIVABLES MODIFIED AS TDRS

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

2012 *(Accounts in thousands, Dollars in millions)*	Number of Accounts	Aggregated Pre-Modification Outstanding Balances [a]	Aggregated Post-Modification Outstanding Balances [a]
Troubled Debt Restructurings:			
U.S. Card Services — Cardmember Loans	**106**	**$ 779**	**$ 762**
U.S. Card Services — Cardmember Receivables	**37**	**425**	**418**
Total [b]	**143**	**$ 1,204**	**$ 1,180**

2011 *(Accounts in thousands, Dollars in millions)*	Number of Accounts	Aggregated Pre-Modification Outstanding Balances [a]	Aggregated Post-Modification Outstanding Balances [a]
Troubled Debt Restructurings:			
U.S. Card Services — Cardmember Loans	**147**	**$ 1,110**	**$ 1,064**
U.S. Card Services — Cardmember Receivables	**50**	**402**	**388**
Total [b]	**197**	**$ 1,512**	**$ 1,452**

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

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

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

- Interest Rate Reduction: For the years ended December 31, 2012 and 2011, the average interest rate reduction was 12 percentage points and 11 percentage points, respectively. None of these interest rate reductions had a significant impact on interest on loans in the Consolidated Statements of Income. The Company does not offer interest rate reduction programs for U.S. Card Services (USCS) cardmember receivables as these receivables are non-interest bearing.
- Outstanding Balance Reduction: The table above presents the financial effects to the Company as a result of reducing the outstanding balance for short-term settlement programs. The difference between the pre- and post-modification outstanding balances represents the amount that either has been written off or will be written off upon successful completion of the settlement program.
- Payment Term Extension: For the years ended December 31, 2012 and 2011, the average payment term extension was approximately 13 months and 15 months, respectively, for USCS cardmember receivables. For USCS cardmember loans, there have been no payment term extensions.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table provides information for the years ended December 31, 2012 and 2011, with respect to the cardmember loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification. A cardmember will default from a modification program after one and up to three consecutive missed payments, depending on the terms of the modification program. The defaulted ICS cardmember loan modifications were not significant.

2012 *(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	**23**	**$ 182**
U.S. Card Services — Cardmember Receivables	**1**	**37**
Total	**24**	**$ 219**

2011 *(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	**52**	**$ 388**

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

NOTE 5

RESERVES FOR LOSSES

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

Reserves for losses are primarily based upon statistical models that analyze portfolio performance and reflect management's judgment regarding 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 various indicators related to employment, spend, sentiment, housing and credit, as well as the legal and regulatory environment. Generally, due to the short-term nature of cardmember receivables, the impact of additional external factors on the probable losses inherent within the cardmember receivables 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 considers 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 and recoveries are recognized as they are collected.

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)	**2012**	2011	2010
Balance, January 1	**$ 438**	$ 386	$ 546
Additions:			
Provisions [a]	**601**	603	439
Other [b]	**141**	167	156
Total provision	**742**	770	595
Deductions:			
Net write-offs [c]	**(640)**	(560)	(598)
Other [d]	**(112)**	(158)	(157)
Balance, December 31	**$ 428**	$ 438	$ 386

(a) Provisions for principal (resulting from authorized transactions) and fee reserve components.
(b) Provisions for unauthorized transactions.
(c) Consists of principal (resulting from authorized transactions) and fee components, less recoveries of $383 million, $349 million and $357 million for 2012, 2011 and 2010, respectively.
(d) Includes net write-offs resulting from unauthorized transactions of $(141) million, $(161) million and $(148) million for the years ended December 31, 2012, 2011 and 2010, respectively; foreign currency translation adjustments of $2 million, $(2) million and $1 million for the years ended December 31, 2012, 2011 and 2010, respectively; cardmember bankruptcy reserves of $18 million, nil and nil for the years ended December 31, 2012, 2011 and 2010, respectively; and other items of $9 million, $5 million and $(10) million for the years ended December 31, 2012, 2011 and 2010, respectively. Cardmember bankruptcy reserves were classified as other liabilities in prior periods.

Cardmember Receivables Evaluated Individually and Collectively for Impairment

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

(Millions)	**2012**	2011	2010
Cardmember receivables evaluated individually for impairment [(a)]	**$ 117**	$ 174	$ 114
Related reserves [(a)]	**$ 91**	$ 118	$ 63
Cardmember receivables evaluated collectively for impairment	**$ 42,649**	$ 40,716	$ 37,152
Related reserves	**$ 337**	$ 320	$ 323

(a) Represents receivables modified in a TDR and related reserves. Refer to the Impaired Loans and Receivables discussion in Note 4 for further information.

Changes in Cardmember Loans Reserve for Losses

The following table presents changes in the cardmember loans reserve for losses for the years ended December 31:

(Millions)	**2012**	2011	2010
Balance, January 1	**$ 1,874**	$ 3,646	$ 3,268
Reserves established for consolidation of a variable interest entity [a]	**—**	—	2,531
Total adjusted balance, January 1	**1,874**	3,646	5,799
Additions:			
Provisions [b]	**1,031**	145	1,445
Other [c]	**118**	108	82
Total provision	**1,149**	253	1,527
Deductions:			
Net write-offs			
Principal [d]	**(1,280)**	(1,720)	(3,260)
Interest and fees [d]	**(157)**	(201)	(359)
Other [e]	**(115)**	(104)	(61)
Balance, December 31	**$ 1,471**	$ 1,874	$ 3,646

(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) Provisions for principal (resulting from authorized transactions), interest and fee reserves components.
(c) Provisions for unauthorized transactions.
(d) Consists of principal write-offs (resulting from authorized transactions), less recoveries of $493 million, $578 million and $568 million for the years ended December 2012, 2011 and 2010, respectively. Recoveries of interest and fees were de minimis.
(e) Includes net write-offs resulting from unauthorized transactions of $(116) million, $(103) million and $(78) million for the years ended December 31, 2012, 2011 and 2010, respectively; foreign currency translation adjustments of $7 million, $(2) million and $23 million for the years ended December 31, 2012, 2011 and 2010, respectively; cardmember bankruptcy reserves of $4 million, nil and nil for the years ended December 31, 2012, 2011 and 2010, respectively; and other items of $(10) million, $1 million and $(6) million for the years ended December 31, 2012, 2011 and 2010, respectively. Cardmember bankruptcy reserves were classified as other liabilities in prior periods.

Cardmember Loans Evaluated Individually and Collectively for Impairment

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

(Millions)	**2012**	2011	2010
Cardmember loans evaluated individually for impairment [a]	**$ 633**	$ 744	$ 1,087
Related reserves [a]	**$ 153**	$ 176	$ 279
Cardmember loans evaluated collectively for impairment [b]	**$ 64,596**	$ 61,877	$ 59,763
Related reserves [b]	**$ 1,318**	$ 1,698	$ 3,367

(a) Represents loans modified in a TDR and related reserves. Refer to the Impaired Loans and Receivables discussion in Note 4 for further information.
(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans and related reserves. The reserves include the results of analytical models that are specific to individual pools of loans and reserves for external environmental factors that apply to loans in geographic markets that are 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 classified as available for sale. The Company's investment securities, principally debt securities, are carried at fair value on the Consolidated Balance Sheets with unrealized gains (losses) recorded in AOCI, net of income taxes. Realized gains and losses are recognized in results of operations upon disposition of the securities using the specific identification method on a trade date basis. Refer to Note 3 for a description of the Company's methodology for determining the fair value of investment securities.

The following is a summary of investment securities as of December 31:

	2012				2011			
Description of Securities *(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	**$ 4,280**	**$ 199**	**$ (5)**	**$ 4,474**	$ 4,968	$ 103	$ (72)	$ 4,999
U.S. Government agency obligations	**3**	**—**	**—**	**3**	352	2	—	354
U.S. Government treasury obligations	**330**	**8**	**—**	**338**	330	10	—	340
Corporate debt securities [(a)]	**73**	**6**	**—**	**79**	626	9	(3)	632
Mortgage-backed securities [(b)]	**210**	**14**	**—**	**224**	261	17	—	278
Equity securities [(c)]	**64**	**232**	**—**	**296**	95	265	—	360
Foreign government bonds and obligations	**134**	**15**	**—**	**149**	120	10	—	130
Other [(d)]	**51**	**—**	**—**	**51**	54	—	—	54
Total	**$ 5,145**	**$ 474**	**$ (5)**	**$ 5,614**	$ 6,806	$ 416	$ (75)	$ 7,147

(a) The December 31, 2012 and 2011 balances include, on a cost basis, nil and $600 million, 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).
(d) Other comprises investments in various mutual funds.

The following table provides information about the Company's investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of December 31:

	2012				2011			
	Less than 12 months		12 months or more		Less than 12 months		12 months or more	
Description of Securities *(Millions)*	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	**$ 100**	**$ (1)**	**$ 73**	**$ (4)**	$ —	$ —	$ 1,094	$ (72)
Corporate debt securities	**—**	**—**	**—**	**—**	15	(2)	2	(1)
Total	**$ 100**	**$ (1)**	**$ 73**	**$ (4)**	$ 15	$ (2)	$ 1,096	$ (73)

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

	Less than 12 months			12 months or more			Total		
Ratio of Fair Value to Amortized Cost *(Dollars in millions)*	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
2012:									
90%-100%	**46**	**$ 100**	**$ (1)**	**4**	**$ 73**	**$ (4)**	**50**	**$ 173**	**$ (5)**
Total as of December 31, 2012	**46**	**$ 100**	**$ (1)**	**4**	**$ 73**	**$ (4)**	**50**	**$ 173**	**$ (5)**
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)

The gross unrealized losses are attributed to overall wider credit spreads for state and municipal securities, wider credit spreads for specific issuers, adverse changes in market benchmark interest rates, or a combination thereof, all as compared to those prevailing when the investment securities were acquired.

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)	**2012**	2011	2010
Gains	**$ 127**	$ 16	$ 1
Losses	**(1)**	—	(6)
Total	**$ 126**	$ 16	$ (5)

Contractual maturities of investment securities, excluding equity securities and other securities, as of December 31, 2012 were as follows:

(Millions)	Cost	Estimated Fair Value
Due within 1 year	**$ 318**	**$ 319**
Due after 1 year but within 5 years	**255**	**264**
Due after 5 years but within 10 years	**204**	**220**
Due after 10 years	**4,253**	**4,464**
Total	**$ 5,030**	**$ 5,267**

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 TRUSTS AND LENDING TRUST

The Company periodically securitizes cardmember receivables and loans arising from its card business through the transfer of those assets to securitization trusts. The trusts then issue securities to third-party investors, collateralized by the transferred assets.

Cardmember receivables are transferred to the American Express Issuance Trust (the Charge Trust), and the American Express Issuance Trust II (the Charge Trust II), collectively referred to as the Charge Trusts. Cardmember loans are transferred to the American Express Credit Account Master Trust (the Lending Trust). The Charge Trusts and the Lending Trust are consolidated by American Express Travel Related Services Company, Inc. (TRS), which is a consolidated subsidiary of the Company. The trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue securities that are collateralized by the underlying cardmember receivables and loans.

TRS, in its role as servicer of the Charge Trusts and the Lending Trust, has the power to direct the most significant activity of the trusts, which is the collection of the underlying cardmember receivables and loans in the trusts. In addition, TRS, excluding its consolidated subsidiaries, owns approximately $0.8 billion of subordinated securities issued by the Lending Trust as of December 31, 2012. These subordinated securities have the obligation to absorb losses of the Lending Trust and provide the right to receive benefits from the Lending Trust, both of which are significant to the VIE. TRS' role as servicer for the Charge Trusts does not provide it with a significant obligation to absorb losses or a significant right to receive benefits. However, TRS' position as the parent company of the entities that transferred the receivables to the Charge Trusts makes it the party most closely related to the Charge Trusts. Based on these considerations, TRS is the primary beneficiary of both the Charge Trusts and the Lending Trust.

The debt securities issued by the Charge Trusts and the Lending Trust are non-recourse to the Company. Securitized cardmember receivables and loans held by the Charge Trusts and the Lending Trust are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions. The long-term debt of each trust is payable only out of collections on their respective underlying securitized assets.

There was approximately $3 million and $15 million of restricted cash held by the Charge Trusts as of December 31, 2012 and 2011, respectively, and approximately $73 million and $192 million of restricted cash held by the Lending Trust as of December 31, 2012 and 2011, respectively, included in other assets on the Company's Consolidated Balance Sheets. These amounts relate to collections of cardmember receivables and loans to be used by the trusts to fund future expenses and obligations, including interest paid on investor certificates, credit losses and upcoming debt maturities.

CHARGE TRUSTS AND LENDING TRUST TRIGGERING EVENTS

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

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8
OTHER ASSETS

The following is a summary of other assets as of December 31:

(Millions)	**2012**	2011
Goodwill	**$ 3,181**	$ 3,172
Deferred tax assets, net [a]	**2,458**	2,875
Prepaid expenses [b]	**1,960**	2,378
Other intangible assets, at amortized cost	**993**	1,149
Derivative assets [a]	**593**	915
Restricted cash [c]	**568**	584
Other	**1,665**	1,582
Total	**$ 11,418**	$ 12,655

(a) Refer to Notes 17 and 12 for a discussion of deferred tax assets, net, and derivative assets, respectively, as of December 31, 2012 and 2011. Derivative assets reflect the impact of master netting agreements.
(b) Includes prepaid miles and reward points acquired primarily from airline partners of approximately $1.4 billion and $1.8 billion, as of December 31, 2012 and 2011, respectively, including approximately $1.1 billion and $1.5 billion, respectively, from Delta.
(c) Includes restricted cash of approximately $76 million and $207 million, respectively, as of December 31, 2012 and 2011, which is primarily held for coupon and 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 in the impairment test 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, 2012 and 2011, 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 calculates discount rates based on 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, 2011	$ 175	$ 511	$ 1,544	$ 159	$ 250	$ 2,639
Acquisitions [a]	—	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
Acquisitions	**—**	**1**	**—**	**—**	**—**	**1**
Dispositions	**—**	**(2)**	**(1)**	**—**	**—**	**(3)**
Other, including foreign currency translation	**—**	**9**	**2**	**—**	**—**	**11**
Balance as of December 31, 2012	**$ 175**	**$ 1,031**	**$ 1,544**	**$ 160**	**$ 271**	**$ 3,181**

(a) Primarily comprised of the acquisition of Loyalty Partner in 2011. Refer to Note 2 for further discussion.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

OTHER INTANGIBLE ASSETS

Intangible assets, primarily customer relationships, are amortized over their estimated useful lives of 1 to 22 years on straight-line basis. 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:

	2012			2011		
(Millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships [(a)]	**$ 1,238**	**$ (526)**	**$ 712**	$ 1,223	$ (407)	$ 816
Other	**428**	**(147)**	**281**	445	(112)	333
Total	**$ 1,666**	**$ (673)**	**$ 993**	$ 1,668	$ (519)	$ 1,149

(a) Includes net intangibles acquired from airline partners of $358 million and $410 million as of December 31, 2012 and 2011, respectively, including approximately $156 million and $195 million, respectively, from Delta.

Amortization expense for the years ended December 31, 2012, 2011 and 2010 was $198 million, $189 million and $176 million, respectively. Intangible assets acquired in 2012 and 2011 are being amortized, on average, over 6 years and 13 years, respectively.

Estimated amortization expense for other intangible assets over the next five years is as follows:

(Millions)	2013	2014	2015	2016	2017
Estimated amortization expense	**$ 200**	**$ 170**	**$ 151**	**$ 126**	**$ 75**

OTHER

The Company had $427 million and $332 million in affordable housing and other tax credit investment partnership interests as of December 31, 2012 and 2011, respectively, included in other assets in the table above. The Company is a non-controlling partner in the affordable housing and other tax credit investment partnerships. These partnership interests are accounted for in accordance with GAAP governing equity method investments and joint ventures.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9

CUSTOMER DEPOSITS

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

(Millions)	**2012**	2011
U.S.:		
Interest-bearing	**$ 39,649**	$ 37,271
Non-interest-bearing	**10**	4
Non-U.S.:		
Interest-bearing	**135**	612
Non-interest-bearing	**9**	11
Total customer deposits	**$ 39,803**	$ 37,898

Customer deposits were aggregated by deposit type offered by the Company as of December 31 as follows:

(Millions)	**2012**	2011
U.S. retail deposits:		
Savings accounts — Direct	**$ 18,713**	$ 14,649
Certificates of deposit:		
Direct	**725**	893
Third-party	**8,851**	10,781
Sweep accounts — Third-party	**11,360**	10,948
Other deposits	**154**	627
Total customer deposits	**$ 39,803**	$ 37,898

The scheduled maturities of certificates of deposit as of December 31, 2012 were as follows:

(Millions)	U.S.	Non-U.S.	Total
2013	**$ 4,958**	**$ 1**	**$ 4,959**
2014	**2,613**	**—**	**2,613**
2015	**725**	**—**	**725**
2016	**739**	**—**	**739**
2017	**351**	**—**	**351**
After 5 years	**190**	**—**	**190**
Total	**$ 9,576**	**$ 1**	**$ 9,577**

As of December 31, certificates of deposit in denominations of $100,000 or more were as follows:

(Millions)	**2012**	2011
U.S.	**$ 475**	$ 580
Non-U.S.	**1**	304
Total	**$ 476**	$ 884

AMERICAN EXPRESS COMPANY

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:

	2012		2011	
(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%
Other short-term borrowings [c]	**3,314**	**1.46%**	3,729	1.32%
Total	**$ 3,314**	**1.46%**	$ 4,337	1.14%

(a) For floating-rate debt issuances, the stated interest rates are based on the floating rates in effect as of December 31, 2012 and 2011, 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, 2012 and 2011.

(c) Includes interest-bearing overdrafts with banks of $615 million and $821 million as of December 31, 2012 and 2011, 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.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

		2012			2011		
(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	**2013-2042**	**$ 8,848**	**5.78%**	**4.95%**	$ 9,364	6.90%	6.06%
Subordinated Debentures [d]	**2036**	**749**	**6.80%**	**—**	749	6.80%	—
American Express Credit Corporation							
Fixed Rate Senior Notes	**2013-2017**	**17,163**	**4.20%**	**2.39%**	14,188	4.78%	2.80%
Floating Rate Senior Notes	**2013-2015**	**2,203**	**1.59%**	**—**	2,444	1.24%	—
Borrowings under Bank Credit Facilities	**2014-2016**	**4,672**	**4.87%**	**—**	4,579	6.38%	6.27%
American Express Centurion Bank							
Fixed Rate Senior Notes	**2015-2017**	**2,120**	**4.12%**	**3.32%**	2,149	5.83%	3.32%
Floating Rate Senior Notes	**2015**	**550**	**0.76%**	**—**	400	0.43%	—
American Express Bank, FSB							
Fixed Rate Senior Notes	**2013-2017**	**2,764**	**5.68%**	**3.68%**	3,581	5.65%	3.11%
Floating Rate Senior Notes	**2017**	**300**	**0.51%**	**—**	1,100	0.47%	—
American Express Charge Trust							
Floating Rate Senior Notes	**2014**	**3,000**	**0.49%**	**—**	4,488	0.52%	—
Floating Rate Subordinated Notes		**—**	**—**	**—**	72	0.75%	—
American Express Lending Trust							
Fixed Rate Senior Notes	**2015**	**2,100**	**0.65%**	**—**	—	—	—
Floating Rate Senior Notes	**2013-2018**	**12,810**	**0.90%**	**—**	15,065	0.95%	—
Fixed Rate Subordinated Notes	**2015**	**300**	**1.08%**	**—**	—	—	—
Floating Rate Subordinated Notes	**2013-2018**	**1,091**	**0.93%**	**—**	1,245	0.85%	—
Other							
Fixed Rate Instruments [e]	**2014-2022**	**123**	**5.94%**	**—**	123	5.74%	—
Floating Rate Borrowings	**2014-2015**	**292**	**0.65%**	**—**	129	0.66%	—
Unamortized Underwriting Fees		**(112)**			(106)		
Total Long-Term Debt		**$ 58,973**	**3.04%**		$ 59,570	3.69%	

(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, 2012 and 2011, 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 this page.

(e) Includes $118 million and $123 million as of December 31, 2012 and 2011, respectively, related to capitalized lease transactions.

As of December 31, 2012 and 2011, 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 2012.

Aggregate annual maturities on long-term debt obligations (based on final maturity dates) as of December 31, 2012 were as follows:

(Millions)	2013	2014	2015	2016	2017	Thereafter	Total
American Express Company (Parent Company only)	**$ 1,000**	**$ 1,250**	**$ —**	**$ 600**	**$ 1,500**	**$ 5,939**	**$ 10,289**
American Express Credit Corporation	**4,859**	**6,550**	**5,227**	**5,501**	**1,500**	**—**	**23,637**
American Express Centurion Bank	**—**	**—**	**1,305**	**—**	**1,300**	**2**	**2,607**
American Express Bank, FSB	**1,750**	—	—	—	**1,300**	—	**3,050**
American Express Charge Trust	**—**	**3,000**	**—**	**—**	**—**	**—**	**3,000**
American Express Lending Trust	**4,056**	**4,000**	**5,423**	**—**	**1,623**	**1,200**	**16,302**
Other	**—**	**201**	**175**	**—**	**—**	**38**	**414**
	$ 11,665	**$ 15,001**	**$ 12,130**	**$ 6,101**	**$ 7,223**	**$ 7,179**	**59,299**
Unamortized Underwriting Fees							**(112)**
Unamortized Discount and Premium							**(17)**
Impacts due to Debt Exchange							**(977)**
Impacts due to Fair Value Hedge Accounting							**780**
Total Long-Term Debt							**$ 58,973**

As of December 31, 2012 and 2011, the Company maintained total bank lines of credit of $7.7 billion and $7.5 billion, respectively. Of the total credit lines, $3.0 billion and $2.9 billion were undrawn as of December 31, 2012 and 2011, respectively. Undrawn amounts of $3.0 billion and $2.9 billion supported commercial paper borrowings and contingent funding needs as of December 31, 2012 and 2011, respectively. In 2014, 2015 and 2016, respectively, $2.1 billion, $3.0 billion and $2.6 billion of these credit facilities will expire. The availability of these credit lines is subject to the Company's compliance with certain financial covenants, principally, the maintenance by American Express Credit Corporation (Credco) of a 1.25 ratio of combined earnings and fixed charges to fixed charges. Furthermore, in 2011, the Company's financial covenants included the maintenance of consolidated tangible net worth of at least $4.1 billion by the Company, and the compliance of American Express Centurion Bank (Centurion Bank) and American Express Bank, FSB (FSB) with applicable regulatory capital adequacy guidelines. As of December 31, 2012 and 2011, the Company was not in violation of any of its debt covenants.

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 July 15, 2014.

As of December 31, 2012, $3.0 billion was drawn on this facility. The Company also maintained a 2-year committed, revolving, secured financing facility which gives the Company the right to sell up to $2.0 billion face amount of eligible certificates issued from the Lending Trust at any time through September 15, 2015. This facility remained undrawn as of December 31, 2012. The Company paid $48.1 million and $22.2 million in fees to maintain these lines in 2012 and 2011, respectively.

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 $2.2 billion in 2012 and $2.4 billion in both 2011 and 2010.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11
OTHER LIABILITIES

The following is a summary of other liabilities as of December 31:

(Millions)	2012	2011
Membership Rewards liability	**$ 5,832**	$ 5,066
Employee-related liabilities [a]	**2,224**	2,192
Rebate and reward accruals [b]	**2,079**	1,866
Deferred card fees, net	**1,286**	1,063
Book overdraft balances	**532**	2,178
Other [c]	**5,604**	4,792
Total	**$ 17,557**	$ 17,157

(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, client incentives, restructuring and reengineering reserves, advertising and promotion and derivatives.

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 records a balance sheet liability which represents management's best estimate of the 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 liability. Management uses statistical and actuarial models to estimate ultimate redemption rates based on redemption trends, current enrollee redemption behavior, card product type, enrollment tenure, card spend levels and credit attributes. The weighted-average cost per point is determined using actual redemptions during the previous 12 months, adjusted as appropriate for recent changes in redemption costs.

The expense for Membership Rewards points is included in marketing, promotion, rewards and cardmember services expenses. The Company periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

DEFERRED CARD FEES

The carrying amount of deferred card and other fees, net of deferred direct acquisition costs and reserves for membership cancellations as of December 31 were as follows:

(Millions)	2012	2011
Deferred card and other fees [a]	**$ 1,566**	$ 1,228
Deferred direct acquisition costs	**(154)**	(75)
Reserves for membership cancellations	**(126)**	(90)
Deferred card fees and other, net of direct acquisition costs and reserves	**$ 1,286**	$ 1,063

(a) Includes deferred fees for Membership Rewards program participants.

NOTE 12
DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative financial instruments (derivatives) to manage exposures to various market risks. Derivatives derive their value from an underlying variable or multiple variables, including interest rate, foreign exchange, and equity index or price. These instruments enable end users to increase, reduce or alter exposure to various market risks and, for that reason, are an integral component of the Company's market risk management. The Company does not engage in derivatives for trading purposes.

Market risk is the risk to earnings or value resulting from movements in market prices. The Company's market risk exposure is primarily generated by:

- Interest rate risk in its card, insurance and Travelers Cheque businesses, as well as its investment portfolios; and
- Foreign exchange risk in its operations outside the United States and the associated funding of such operations.

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

The Company's market exposures are in large part byproducts of the delivery of its products and services. Interest rate risk arises through the funding of cardmember receivables and fixed-rate loans with variable-rate borrowings as well as through the risk to net interest margin from changes in the relationship between benchmark rates such as Prime and LIBOR.

Interest rate exposure within the Company's charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by short-term and variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to economically convert fixed-rate debt obligations to variable-rate obligations or to convert variable-rate debt obligations to fixed-rate obligations. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

Foreign exchange risk is generated by cardmember cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. The Company's foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure to the extent it is economically justified through various means, including the use of derivatives such as foreign exchange forwards and cross-currency swap contracts, which can help mitigate the Company's exposure to specific currencies.

In addition to the exposures identified above, effective August 1, 2011, the Company entered into a total return contract (TRC) to hedge its exposure to changes in the fair value of its equity investment in ICBC in local currency. Under the terms of the TRC, the Company receives from the TRC counterparty an

amount equivalent to any reduction in the fair value of its investment in ICBC in local currency, and in return the Company pays to the TRC counterparty an amount equivalent to any increase in the fair value of its investment in local currency, along with all dividends paid by ICBC, as well as ongoing hedge costs. The TRC matures on August 1, 2014.

Derivatives may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company manages this risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months, considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved by the Company and rated as investment grade. Counterparty risk exposures are centrally monitored by the Company. Additionally, in order to mitigate the bilateral 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. Based on the assessment of credit risk of the Company's derivative counterparties as of December 31, 2012 and 2011, the Company does not have derivatives positions that warrant credit valuation adjustments.

The Company's derivatives are carried at fair value on the Consolidated Balance Sheets. The accounting for changes in fair value depends on the instruments' intended use and the resulting hedge designation, if any, as discussed below. Refer to Note 3 for a description of the Company's methodology for determining the fair value of derivatives.

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

	Other Assets Fair Value		Other Liabilities Fair Value	
(Millions)	**2012**	2011	**2012**	2011
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	**$ 824**	$ 999	**$ —**	$ —
Cash flow hedges	**—**	—	**—**	1
Total return contract				
Fair value hedge	**—**	13	**19**	—
Foreign exchange contracts				
Net investment hedges	**43**	344	**150**	54
Total derivatives designated as hedging instruments	**$ 867**	$ 1,356	**$ 169**	$ 55
Derivatives not designated as hedging instruments:				
Interest rate contracts	**$ —**	$ 1	**$ —**	$ —
Foreign exchange contracts, including certain embedded derivatives [a]	**75**	159	**158**	50
Equity-linked embedded derivative [b]	**—**	—	**2**	3
Total derivatives not designated as hedging instruments	**75**	160	**160**	53
Total derivatives, gross	**$ 942**	$ 1,516	**$ 329**	$ 108
Cash collateral netting [c]	**(326)**	(587)	**(21)**	—
Derivative asset and derivative liability netting [c]	**(23)**	(14)	**(23)**	(14)
Total derivatives, net	**$ 593**	$ 915	**$ 285**	$ 94

(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. Additionally, the Company received noncash collateral in the form of security interest in U.S. Treasury securities with a fair value of $335 million as of December 31, 2012, none of which was sold or repledged. Such noncash collateral effectively reduces the Company's risk exposure.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DERIVATIVE FINANCIAL INSTRUMENTS THAT QUALIFY FOR HEDGE ACCOUNTING

Derivatives executed for hedge accounting purposes are documented and designated as such when the Company enters into the contracts. In accordance with its risk management policies, the Company structures its hedges with terms similar to that of the item being hedged. The Company formally assesses, at inception of the hedge accounting relationship and on a quarterly basis, whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of the hedged items. These assessments usually are made through the application of a regression analysis method. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

FAIR VALUE HEDGES

A fair value hedge involves a derivative designated to hedge the Company's exposure to future changes in the fair value of an asset or a liability, or an identified portion thereof that is attributable to a particular risk.

Interest Rate Contracts

The Company is exposed to interest rate risk associated with its fixed-rate long-term debt. The Company uses interest rate swaps to economically convert certain fixed-rate long-term debt obligations to floating-rate obligations at the time of issuance. As of December 31, 2012 and 2011, the Company hedged $18.4 billion and $17.1 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 expenses. Hedge ineffectiveness may be caused by differences between the debt's interest coupon and the benchmark rate, primarily due to credit spreads at inception of the hedging relationship that are not reflected in the valuation of the interest rate swap. Furthermore, hedge ineffectiveness may be caused by changes in the relationship between 3-month LIBOR and 1-month LIBOR, as basis spreads may impact the valuation of the interest rate swap without causing an offsetting impact in the value of the hedged debt. If a fair value hedge is de-designated or no longer considered to be effective, changes in fair value of the derivative continue to be recorded through earnings but the hedged asset or liability is no longer adjusted for changes in fair value resulting from changes in interest rates. The existing basis adjustment of the hedged asset or liability is amortized or accreted as an adjustment to yield over the remaining life of that asset or liability.

Total Return Contract

The Company hedges its exposure to changes in the fair value of its equity investment in ICBC in local currency. The Company uses a TRC to transfer this exposure to its derivative counterparty. As of December 31, 2012 and 2011, the fair value of the equity investment in ICBC was $295 million (415.9 million shares) and $359 million (605.4 million shares), respectively. To the extent the hedge is effective, the gain or loss on the TRC offsets the loss or gain on the investment in ICBC. Any difference between the changes in the fair value of the derivative and the hedged item results in hedge ineffectiveness and is recognized in other expenses in the Consolidated Statements of Income.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company's hedges of its fixed-rate long-term debt and its investment in ICBC for the years ended December 31:

(Millions)	Gains (losses) recognized in income											
	Derivative contract				Hedged item				Net hedge ineffectiveness			
	Income Statement	Amount			Income Statement	Amount						
Derivative relationship	Line Item	**2012**	2011	2010	Line Item	**2012**	2011	2010	**2012**	2011	2010
Interest rate contracts	Other, net expenses	**$ (178)**	$ 128	$ 246	Other, net expenses	**$ 132**	$ (102)	$ (233)	**$ (46)**	$ 26	$ 13
Total return contract	Other non-interest revenues	**$ (53)**	$ 100	$ —	Other non-interest revenues	**$ 54**	$ (112)	$ —	**$ 1**	$ (12)	$ —

The Company also recognized a net reduction in interest expense on long-term debt of $491 million, $503 million and $522 million for the years ended December 31, 2012, 2011 and 2010, respectively, primarily related to the net settlements (interest accruals) on the Company's interest rate derivatives designated as fair value hedges.

CASH FLOW HEDGES

A cash flow hedge involves a derivative designated to hedge the Company's exposure to variable future cash flows attributable to a particular risk. Such exposures may relate to either an existing recognized asset or liability or a forecasted transaction. The Company hedges existing long-term variable-rate debt, the rollover of short-term borrowings and the anticipated forecasted issuance of additional funding through the use of derivatives, primarily interest rate swaps. These derivative instruments economically convert floating-rate debt obligations to fixed-rate obligations for the duration of the instrument. As of December 31, 2012 and 2011, the Company hedged nil and $305 million, respectively, of its floating-rate debt using interest rate swaps.

For derivatives designated as cash flow hedges, the effective portion of the gain or loss on the derivatives is recorded in AOCI and reclassified into earnings when the hedged cash flows are recognized in earnings. The amount that is reclassified into earnings is presented in the Consolidated Statements of Income in the same line item in which the hedged instrument or transaction is recognized, primarily in interest expense. Any ineffective portion of the gain or loss on the derivatives is reported as a component of other expenses. If a cash flow hedge is de-designated or terminated prior to maturity, the amount previously recorded in AOCI is recognized into earnings over the period that the hedged item impacts earnings. If a hedge relationship is discontinued because it is probable that the forecasted transaction will not occur according to the original strategy, any related amounts previously recorded in AOCI are recognized into earnings immediately.

In the normal course of business, as the hedged cash flows are recognized into earnings, the Company does not expect to reclassify any amount of net pretax losses on derivatives from AOCI into earnings during the next 12 months.

NET INVESTMENT HEDGES

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. The Company primarily designates foreign currency derivatives, typically foreign exchange forwards, and on occasion foreign currency denominated debt, as hedges of net investments in certain foreign operations. These instruments reduce exposure to changes in currency exchange rates on the Company's investments in non-U.S. subsidiaries. The effective portion of the gain or (loss) on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment, was $(288) million, $(26) million and $32 million for the years ended 2012, 2011 and 2010, respectively. Any ineffective portion of the gain or (loss) on net investment hedges is recognized in other 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			
Description *(Millions)*	Income Statement Line Item	**2012**	2011	2010	Income Statement Line Item	**2012**	2011	2010
Cash flow hedges: [a]								
Interest rate contracts	Interest expense	**$ (1)**	$ (13)	$ (36)	Other, net expenses	**$ —**	$ —	$ —
Net investment hedges:								
Foreign exchange contracts	Other, net expenses	**$ —**	$ —	$ 2	Other, net expenses	**$ —**	$ (3)	$ (3)

(a) During the years ended December 31, 2012, 2011 and 2010, there were no forecasted transactions that were considered no longer probable to occur.

DERIVATIVES NOT DESIGNATED AS HEDGES

The Company has derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions and non-U.S. dollar cash flow exposures from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards, options and cross-currency swaps. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of a designated currency at an agreed upon rate for settlement on a specified date. The changes in the fair value of the derivatives effectively offset the related foreign exchange gains or losses on the underlying balance sheet exposures. From time to time, the Company may enter into interest rate swaps to specifically manage funding costs related to its proprietary card business.

The Company has certain operating agreements containing payments that may be linked to a market rate or price, primarily foreign currency rates. The payment components of these agreements may meet the definition of an embedded derivative, in which case the embedded derivative is accounted for separately and is classified as a foreign exchange contract based on its primary risk exposure. In addition, the Company holds an investment security containing an embedded equity-linked derivative.

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

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

		Pretax gains (losses)		
		Amount		
Description *(Millions)*	Income Statement Line Item	**2012**	2011	2010
Interest rate contracts	Other, net expenses	**$ (1)**	$ 3	$ (8)
Foreign exchange contracts [a]	Interest and dividends on investment securities	**—**	9	4
	Interest expense on short-term borrowings	**—**	3	7
	Interest expense on long-term debt and other	**(1)**	130	93
	Other, net expenses	**(56)**	51	(3)
Equity-linked contract	Other non-interest revenues	**2**	—	(6)
Total		**$ (56)**	$ 196	$ 87

(a) Foreign exchange contracts include embedded foreign currency derivatives. Gains (losses) on these embedded derivatives are included in other 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 potential undiscounted future payments as shown in the table that follows, to date the Company has not experienced any significant losses related to guarantees. The Company's initial recognition of guarantees is at fair value, which has been determined in accordance with GAAP governing fair value measurement. In addition, the Company establishes reserves when a loss is probable and the amount can be reasonably estimated.

The following table provides information related to such guarantees as of December 31:

	Maximum potential undiscounted future payments [a] *(Billions)*		Related liability [b] *(Millions)*	
Type of Guarantee	**2012**	2011	**2012**	2011
Card and travel operations [c]	**$ 44**	$ 51	**$ 93**	$ 96
Other [d]	**1**	1	**93**	98
Total	**$ 45**	$ 52	**$ 186**	$ 194

(a) Represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed parties. The Merchant Protection guarantee is calculated using management's best estimate of maximum exposure based on all eligible claims as measured against annual billed business volumes. The Company mitigates this risk by withholding settlement from the merchant or obtaining deposits and other guarantees from merchants considered higher risk due to various factors. The amounts being held by the Company are not significant when compared to the maximum potential undiscounted future payments.
(b) Included as part of other liabilities on the Company's Consolidated Balance Sheets.
(c) Includes Return Protection, Account Protection and Merchant Protection.
(d) Primarily includes guarantees related to the Company's business dispositions and real estate.

Refer to Note 26 for a discussion of additional guarantees of the Company as of December 31, 2012 and 2011.

NOTE 14
COMMON AND PREFERRED SHARES

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)	**2012**	2011	2010
Common shares authorized *(billions)* [(a)]	**3.6**	3.6	3.6
Shares issued and outstanding at beginning of year	**1,164**	1,197	1,192
Repurchases of common shares	**(69)**	(48)	(14)
Other, primarily stock option exercises and restricted stock awards granted	**10**	15	19
Shares issued and outstanding as of December 31	**1,105**	1,164	1,197

(a) Of the common shares authorized but unissued as of December 31, 2012, approximately 80 million shares are reserved for issuance under employee stock and employee benefit plans.

On March 26, 2012, the Board of Directors authorized the repurchase of 150 million common shares over time, in accordance with the Company's capital plans approved by the Federal Reserve and subject to market conditions. This authorization replaced all prior repurchase authorizations. During 2012 and 2011, the Company repurchased 69 million common shares with a cost basis of $4.0 billion and 48 million common shares with a cost basis of $2.3 billion, respectively. The cost basis includes commissions paid of $1.0 million in both 2012 and 2011. As of December 31, 2012, the Company has 83 million common shares remaining under the Board share repurchase authorization. Such authorization does not have an expiration date.

Common shares are generally retired by the Company upon repurchase (except for 3.9 million, 4.2 million and 4.7 million shares held as treasury shares as of December 31, 2012, 2011 and 2010, 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 $236 million, $217 million and $219 million as of December 31, 2012, 2011 and 2010, 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. There were no preferred shares issued and outstanding as of December 31, 2012, 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, 2009	$ 507	$ (28)	$ (722)	$ (469)	$ (712)
Impact of the adoption of GAAP [b]	(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)
Net unrealized gains (losses)	**106**				**106**
Reclassification for realized (gains) losses into earnings	**(79)**	**1**	**1**		**(77)**
Net translation of investments in foreign operations			**215**		**215**
Net losses related to hedges of investment in foreign operations			**(288)**		**(288)**
Pension and other postretirement benefit losses				**(7)**	**(7)**
Net change in accumulated other comprehensive (loss) income	**27**	**1**	**(72)**	**(7)**	**(51)**
Balances as of December 31, 2012	**$ 315**	**$ —**	**$ (754)**	**$ (488)**	**$ (927)**

(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)	**2012**	2011	2010
Investment securities	**$ 7**	$ 149	$ (272)
Cash flow hedges	**1**	3	11
Foreign currency translation adjustments	**24**	(40)	22
Net investment hedges	**(176)**	(14)	(396)
Pension and other postretirement benefit losses	**—**	(7)	18
Total tax impact	**$ (144)**	$ 91	$ (617)

(b) 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 2012, the Company recorded $403 million of restructuring charges, net of revisions to prior estimates. The 2012 activity primarily relates to $400 million of restructuring charges recorded in the fourth quarter as the Company committed to undertake a Company-wide restructuring plan designed to contain future operating expenses, adapt parts of the business as more customers transact online or through mobile channels, and provide the resources for additional growth initiatives worldwide. This restructuring initiative is expected to result in the elimination of approximately 5,400 positions. The remaining 2012 activity includes $19 million for several smaller initiatives which were offset by revisions to prior estimates of $(16) million for higher employee redeployments to other positions within the Company and to a lesser extent modifications to existing initiatives.

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. 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.

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 and other, net expenses.

The following table summarizes the Company's restructuring reserves activity for the years ended December 31, 2012, 2011 and 2010:

(Millions)	Severance [a]	Other [b]	Total
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 [c]	96	23	119
Payments	(121)	(8)	(129)
Other non-cash [d]	(4)	(1)	(5)
Liability balance as of December 31, 2011	170	30	200
Restructuring charges, net of $16 in revisions [c][e]	**366**	**37**	**403**
Payments	**(124)**	**(9)**	**(133)**
Other non-cash [d]	—	—	—
Liability balance as of December 31, 2012 [f]	**$ 412**	**$ 58**	**$ 470**

(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 and contract termination costs.
(c) Revisions primarily relate to higher than anticipated redeployments of displaced employees to other positions within the Company, business changes and modifications to existing initiatives.
(d) Consists primarily of foreign exchange impacts.
(e) Net revisions of $16 million were recorded in the Company's reportable operating segments and Corporate & Other as follows: $13 million in USCS, $7 million in ICS, $(5) million in GCS, $4 million in GNMS and $(3) million in Corporate & Other.
(f) The majority of cash payments related to the remaining restructuring liabilities are expected to be completed in 2014, and to a lesser extent certain contractual long-term severance arrangements and lease obligations are expected to be completed in 2015 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, 2012, and the cumulative amounts relating to the restructuring programs that were in progress during 2012 and initiated at various dates between 2009 and 2012.

	2012	Cumulative Restructuring Expense Incurred To Date On In-Progress Restructuring Programs		
(Millions)	Total Restructuring Charges, net of revisions	Severance	Other	Total
USCS	**$ 26**	$ 83	$ 6	$ 89
ICS	**54**	128	1	129
GCS	**156**	272	17	289
GNMS	**25**	50	—	50
Corporate & Other	**142**	106	75	181[a]
Total	**$ 403**	$ 639	$ 99	$ 738[b]

(a) Corporate & Other includes certain severance and other charges of $166 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, 2012, 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.

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)	2012	2011	2010
Current income tax expense:			
U.S. federal	**$ 982**	$ 958	$ 532
U.S. state and local	**189**	156	110
Non-U.S.	**445**	434	508
Total current income tax expense	**1,616**	1,548	1,150
Deferred income tax expense (benefit):			
U.S. federal	**359**	464	782
U.S. state and local	**39**	68	78
Non-U.S.	**(45)**	(23)	(103)
Total deferred income tax expense	**353**	509	757
Total income tax expense on continuing operations	**$ 1,969**	$ 2,057	$ 1,907
Income tax benefit from discontinued operations	**$ —**	$ (36)	$ —

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:

	2012	2011	2010
U.S. statutory federal income tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in taxes resulting from:			
Tax-exempt income	**(1.6)**	(1.5)	(1.9)
State and local income taxes, net of federal benefit	**2.5**	2.6	2.7
Non-U.S. subsidiaries earnings [a]	**(5.2)**	(4.4)	(3.1)
Tax settlements [b]	**(0.2)**	(1.9)	(1.3)
All other	**—**	(0.2)	0.6
Actual tax rates [a]	**30.5%**	29.6%	32.0%

(a) Results for all years primarily included tax benefits associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely. In addition, 2012 and 2011 included tax benefits of $146 million and $77 million, which decreased the actual tax rates by 2.3 percent and 1.1 percent, respectively, related to the realization of certain foreign tax credits.

(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)	2012	2011
Deferred tax assets:		
Reserves not yet deducted for tax purposes	**$ 3,828**	$ 3,435
Employee compensation and benefits	**761**	760
Other	**556**	626
Gross deferred tax assets	**5,145**	4,821
Valuation allowance	**(162)**	(112)
Deferred tax assets after valuation allowance	**4,983**	4,709
Deferred tax liabilities:		
Intangibles and fixed assets	**1,218**	1,013
Deferred revenue	**403**	382
Deferred interest	**378**	—
Other	**526**	439
Gross deferred tax liabilities	**2,525**	1,834

Net deferred tax assets	**$**	**2,458**	$	2,875

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, 2012 and 2011 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 $8.5 billion as of December 31, 2012, 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 $2.6 billion as of December 31, 2012, have not been provided on those earnings.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net income taxes paid by the Company (including amounts related to discontinued operations) during 2012, 2011 and 2010, were approximately $1.9 billion, $0.7 billion and $0.8 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; however, 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)	**2012**	2011	2010
Balance, January 1	**$ 1,223**	$ 1,377	$ 1,081
Increases:			
Current year tax positions	**51**	77	182
Tax positions related to prior years	**64**	247	403
Decreases:			
Tax positions related to prior years	**(44)**	(457)	(145)
Settlements with tax authorities	**(25)**	(2)	(138)
Lapse of statute of limitations	**(37)**	(19)	(6)
Effects of foreign currency translations	**(2)**	—	—
Balance, December 31	**$ 1,230**	$ 1,223	$ 1,377

Included in the unrecognized tax benefits of $1.2 billion for both December 31, 2012 and 2011 and $1.4 billion for December 31, 2010, are approximately $452 million, $440 million and $476 million, respectively, that, if recognized, would favorably affect the effective tax rate in a future period.

The Company believes it is reasonably possible that its unrecognized tax benefits could decrease within the next 12 months by as much as $971 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 $971 million of unrecognized tax benefits, approximately $667 million relates to amounts that if recognized would be recorded to shareholders' equity and would not impact the effective tax rate. With respect to the remaining $304 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, 2012, 2011 and 2010, the Company recognized approximately $(8) million, $(63) million and $31 million, respectively, of interest and penalties. The Company has approximately $155 million and $163 million accrued for the payment of interest and penalties as of December 31, 2012 and 2011, 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 (EPS)

The computations of basic and diluted EPS for the years ended December 31 were as follows:

(Millions, except per share amounts)	**2012**	2011	2010
Numerator:			
Basic and diluted:			
Income from continuing operations	**$ 4,482**	$ 4,899	$ 4,057
Earnings allocated to participating share awards [a]	**(49)**	(58)	(51)
Income from discontinued operations, net of tax	**—**	36	—
Net income attributable to common shareholders	**$ 4,433**	$ 4,877	$ 4,006
Denominator: [a]			
Basic: Weighted-average common stock	**1,135**	1,178	1,188
Add: Weighted-average stock options [b]	**6**	6	7
Diluted	**1,141**	1,184	1,195
Basic EPS:			
Income from continuing operations attributable to common shareholders	**$ 3.91**	$ 4.11	$ 3.37
Income from discontinued operations	**—**	0.03	—
Net income attributable to common shareholders	**$ 3.91**	$ 4.14	$ 3.37
Diluted EPS:			
Income from continuing operations attributable to common shareholders	**$ 3.89**	$ 4.09	$ 3.35
Income from discontinued operations	**—**	0.03	—
Net income attributable to common shareholders	**$ 3.89**	$ 4.12	$ 3.35

(a) The Company's unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) For the years ended December 31, 2012, 2011 and 2010, the dilutive effect of unexercised stock options excludes 8 million, 19 million and 36 million options, respectively, from the computation of EPS because inclusion of the options would have been anti-dilutive.

For the years ended December 31, 2012, 2011 and 2010, the Company met specified performance measures related to the Subordinated Debentures of $750 million issued in 2006, which resulted in no impact to EPS. If the performance measures were not achieved in any given quarter, the Company would be required to issue common shares and apply the proceeds to make interest payments.

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)	**2012**	2011	2010
Foreign currency conversion revenue	**$ 855**	$ 861	$ 838
Delinquency fees	**604**	567	605
Service fees	**362**	355	328
Other	**496**	486	260
Total other commissions and fees	**$ 2,317**	$ 2,269	$ 2,031

The following is a detail of other revenues for the years ended December 31:

(Millions)	**2012**	2011	2010
Global Network Services partner revenues	**$ 664**	$ 655	$ 530
Net gain (loss) on investment securities	**126**	16	(5)
Other	**1,662**	1,493	1,402
Total other revenues	**$ 2,452**	$ 2,164	$ 1,927

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, Travelers Cheques related revenues, 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)	**2012**	2011	2010
Marketing and promotion	**$ 2,890**	$ 2,996	$ 3,147
Cardmember rewards	**6,282**	6,218	5,000
Cardmember services	**799**	716	591
Total marketing, promotion, rewards and cardmember services	**$ 9,971**	$ 9,930	$ 8,738

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) and co-brand arrangements. Cardmember services expense includes protection plans and complimentary services provided to cardmembers.

The following is a detail of other, net for the years ended December 31:

(Millions)	**2012**	2011	2010
Professional services	**$ 2,963**	$ 2,951	$ 2,806
Occupancy and equipment	**1,823**	1,685	1,562
Communications	**383**	378	383
MasterCard and Visa settlements, net of legal fees	**—**	(562)	(852)
Other	**1,404**	1,260	1,208
Total other, net	**$ 6,573**	$ 5,712	$ 5,107

Other expense includes general operating expenses, gains (losses) on sale of assets or businesses not classified as discontinued operations, litigation, internal and regulatory review-related reimbursements and insurance costs or settlements, investment impairments and certain 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 36 million, 38 million and 40 million common shares unissued and available for grant as of December 31, 2012, 2011 and 2010, 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, 2012, 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, 2011	42,457	$ 41.63	13,996	$ 33.69
Granted	**1,205**	**$ 49.23**	**4,270**	**$ 49.80**
Exercised/vested	**(10,429)**	**$ 35.28**	**(5,782)**	**$ 31.53**
Forfeited	**(280)**	**$ 34.55**	**(684)**	**$ 37.84**
Expired	**(1,092)**	**$ 54.05**	**—**	**$ —**
Outstanding as of December 31, 2012	**31,861**	**$ 43.62**	**11,800**	**$ 40.31**
Options vested and expected to vest as of December 31, 2012	**31,792**	**$ 43.61**	**—**	**—**
Options exercisable as of December 31, 2012	**27,309**	**$ 44.91**	**—**	**—**

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, 2012 are as follows:

	Outstanding	Exercisable	Vested and Expected to Vest
Weighted-average remaining contractual life *(in years)*	**4.6**	**4.1**	**4.6**
Aggregate intrinsic value *(millions)*	**$ 444**	**$ 346**	**$ 443**

The intrinsic value for options exercised during 2012, 2011 and 2010 was $209 million, $206 million and $130 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 2012, 2011 and 2010 was $368 million, $503 million and $619 million, respectively. The tax benefit realized from income tax deductions from stock option exercises, which was recorded in additional paid-in capital, in 2012, 2011 and 2010 was $45 million, $60 million and $35 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 were used for grants issued in 2012, 2011 and 2010, the majority of which were granted in the beginning of each year:

	2012	2011	2010
Dividend yield	**1.5%**	1.6%	1.8%
Expected volatility [a]	**41%**	40%	41%
Risk-free interest rate	**1.3%**	2.3%	2.8%
Expected life of stock option (*in years*) [b]	**6.3**	6.2	6.2
Weighted-average fair value per option	**$ 17.48**	$ 16.21	$ 14.11

(a) The expected volatility is based on both weighted historical and implied volatilities of the Company's common stock price.
(b) In 2012, 2011 and 2010, the expected life of stock options was determined using both historical data and expectations of option exercise behavior.

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 2012, 2011 and 2010.

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 $0.5 million was recorded in 2012 and approximately $2.4 million was recorded in both 2011 and 2010.

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 2012, 2011 and 2010 was $296 million, $221 million and $175 million, respectively (based upon the Company's stock price at the vesting date).

The weighted-average grant date fair value of RSAs granted in 2012, 2011 and 2010, is $49.80, $45.11 and $38.63, 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, market and service conditions and vest over periods of one to three years.

PGs and other incentive awards are generally settled with cash and thus 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 vesting period. Cash paid upon vesting of these awards in 2012, 2011 and 2010 was $66 million, $58 million and $64 million, respectively.

SUMMARY OF STOCK PLAN EXPENSE

The components of the Company's total stock-based compensation expense (net of forfeitures) for the years ended December 31 are as follows:

(Millions)	2012	2011	2010
Restricted stock awards [a]	**$ 197**	$ 176	$ 163
Stock options [a]	**29**	40	58
Liability-based awards	**70**	83	64
Performance/market-based stock options	**1**	2	2
Total stock-based compensation expense [b]	**$ 297**	$ 301	$ 287

(a) As of December 31, 2012, the total unrecognized compensation cost related to unvested RSAs and options of $237 million and $27 million, respectively, will be recognized ratably over the weighted-average remaining vesting period of 1.6 years and 1.4 years, respectively.
(b) The total income tax benefit recognized in the Consolidated Statements of Income for stock-based compensation arrangements for the years ended December 31, 2012, 2011 and 2010 was $107 million, $105 million and $100 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)	**2012**	2011	2010
Defined benefit pension plan cost	**$ 74**	$ 51	$ 40
Defined contribution plan cost	**254**	252	217
Other postretirement benefit plan cost	**19**	23	25
Net periodic benefit cost	**$ 347**	$ 326	$ 282

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, 2012, the net funded status related to the defined benefit pension plans was underfunded by $486 million, as shown in the following table:

(Millions)	**2012**	2011
Net funded status, beginning of year	**$ (443)**	$ (383)
Increase in fair value of plan assets	**240**	17
Increase in projected benefit obligation	**(283)**	(77)
Net change	**(43)**	(60)
Net funded status, end of year	**$ (486)**	$ (443)

The net funded status amounts as of December 31, 2012 and 2011 are recognized in other liabilities on the Consolidated Balance Sheets.

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)	**2012**	2011
Fair value of plan assets, beginning of year	**$ 2,069**	$ 2,052
Actual return on plan assets	**298**	89
Employer contributions	**47**	35
Benefits paid	**(69)**	(60)
Settlements	**(66)**	(68)
Foreign currency exchange rate changes	**30**	21
Net change	**240**	17
Fair value of plan assets, end of year	**$ 2,309**	$ 2,069

Reconciliation of Change in Projected Benefit Obligation

(Millions)	**2012**	2011
Projected benefit obligation, beginning of year	**$ 2,512**	$ 2,435
Service cost	**19**	22
Interest cost	**115**	126
Benefits paid	**(69)**	(60)
Actuarial loss	**261**	33
Settlements	**(66)**	(68)
Plan amendment	**(10)**	—
Foreign currency exchange rate changes	**33**	24

Net change	**283**	77
Projected benefit obligation, end of year	**$ 2,795**	$ 2,512

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)	2012	2011
Net actuarial loss	**$ 712**	$ 690
Net prior service credit	**(11)**	(2)
Total, pretax effect	**701**	688
Tax impact	**(233)**	(229)
Total, net of taxes	**$ 468**	$ 459

The estimated portion of the net actuarial loss and net prior service credit that is expected to be recognized as a component of net periodic pension benefit cost in 2013 is $73 million and $1 million, respectively.

The following table lists the amounts recognized in other comprehensive loss in 2012:

(Millions)	2012
Net actuarial loss:	
Reclassified to earnings from equity [(a)]	**$ (80)**
Losses in current year [(b)]	**102**
Net actuarial loss, pretax	**22**
Net prior service credit:	
Reclassified to earnings from equity	**1**
Gains in current year	**(10)**
Net prior service credit, pretax	**(9)**
Total, pretax	**$ 13**

(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)	2012	2011
Accumulated benefit obligation	**$ 2,718**	$ 2,459
Projected benefit obligation	**$ 2,795**	$ 2,512

The accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation that exceeds the fair value of plan assets were as follows:

(Millions)	2012	2011
Accumulated benefit obligation	**$ 2,635**	$ 2,418
Fair value of plan assets	**$ 2,222**	$ 2,028

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)	2012	2011
Projected benefit obligation	**$ 2,795**	$ 2,512
Fair value of plan assets	**$ 2,309**	$ 2,069

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)	2012	2011	2010
Service cost	**$ 19**	$ 22	$ 19
Interest cost	**115**	126	126
Expected return on plan assets	**(139)**	(148)	(145)
Amortization of prior service credit	**(1)**	—	(1)
Recognized net actuarial loss	**66**	36	23
Settlements losses	**14**	15	18
Net periodic pension benefit cost	**$ 74**	$ 51	$ 40

Assumptions

The weighted-average assumptions used to determine defined benefit pension obligations as of December 31 were as follows:

	2012	2011

Discount rates	**3.8%**	4.7%
Rates of increase in compensation levels	**3.6%**	3.7%

The weighted-average assumptions used to determine net periodic pension benefit costs as of December 31 were as follows:

	2012	2011	2010
Discount rates	**4.6%**	5.0%	5.3%
Rates of increase in compensation levels	**3.7%**	4.0%	3.6%
Expected long-term rates of return on assets	**6.7%**	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. For certain plans, the BPIC has delegated direct oversight to local investment committees. The BPIC typically meets quarterly to review the performance of the various investment managers and advisers 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.

The Company's retirement plan assets are reported at fair value. 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:

2012 *(Millions, except percentages)*	Target Allocation 2013	Total 2012	Level 1	Level 2	Level 3
U.S. equity securities	**15%**	**$ 318**	**$ 318**	**$ —**	**$ —**
International equity securities [a]	**30%**	**732**	**732**	**—**	**—**
U.S. fixed income securities	**30%**	**639**	**—**	**639**	**—**
International fixed income securities [a]	**15%**	**447**	**—**	**447**	**—**
Balanced funds	**5%**	**72**	**—**	**72**	**—**
Cash	**—**	**25**	**25**	**—**	**—**
Other [b]	**5%**	**76**	**—**	**—**	**76**
Total	**100%**	**$ 2,309**	**$ 1,075**	**$ 1,158**	**$ 76**

2011 *(Millions, except percentages)*	Target Allocation 2012	Total 2011	Level 1	Level 2	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

(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.

- Level 1 assets include investments in publicly traded equity securities and mutual funds. These securities are actively traded and valued using quoted prices for identical securities from the market exchanges.
- Level 2 assets include fixed-income securities and balanced funds that are not actively traded or whose underlying investments are valued using observable inputs. The fair value of plan assets invested in fixed-income securities is generally determined using valuation models that use observable inputs such as benchmark yields, benchmark security prices, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Plan assets invested in balanced funds comprised primarily of equity and fixed-income securities are valued using a unit price or net asset value (NAV). When measuring the fair value of such funds, the NAV, as provided by the fund sponsor, is corroborated with observable inputs provided by pricing services for the securities. In certain instances, NAVs may require adjustments to more appropriately reflect the fair value.

On an annual basis, the Company reaffirms its understanding of the valuation techniques used by its pricing services and corroborates the prices provided for reasonableness by comparing the prices from the respective pricing services to valuations obtained from different pricing sources. If pricing discrepancies are identified between different pricing sources, the Company evaluates such discrepancies to ensure that the prices used for its valuation represent the fair value of the securities.

- Level 3 assets include investments in private equity and real estate funds valued using a NAV derived from significant un-observable inputs. Where possible, private equity and real estate investments are valued using a market approach based on inputs such as trading multiples of comparable public companies and current multiples for recent private transactions in similar companies or properties. If appropriate market data does not exist, investments are valued using an income approach based on a discounted cash flow. Inputs are derived from projected data based on the operating performance of the underlying portfolio company or investments, or by using third-party appraisals. On an annual basis, the Company evaluates the inputs, assumptions and valuation methodologies of the respective fund managers to ensure that the NAVs are representative of fair value.

Refer to Note 3 for a discussion related to the three-level fair value hierarchy.

The fair value of all defined benefit pension plan assets using significant unobservable inputs (Level 3) changed during the years ended December 31 as follows:

(Millions)	**2012**	2011
Beginning fair value, January 1	**$ 106**	$ 101
Actual net gains on plan assets:		
Held at the end of the year	**7**	12
Sold during the year	**5**	2
Total net gains	**12**	14
Net purchases (sales and settlements)	**(42)**	(9)
Net (decrease) increase	**(30)**	5
Ending fair value, December 31	**$ 76**	$ 106

Benefit Payments

The Company's defined benefit pension plans expect to make benefit payments to retirees as follows:

(Millions)	2013	2014	2015	2016	2017	2018 – 2022
Expected payments	**$ 149**	**$ 162**	**$ 169**	**$ 174**	**$ 186**	**$ 954**

In addition, the Company expects to contribute $46 million to its defined benefit pension plans in 2013.

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 10 million and 11 million shares of American Express Common Stock as of December 31, 2012 and 2011, respectively, beneficially for employees. The Company matches employee before-tax and/or Roth contributions to the plan up to a maximum of 5 percent of total eligible compensation, subject to the limitations under the Internal Revenue Code (IRC). Additional annual conversion contributions of up to 8 percent of eligible compensation are provided into the RSP for eligible employees. In its sole discretion, the Company may make an annual profit-sharing contribution equal to 0 percent to 5 percent of employees' eligible compensation, and may vary the contribution amount for different groups of employees. Employees need not contribute to the RSP in order to receive a portion of any profit-sharing contribution, but must be employed on the last working day of the calendar year. Company contributions are subject to employees meeting eligibility criteria. The Company also sponsors the RRP, including RSP related accounts, 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 RRP was amended effective January 1, 2011 such that the Company matches employee contributions up to a maximum of 5 percent of total eligible compensation in excess of IRC compensation limits only to the extent the employee contributes to the RRP.

The total expense for all defined contribution retirement plans globally was $254 million, $252 million and $217 million in 2012, 2011 and 2010, respectively.

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)	**2012**	2011
Net actuarial loss	**$ 32**	$ 35
Total, pretax effect	**32**	35
Tax impact	**(12)**	(13)
Total, net of taxes	**$ 20**	$ 22

The estimated portion of the net actuarial loss that is expected to be recognized as a component of net periodic benefit cost in 2013 is nil.

The following table lists the amounts recognized in other comprehensive loss in 2012:

(Millions)	**2012**
Net actuarial gain:	
Reclassified to earnings from equity [a]	**$ (1)**
Gains in current year [b]	**(2)**
Net actuarial gain, pretax	**$ (3)**

(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)	**2012**	2011
Projected benefit obligation, beginning of year	**$ 311**	$ 319
Service cost	**4**	5
Interest cost	**14**	16
Benefits paid	**(17)**	(18)
Actuarial gain	**(2)**	(5)
Curtailment gain	**—**	(6)
Net change	**(1)**	(8)
Projected benefit obligation, end of year	**$ 310**	$ 311

The plans are unfunded and the obligations as of December 31, 2012 and 2011 are recognized in other liabilities on the Consolidated Balance Sheets.

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)	**2012**	2011	2010
Service cost	**$ 4**	$ 5	$ 6
Interest cost	**14**	16	17
Recognized net actuarial loss	**1**	3	2
Curtailment gain	**—**	(1)	—
Net periodic benefit cost	**$ 19**	$ 23	$ 25

Assumptions

The weighted-average assumptions used to determine benefit obligations were:

	2012	2011
Discount rates	**3.6%**	4.5%
Health care cost increase rate:		
Following year	**7.5%**	8.0%
Decreasing to the year 2018	**5.0%**	5.0%

The weighted-average discount rate used to determine net periodic benefit cost was 4.4 percent, 4.9 percent and 5.4 percent in 2012, 2011 and 2010, 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:

(Millions)	One percentage-point increase **2012**	One percentage-point increase 2011	One percentage-point decrease **2012**	One percentage-point decrease 2011
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**	$ 13	**$ (12)**	$ (12)

Benefit Payments

The Company's other postretirement benefit plans expect to make benefit payments as follows:

(Millions)	2013	2014	2015	2016	2017	2018 – 2022
Expected payments	**$ 21**	**$ 22**	**$ 22**	**$ 22**	**$ 22**	**$ 108**

In addition, the Company expects to contribute $21 million to its other postretirement benefit plans in 2013.

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)	**2012**	2011
On-balance sheet:		
Individuals [(a)]	**$ 95**	$ 92
Financial institutions [(b)]	**25**	28
U.S. Government and agencies [(c)]	**5**	6
All other [(d)]	**16**	16
Total on-balance sheet [(e)]	**$ 141**	$ 142
Unused lines-of-credit — individuals [(f)]	**$ 253**	$ 238

(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 generally 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, 2012 and 2011, 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)	**2012**	2011
On-balance sheet:		
United States	**$ 85**	$ 82
Non-U.S.	**23**	22
On-balance sheet [(a)(b)]	**$ 108**	$ 104
Unused lines-of-credit — individuals:		
United States	**$ 208**	$ 195
Non-U.S.	**45**	43
Total unused lines-of-credit — individuals	**$ 253**	$ 238

(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 payments 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.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (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).

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, 2012 and 2011, the Company and its Banks met all capital requirements to which each was subject and maintain regulatory capital ratios in excess of those required to qualify as well capitalized.

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, 2012:					
American Express Company	**$ 14,920**	**$ 17,349**	**11.9%**	**13.8%**	**10.2%**
American Express Centurion Bank	**$ 5,814**	**$ 6,227**	**17.6%**	**18.9%**	**17.0%**
American Express Bank, FSB	**$ 6,649**	**$ 7,556**	**16.5%**	**18.7%**	**17.5%**[a]
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%[b]
Well-capitalized ratios [d]			6.0%	10.0%	5.0%[c]
Minimum capital ratios [d]			4.0%	8.0%	4.0%

(a) FSB leverage ratio is calculated using ending total assets as prescribed by OCC regulations applicable to federal savings banks.
(b) 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.
(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.
(d) As defined by the regulations issued by the Federal Reserve, OCC and FDIC.

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, 2012, the aggregate amount of net assets of subsidiaries that are restricted to be transferred to the 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 years ended December 31, 2012 and 2011, Centurion Bank paid dividends from retained earnings to its parent of $2.0 billion and $1.5 billion, respectively, and FSB paid dividends from retained earnings to its parent of $1.5 billion and $0.6 billion, respectively.

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, 2012 and 2011, the Banks' retained earnings, in the aggregate, available for the payment of dividends were $4.7 billion and $4.6

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 out of the conduct of their respective business activities and are periodically subject to governmental and regulatory examinations, information gathering requests, subpoenas, inquiries and investigations (collectively, governmental examinations). As of December 31, 2012, the Company and various of its subsidiaries were named as a defendant or were otherwise involved in numerous legal proceedings and governmental examinations in various jurisdictions, both in and outside the United States. The Company discloses its material legal proceedings and governmental examinations under "Legal Proceedings" in its Annual Report on Form 10-K for the year ended December 31, 2012 (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. As discussed below, there may be instances in which an exposure to loss exceeds 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 or a revision to the disclosed estimated range of possible losses, as applicable.

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 so 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 where 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 $430 million in excess of any accrued liability 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 current estimates.

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 earnings 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 and 2010, and $300 million ($186 million after-tax) from

MasterCard in 2011, and $600 million ($372 million after-tax) from MasterCard in 2010. 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 $4.1 billion as of December 31, 2012.

RENT EXPENSE AND LEASE COMMITMENTS

The Company leases certain facilities and equipment under noncancelable and cancelable agreements. The total rental expense amounted to $305 million in 2012 (including lease termination penalties of $13 million), $280 million in 2011 and $250 million in 2010.

As of December 31, 2012, the minimum aggregate rental commitment under all noncancelable operating leases (net of subleases of $22 million) was as follows:

(Millions)	
2013	**$ 275**
2014	**240**
2015	**199**
2016	**153**
2017	**131**
Thereafter	**1,005**
Total	**$ 2,003**

As of December 31, 2012, the Company's future minimum lease payments under capital leases or other similar arrangements is approximately $10 million per year from 2013 through 2014, $3 million in 2015 through 2017, and $11 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 Global Payment Options), as well as other Company operations are included in Corporate & Other.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents certain selected financial information as of or for the years ended December 31, 2012, 2011 and 2010.

(Millions, except where indicated)	USCS	ICS	GCS	GNMS	Corporate & Other [a]	Consolidated
2012						
Non-interest revenues	**$ 11,469**	**$ 4,561**	**$ 4,995**	**$ 5,005**	**$ 924**	**$ 26,954**
Interest income	**5,342**	**1,147**	**11**	**23**	**331**	**6,854**
Interest expense	**765**	**402**	**257**	**(243)**	**1,045**	**2,226**
Total revenues net of interest expense	**16,046**	**5,306**	**4,749**	**5,271**	**210**	**31,582**
Total provision	**1,429**	**330**	**136**	**74**	**21**	**1,990**
Pretax income (loss) from continuing operations	**4,069**	**659**	**960**	**2,219**	**(1,456)**	**6,451**
Income tax provision (benefit)	**1,477**	**25**	**316**	**776**	**(625)**	**1,969**
Income (loss) from continuing operations	**$ 2,592**	**$ 634**	**$ 644**	**$ 1,443**	**$ (831)**	**$ 4,482**
Total equity *(billions)*	**$ 8.7**	**$ 2.9**	**$ 3.6**	**$ 2.0**	**$ 1.7**	**$ 18.9**
2011						
Non-interest revenues	$ 10,804	$ 4,470	$ 4,880	$ 4,713	$ 719	$ 25,586
Interest income	5,074	1,195	9	5	413	6,696
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	$ 1.6	$ 18.8
2010						
Non-interest revenues	$ 9,997	$ 3,784	$ 4,347	$ 4,101	$ 703	$ 22,932
Interest income	5,277	1,287	7	4	498	7,073
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

(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

An 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.

AMERICAN EXPRESS COMPANY

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
2012 [c]						
Total revenues net of interest expense	**$ 22,631**	**$ 3,594**	**$ 3,106**	**$ 2,774**	**$ (523)**	**$ 31,582**
Pretax income (loss) from continuing operations	**$ 6,468**	**$ 505**	**$ 426**	**$ 605**	**$ (1,553)**	**$ 6,451**
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

(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.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26

PARENT COMPANY

Parent Company — Condensed Statements of Income

Years Ended December 31 *(Millions)*	2012	2011	2010
Revenues			
Non-interest revenues			
Gain on sale of securities	**$ 121**	$ 15	$ —
Other	**(12)**	3	8
Total non-interest revenues	**109**	18	8
Interest income	**137**	142	136
Interest expense	**(609)**	(633)	(638)
Total revenues net of interest expense	**(363)**	(473)	(494)
Expenses			
Salaries and employee benefits	**165**	173	153
Other	**214**	186	117
Total	**379**	359	270
Pretax loss	**(742)**	(832)	(764)
Income tax benefit	**(258)**	(346)	(292)
Net loss before equity in net income of subsidiaries and affiliates	**(484)**	(486)	(472)
Equity in net income of subsidiaries and affiliates	**4,966**	5,385	4,529
Income from continuing operations	**4,482**	4,899	4,057
Income from discontinued operations, net of tax	**—**	36	—
Net income	**$ 4,482**	$ 4,935	$ 4,057

Parent Company — Condensed Balance Sheets

As of December 31 *(Millions)*	2012	2011
Assets		
Cash and cash equivalents	**$ 4,797**	$ 6,914
Investment securities	**296**	360
Equity in net assets of subsidiaries and affiliates of continuing operations	**19,087**	17,374
Accounts receivable, less reserves	**655**	53
Premises and equipment, less accumulated depreciation: 2012, $59; 2011, $44	**117**	96
Loans to subsidiaries and affiliates	**6,733**	5,132
Due from subsidiaries and affiliates	**1,189**	1,363
Other assets	**441**	769
Total assets	**$ 33,315**	$ 32,061
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and other liabilities	**$ 1,474**	$ 1,466
Due to subsidiaries and affiliates	**1,069**	823
Short-term debt of subsidiaries and affiliates	**2,316**	895
Long-term debt	**9,570**	10,083
Total liabilities	**14,429**	13,267
Shareholders' equity		
Common shares	**221**	232
Additional paid-in capital	**12,067**	12,217
Retained earnings	**7,525**	7,221
Accumulated other comprehensive loss	**(927)**	(876)
Total shareholders' equity	**18,886**	18,794
Total liabilities and shareholders' equity	**$ 33,315**	$ 32,061

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, 2012, there were no draw downs against this line.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Parent Company — Condensed Statements of Cash Flows

Years Ended December 31 *(Millions)*	**2012**	2011	2010
Cash Flows from Operating Activities			
Net income	**$ 4,482**	$ 4,935	$ 4,057
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in net income of subsidiaries and affiliates:			
— Continuing operations	**(4,966)**	(5,385)	(4,530)
— Discontinued operations	**—**	(36)	—
Dividends received from subsidiaries and affiliates	**3,355**	3,773	1,999
Gain on sale of securities	**(121)**	(15)	—
Other operating activities, primarily with subsidiaries and affiliates	**196**	671	(39)
Premium paid on debt exchange	**(541)**	—	—
Net cash provided by operating activities	**2,405**	3,943	1,487
Cash Flows from Investing Activities			
Sale/redemption of investments	**118**	20	9
Premises and equipment	**(38)**	(35)	(32)
Loans to subsidiaries and affiliates	**(1,601)**	(189)	(1,064)
Purchase of investments	**—**	(2)	(3)
Investments in subsidiaries and affiliates	**(11)**	(18)	—
Net cash used in investing activities	**(1,532)**	(224)	(1,090)
Cash Flows from Financing Activities			
Principal payment of debt	**—**	(400)	—
Short-term debt of subsidiaries and affiliates	**1,421**	895	—
Long-term debt of subsidiaries and affiliates	**—**	—	(15)
Issuance of American Express common shares and other	**443**	594	663
Repurchase of American Express common shares	**(3,952)**	(2,300)	(590)
Dividends paid	**(902)**	(861)	(867)
Net cash used in financing activities	**(2,990)**	(2,072)	(809)
Net change in cash and cash equivalents	**(2,117)**	1,647	(412)
Cash and cash equivalents at beginning of year	**6,914**	5,267	5,679
Cash and cash equivalents at end of year	**$ 4,797**	$ 6,914	$ 5,267
Supplemental cash flow information			
Non-cash financing activities			
Impact of the debt exchange on long-term debt	**$ 439**	$ —	$ —

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27
QUARTERLY FINANCIAL DATA (UNAUDITED)

(Millions, except per share amounts)	2012				2011			
Quarters Ended	**12/31** [a]	**9/30**	**6/30**	**3/31**	12/31	9/30	6/30	3/31
Total revenues net of interest expense	**$ 8,141**	**$ 7,862**	**$ 7,965**	**$ 7,614**	$ 7,742	$ 7,571	$ 7,618	$ 7,031
Pretax income from continuing operations	**929**	**1,870**	**1,879**	**1,773**	1,748	1,711	1,765	1,732
Income from continuing operations	**637**	**1,250**	**1,339**	**1,256**	1,192	1,235	1,295	1,177
Income from discontinued operations	**—**	**—**	**—**	**—**	—	—	36	—
Net income	**637**	**1,250**	**1,339**	**1,256**	1,192	1,235	1,331	1,177
Earnings Per Common Share — Basic:								
Income from continuing operations attributable to common shareholders [b]	**$ 0.57**	**$ 1.10**	**$ 1.16**	**$ 1.07**	$ 1.02	$ 1.04	$ 1.08	$ 0.98
Income from discontinued operations	**—**	**—**	**—**	**—**	—	—	0.03	—
Net income attributable to common shareholders [b]	**$ 0.57**	**$ 1.10**	**$ 1.16**	**$ 1.07**	$ 1.02	$ 1.04	$ 1.11	$ 0.98
Earnings Per Common Share — Diluted:								
Income from continuing operations attributable to common shareholders [b]	**$ 0.56**	**$ 1.09**	**$ 1.15**	**$ 1.07**	$ 1.01	$ 1.03	$ 1.07	$ 0.97
Income from discontinued operations	**—**	**—**	**—**	**—**	—	—	0.03	—
Net income attributable to common shareholders [b]	**$ 0.56**	**$ 1.09**	**$ 1.15**	**$ 1.07**	$ 1.01	$ 1.03	$ 1.10	$ 0.97
Cash dividends declared per common share	**$ 0.20**	**$ 0.20**	**$ 0.20**	**$ 0.20**	$ 0.18	$ 0.18	$ 0.18	$ 0.18
Common share price:								
High	**$ 59.40**	**$ 59.73**	**$ 61.42**	**$ 59.26**	$ 52.35	$ 53.80	$ 51.97	$ 46.93
Low	**$ 53.02**	**$ 54.35**	**$ 53.18**	**$ 47.40**	$ 41.30	$ 42.03	$ 45.10	$ 42.19

(a) The results of operations for the quarter ended December 31, 2012 included a $400 million restructuring charge ($287 million after-tax), a $342 million Membership Rewards expense ($212 million after-tax) and $153 million ($95 million after-tax) of cardmember reimbursements. The $153 million includes amounts related to prior periods, with $49 million relating to the first three quarters of 2012 and $83 million relating to periods prior to January 1, 2012. The Company has assessed the materiality of these errors on all prior periods and concluded that the impact was not material to those prior periods or to any quarter or full year for 2012.

(b) Represents income from continuing operations or net income, as applicable, less earnings allocated to participating share awards of $7 million for the quarter ended December 31, 2012, $14 million for each of the quarters ended September 30, 2012, June 30, 2012, March 31, 2012 and December 31, 2011, respectively, $15 million for each of the quarters ended September 30, 2011 and June 30, 2011, respectively, and $14 million for the quarter ended March 31, 2011.

AMERICAN EXPRESS COMPANY

CONSOLIDATED FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(Millions, except per share amounts, share data, percentages and where indicated)	**2012**	2011	2010	2009	2008
Operating Results					
Total revenues net of interest expense	**$ 31,582**	$ 29,962	$ 27,582	$ 24,336	$ 28,227
Expenses	**23,141**	21,894	19,411	16,182	18,848
Provisions for losses	**1,990**	1,112	2,207	5,313	5,798
Income from continuing operations	**4,482**	4,899	4,057	2,137	2,871
Income (Loss) from discontinued operations	**—**	36	—	(7)	(172)
Net income	**4,482**	4,935	4,057	2,130	2,699
Return on average equity [(a)]	**23.1%**	27.7%	27.5%	14.6%	22.3%
Balance Sheet					
Cash and cash equivalents	**$ 22,250**	$ 24,893	$ 16,356	$ 16,599	$ 21,651
Accounts receivable, net	**45,914**	44,109	40,434	38,204	36,571
Loans, net	**64,309**	61,166	57,616	30,010	40,659
Investment securities	**5,614**	7,147	14,010	24,337	12,526
Assets of discontinued operations	**—**	—	—	—	216
Total assets	**153,140**	153,337	146,689	125,145	127,178
Customer deposits	**39,803**	37,898	29,727	26,289	15,486
Travelers Cheques outstanding and other prepaid products	**4,601**	5,123	5,618	5,975	6,433
Short-term borrowings [(b)]	**3,314**	4,337	3,620	2,344	8,993
Long-term debt	**58,973**	59,570	66,416	52,338	60,041
Liabilities of discontinued operations	**—**	—	—	—	260
Shareholders' equity	**18,886**	18,794	16,230	14,406	11,841
Common Share Statistics					
Earnings per share:					
Income from continuing operations:					
Basic	**$ 3.91**	$ 4.11	$ 3.37	$ 1.55	$ 2.47
Diluted	**$ 3.89**	$ 4.09	$ 3.35	$ 1.54	$ 2.47
Income (Loss) from discontinued operations:					
Basic	**$ —**	$ 0.03	$ —	$ (0.01)	$ (0.14)
Diluted	**$ —**	$ 0.03	$ —	$ —	$ (0.15)
Net income:					
Basic	**$ 3.91**	$ 4.14	$ 3.37	$ 1.54	$ 2.33
Diluted	**$ 3.89**	$ 4.12	$ 3.35	$ 1.54	$ 2.32
Cash dividends declared per share	**$ 0.80**	$ 0.72	$ 0.72	$ 0.72	$ 0.72
Book value per share	**$ 17.09**	$ 16.15	$ 13.56	$ 12.08	$ 10.21
Market price per share:					
High	**$ 61.42**	$ 53.80	$ 49.19	$ 42.25	$ 52.63
Low	**$ 47.40**	$ 41.30	$ 36.60	$ 9.71	$ 16.55
Close	**$ 57.48**	$ 47.17	$ 42.92	$ 40.52	$ 18.55
Average common shares outstanding for earnings per share:					
Basic	**1,135**	1,178	1,188	1,168	1,154
Diluted	**1,141**	1,184	1,195	1,171	1,156
Shares outstanding at period end	**1,105**	1,164	1,197	1,192	1,160
Other Statistics					
Number of employees at period end *(thousands)* :					
United States	**27**	29	29	28	31
Outside the United States	**37**	33	32	31	35
Total [(c)]	**64**	62	61	59	66
Number of shareholders of record	**32,565**	35,541	38,384	41,273	43,257

(a) Return on average equity is calculated by dividing one-year period of net income by one-year average of total shareholders' equity.
(b) In the first quarter of 2012, the Company reclassified $913 million and $206 million on the December 31, 2011 and 2010 Consolidated Balance Sheets, respectively, by increasing short-term borrowings and reducing other liabilities, from amounts previously reported in order to correct the effect of a misclassification.
(c) 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	New York
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. de R.L. de C.V.	Mexico	Mexico
American Express Bank, FSB	United States	
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 Insurance Services, Agente de Seguros, S.A. de C.V.	Mexico	Mexico
American Express Servicios Profesionales, S. de R.L. de C.V.	Mexico	Mexico
American Express Credit Corporation	United States	Delaware
American Express Capital Australia	Australia	Australia
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 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
American Express Limited	United States	Delaware
American Express (Malaysia) SDN. BHD.	Malaysia	Malaysia
American Express Brasil Assessoria Empresarial Ltda.	Brazil	Brazil
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 European Holdings B.V.	Netherlands	Netherlands
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
American Express International (B) SDN BHD	Brunei	Brunei

Name	Country Name	State /Country of Incorporation
American Express International, Inc.	United States	Delaware
AE Exposure Management Limited	Jersey	Jersey
American Express (India) Private Limited	India	India
American Express (Thai) Company Limited	Thailand	Thailand
American Express Advanced Services Europe Limited.	Argentina	Argentina
American Express Asia Network Consulting (Beijing) Limited Company	China	China
American Express Continental, LLC	United States	Delaware
American Express Australia Limited	Australia	Australia
American Express Wholesale Currency Services Pty Limited	Australia	Australia
Centurion Finance Limited	New Zealand	New Zealand
American Express Dutch Capital, LLC	United States	Delaware
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, 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
Amex Funding Management (Europe) Limited	Jersey	Jersey
Loyalty Partner Holdings S.A.	Luxembourg	Luxembourg
LB Luxembourg Two S.a.r.l.	Luxembourg	Luxembourg
Loyalty Partner 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
Amex Global Holdings C.V.	Jersey	Netherlands
Amex NL Holdings 99, LLC	United States	Delaware
American Express Holdings Netherlands CV	Netherlands	Netherlands
Loyalty Partner Holdings B.V.	Netherlands	Netherlands
Loyalty Partner Services México, S. de R.L. de C.V.	Mexico	Mexico
Payback Mexico S. de R.L. de C.V	Mexico	Mexico
American Express Denmark A/S	Denmark	Denmark
American Express Europe Limited	United States	Delaware
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
American Express International (Taiwan), Inc.	Taiwan	Taiwan
American Express International Holdings, LLC	United States	Delaware

Name	Country Name	State /Country of Incorporation
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 Broker Assicurativo s.r.l.	Italy	Italy
Amex Canada Inc.	Canada	Canada
American Express Carte France SA	France	France
American Express Services SA	France	France
American Express Paris SAS	France	France
American Express Voyages SAS	France	France
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	India
American Express Swiss Holdings GmbH	Switzerland	Switzerland
Swisscard AECS AG	Switzerland	Switzerland
American Express Technology Service (Hangzhou) Company Limited	China	China
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 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
Sociedad Internacional de Servicios de Panama S.A.	Panama	Panama
American Express Service (Thailand) Company Limited	Thailand	Thailand
PT American Express Indonesia	Indonesia	Indonesia
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 Receivables Financing Corporation VIII LLC	United States	Delaware
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
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
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

Name	Country Name	State /Country of Incorporation
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
Rexport, 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 on Form S-8 (No. 33-53801, No. 333-52699, No. 333-98479 and No. 333-142710), Form S-3 (No. 2-89469, No. 333-32525 and No. 333-185242), and Form S-4 (No. 333-185969) of American Express Company of our report dated February 22, 2013, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the 2012 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 22, 2013

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 22, 2013

/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 22, 2013

/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, 2012, 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 22, 2013

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, 2012, 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 22, 2013

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.