

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, 2020

OR

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

For the transition period from to

Commission File No. 1-7657



American Express Company

(Exact name of registrant as specified in its charter)

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

200 Vesey Street
New York, New York
(Address of principal executive offices)

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

10285
(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares (par value \$0.20 per Share)	AXP	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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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, 2020, the aggregate market value of the registrant's voting shares held by non-affiliates of the registrant was approximately \$76.6 billion based on the closing sale price as reported on the New York Stock Exchange.

As of February 3, 2021, there were 805,588,980 common shares of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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 May 4, 2021.

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This Annual Report on Form 10-K, including the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. You can identify forward-looking statements by words such as “believe,” “expect,” “anticipate,” “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” and “Cautionary Note Regarding Forward-Looking Statements.” 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 trade names of other companies, which are the property of their respective owners. Solely for convenience, our trademarks and trade names 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 trade names.

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

PART I

ITEM 1. BUSINESS

Overview

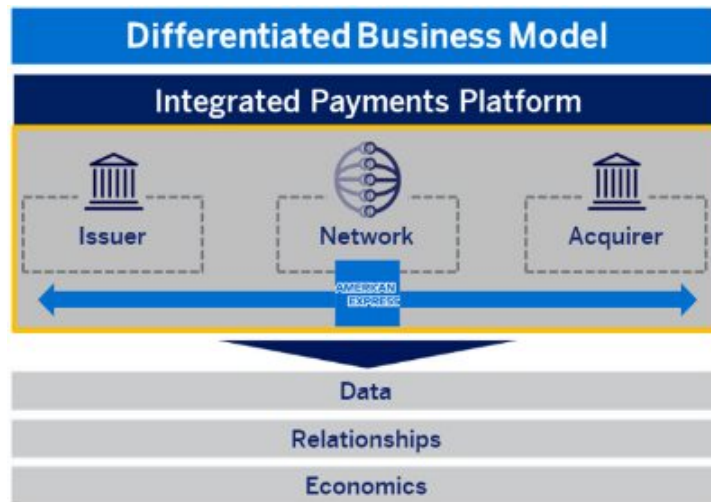
American Express is a globally integrated payments company that provides our customers with access to products, insights and experiences that enrich lives and build business success. We are a leader in providing credit and charge cards to consumers, small businesses, mid-sized companies and large corporations around the world. American Express® cards issued by American Express as well as by third-party banks and other institutions on the American Express network permit Card Members to charge purchases of goods and services at the millions of merchants around the world that accept cards bearing our logo.

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

We were founded in 1850 as a joint stock association and 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 supervision and examination by the Board of Governors of the Federal Reserve System (the Federal Reserve).

We principally engage in businesses comprising three reportable operating segments: Global Consumer Services Group (GCSG), Global Commercial Services (GCS) and Global Merchant and Network Services (GMNS). Corporate functions and certain other businesses are included in Corporate & Other. Our businesses are global in scope and function together to form our end-to-end integrated payments platform, which we believe is a differentiator that underpins our business model. The COVID-19 pandemic has brought unprecedented challenges to businesses and economies around the world. While our business was significantly impacted by the pandemic in 2020 as further described in this report, we believe our progress in managing through it confirms the resilience of our differentiated business model.

For further information about our reportable operating segments, please see “Business Segment Results of Operations” under “MD&A.”



Our Integrated Payments Platform

Through our general-purpose card-issuing, merchant-acquiring and card network businesses, we are able to connect participants and provide differentiated value across the commerce path. We maintain direct relationships with both our Card Members (as a card issuer) and merchants (as an acquirer), and we handle all key aspects of those relationships. These relationships create a “closed loop” in that we have direct access to information at both ends of the card transaction, which distinguishes our integrated payments platform from the bankcard networks.

Our integrated payments platform allows us to analyze information on Card Member spending and build algorithms and other analytical tools that we use to underwrite risk, reduce fraud and provide targeted marketing and other information services for merchants and special offers and services to Card Members, all while respecting Card Member preferences and protecting Card Member and merchant data in compliance with applicable policies and legal requirements. Through contractual relationships, we also obtain information from third-party card issuers, merchant acquirers, aggregators and processors with whom we do business.

Card Issuing Businesses

Our global proprietary card-issuing businesses are conducted through our GCSG and GCS reportable operating segments. We offer a broad set of card products, rewards and services to a diverse consumer and commercial customer base, in the United States and internationally. We acquire and retain high-spending, engaged and creditworthy Card Members by:

- Designing innovative products and features that appeal to our target customer base and meet their spending and borrowing needs
- Using incentives to drive spending on our various card products and engender loyal Card Members, including our Membership Rewards® program, cash-back reward features and participation in loyalty programs sponsored by our cobrand and other partners
- Providing digital and mobile services and an array of benefits and experiences across card products, such as airport lounge access and other travel and lifestyle benefits, which we believe are difficult for others to replicate and help increase Card Member engagement
- Creating world-class service experiences by delivering exceptional customer care
- Developing a wide range of partner relationships, including with other corporations and institutions that sponsor certain of our cards under cobrand arrangements and provide benefits and services to our Card Members

During 2020, we enhanced our value propositions on many of our card products, including adjusting our rewards programs and adding limited time offers and statement credits in categories that are relevant in the current environment, such as wireless, streaming services, business essentials and food delivery. We also created a Customer Pandemic Relief Program to provide short-term support for customers impacted by COVID-19, and we enhanced and expanded our longer-term Financial Relief Program for Card Members who need additional financial assistance during this time. Additionally, we participated in the U.S. Small Business Administration Paycheck Protection Program (PPP), designed to provide small businesses with support to cover payroll and certain other expenses.

For the year ended December 31, 2020, worldwide proprietary billed business (spending on American Express cards issued by us) was \$870.7 billion and at December 31, 2020, we had 68.9 million proprietary cards-in-force worldwide.

Merchant Acquiring Business

Our GMNS reportable operating segment builds and manages relationships with millions of merchants around the world that choose to accept American Express cards. This includes signing new merchants to accept our cards, agreeing on the discount rate (a fee charged to the merchant for accepting our cards) and handling servicing for merchants. We also build and maintain relationships with merchant acquirers, aggregators and processors to manage aspects of our merchant services business. For example, through our OptBlue® merchant-acquiring program, third-party acquirers contract directly with small merchants for card acceptance on our network and determine merchant pricing. We continue to grow merchant acceptance of American Express cards around the world and work with merchant partners so that our Card Members are warmly welcomed and encouraged to spend in the millions of places where their American Express cards are accepted.

GMNS also provides fraud-prevention tools, marketing solutions, data analytics and other programs and services to merchants and other partners that leverage the capabilities of our integrated payments platform.

During 2020, we adjusted certain policies to back our merchant partners in the current environment, including raising contactless transaction thresholds and reminding them that we do not require Card Members' signatures at the point of sale. We also launched our largest-ever Shop Small campaign to support small businesses around the world, which have been significantly impacted by the pandemic.

Card Network Business

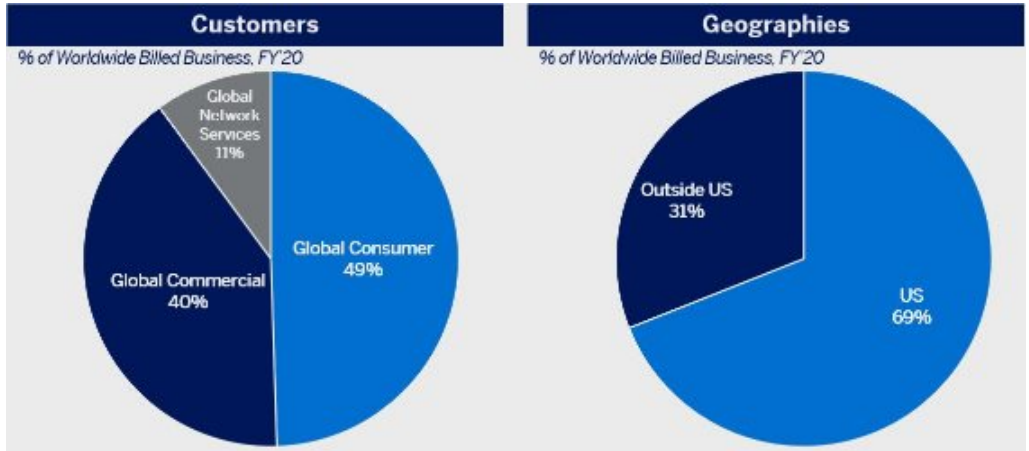
We operate a payments network through which we establish and maintain relationships with third-party banks and other institutions in approximately 98 countries and territories, licensing the American Express brand and extending the reach of our global network. These network partners are licensed to issue local currency American Express-branded cards in their countries and/or serve as the merchant acquirer for local merchants on our network.

During 2020, our joint venture with Lianlian DigiTech Co., Ltd, a Chinese fintech services company, received approval from the People's Bank of China for a network clearing license and began processing transactions in mainland China.

For the year ended December 31, 2020, worldwide network services billed business (spending on American Express cards issued by third parties) was \$139.9 billion and at December 31, 2020, we had 43.1 million cards-in-force issued by third parties worldwide.

Diverse Customer Base and Global Footprint

Our broad and diverse customer base spans consumers, small businesses, mid-sized companies and large corporations around the world. The following charts provide a summary of our diverse set of customers and broad geographic footprint based on billed business volumes:



Partners and Relationships

Our integrated payments platform allows us to work with a range of business partners, and our partners in return help drive the scale and relevance of the platform.

There are many examples of how we connect partners with our integrated payments platform, including: issuing cards under cobrand arrangements with other corporations and institutions (e.g., Delta Air Lines, Marriott International, Hilton Worldwide Holdings and British Airways); offering innovative ways for our Card Members to earn and use points with our merchants (e.g., Pay with Points at Amazon.com); expanding merchant acceptance with third-party acquirers (e.g., OptBlue partners); developing new capabilities and features with our digital partners (e.g., PayPal); integrating into the supplier payment processes of our business customers (e.g., Bill.com, SAP Ariba and Coupa); and extending the platform into travel services with American Express leisure and business travel (e.g., Fine Hotels and Resorts).

Delta Air Lines is our largest strategic partner. Our relationships with, and revenues and expenses related to, Delta are significant and represent a significant source of value for our Card Members. We issue cards under cobrand arrangements with Delta and the Delta cobrand portfolio represented approximately 9 percent of our worldwide billed business and approximately 21 percent of worldwide Card Member loans as of December 31, 2020. The Delta cobrand portfolio generates fee revenue and interest income from Card Members and discount revenue from Delta and other merchants for spending on Delta cobrand cards. The current Delta cobrand agreement runs through the end of 2029 and we expect to continue to make significant investments in this partnership. Among other things, Delta is also a key participant in our Membership Rewards program, provides travel-related benefits and services, including airport lounge access for certain American Express Card Members, accepts American Express cards as a merchant and is a corporate payments customer.

Working with all of our partners, we seek to provide value, choice and unique experiences across our customer base.

Our Spend-Centric Model and Revenue Mix

Our “spend-centric” business model focuses on generating revenues primarily by driving spending on our cards and secondarily through finance charges and fees. Spending on our cards, which is higher on average on a per-card basis versus our competitors, offers superior value to merchants in the form of loyal customers and larger transactions. Because of the revenues generated from having high-spending Card Members and the annual card fees we charge on many of our products, we are able to invest in attractive rewards and other benefits for Card Members, as well as targeted marketing and other programs and investments for merchants. This creates incentives for Card Members to spend more on their cards and positively differentiates American Express cards.

We believe our spend-centric model gives us the ability to provide differentiated value to Card Members, merchants and business partners.

The American Express Brand and Service Excellence

Our brand and its attributes—trust, security and service—are key assets. We invest heavily in managing, marketing, promoting and protecting our brand, including through the delivery of our products and services in a manner consistent with our brand promise. The American Express brand is consistently ranked as one of the most valuable brands in the world. We place significant importance on trademarks, service marks and patents, and seek to secure our intellectual property rights around the world.

We aim to provide the world’s best customer experience every day and our reputation for world-class service has been recognized by numerous awards over the years. Our customer care professionals and partners treat servicing interactions as an opportunity to bring the brand to life for our customers, add meaningful value and deepen relationships.

Our Business Strategies

Our framework for managing through the pandemic and the challenging economic environment is built on four principles: supporting our colleagues and winning as a team; protecting our customers and our brand; structuring the company for growth in the future; and remaining financially strong. We remain focused on what we can control in the short term while identifying opportunities across our businesses to position ourselves for growth in the longer term. And we seek to grow our business over the longer term by focusing on four strategic imperatives:

First, we aim to expand our leadership in the premium consumer space by continuing to deliver membership benefits that span our customers' everyday spending, borrowing, travel and lifestyle needs, expanding our roster of business partners around the globe and developing a range of experiences that attract high-spending customers.

Second, we seek to build on our strong position in commercial payments by evolving our card value propositions, further differentiating our corporate card and accounts payable expense management solutions and designing innovative products and features, including financing and supplier payment solutions for our business customers.

Third, we are focused on strengthening our global network to provide unique value by continuing to help merchants navigate the convergence of online and offline commerce with fraud protection services, marketing insights and digital connections to higher-spending Card Members and continuing to work with our network partners to offer expanded products and services.

Finally, we want to continue to make American Express an essential part of our customers' digital lives by developing more digital features, solutions and services, expanding our digital partnerships and making targeted acquisitions.

Our Colleagues

We are committed to delivering a great colleague experience every day, cultivating the best talent and developing new ways of working to unlock enterprise value. We work to foster an inclusive and diverse culture and help our colleagues thrive both professionally and personally. When we do, our colleagues are more engaged, committed, creative and effective in driving results. At the heart of our culture is what we call our Blue Box Values – a set of guiding principles that reflect who we are and what we stand for. In 2020, we updated our Blue Box Values to be more explicit about our efforts to create an inclusive and diverse workforce:

We Back Our Customers
We Make It Great
We Do What's Right
We Respect People

We Embrace Diversity
We Stand for Inclusion
We Win as A Team
We Support Our Communities

We take a holistic approach to serving our colleagues by offering them a variety of resources that support their physical, financial, emotional, social and overall well-being. Throughout the pandemic, one of our top priorities has been to ensure our colleagues have the flexibility and resources they need to stay safe, healthy and productive.

As of December 31, 2020, we employed approximately 63,700 people, whom we refer to as colleagues, with approximately 22,700 colleagues in the United States and approximately 41,000 colleagues outside the United States. We conduct an annual Colleague Experience Survey to better understand our colleagues' needs and overall experience at American Express and in 2020, 94 percent of colleagues who participated in the survey said they would recommend American Express as a great place to work. Our 2020 annual company scorecard included talent retention and diversity representation goals to globally increase minority and women representation at management levels and retain our key talent. As of December 31, 2020, female colleagues comprised 52 percent of our global workforce and Asian, Black/African American and Hispanic/Latinx people represented 19.7 percent, 12.0 percent and 13.0 percent, respectively, of our U.S. workforce based on preliminary data for our 2020 U.S. EEO-1 submission.

We regularly review our compensation practices to ensure colleagues in the same job, level and location are compensated fairly regardless of gender globally, and race and ethnicity in the United States. These reviews consider several factors known to affect compensation, including role, level, tenure, performance and geography. In the few instances where a review has found inconsistencies, we have made adjustments. After making these adjustments, we believe we achieved 100 percent pay equity in 2020 for colleagues across genders globally and across races and ethnicities in the United States.

Information About Our Executive Officers

Set forth below, in alphabetical order, is a list of our executive officers as of February 12, 2021, including each executive officer's principal occupation and employment during the past five years and reflecting recent organizational changes. 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.

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DOUGLAS E. BUCKMINSTER —	Group President, Global Consumer Services Group
Mr. Buckminster (60) has been Group President, Global Consumer Services Group since February 2018. Prior thereto, he had been President, Global Consumer Services Group since October 2015.	
JEFFREY C. CAMPBELL —	Chief Financial Officer
Mr. Campbell (60) has been Chief Financial Officer since August 2013.	
MARC D. GORDON —	Chief Information Officer
Mr. Gordon (60) has been Chief Information Officer since September 2012.	
MONIQUE HERENA —	Chief Colleague Experience Officer
Ms. Herena (49) has been Chief Colleague Experience Officer since April 2019. Ms. Herena joined American Express from BNY Mellon, where she served as the Chief Human Resources Officer and Senior Executive Vice President, Human Resources, Marketing and Communications since 2014.	
RAYMOND JOABAR —	Chief Risk Officer and President, Global Risk & Compliance
Mr. Joabar (55) has been Chief Risk Officer and President, Global Risk & Compliance since September 2019. Prior thereto, he had been President of International Consumer Services and Global Travel and Lifestyle Services since February 2018. He also served as Executive Vice President, Global Servicing Network from February 2016 to February 2018 and Executive Vice President, World Service from November 2015 to February 2016.	
ANNA MARRS —	President, Global Commercial Services
Ms. Marrs (47) has been President, Global Commercial Services since September 2018. Ms. Marrs joined American Express from Standard Chartered Bank, where she served as Regional CEO, ASEAN and South Asia since November 2016 and CEO, Commercial and Private Banking since October 2015.	
DENISE PICKETT —	President, Global Services Group
Ms. Pickett (55) has been President, Global Services Group since September 2019. Prior thereto, she had been Chief Risk Officer and President, Global Risk, Banking & Compliance since February 2018 and President, U.S. Consumer Services since October 2015.	
ELIZABETH RUTLEDGE —	Chief Marketing Officer
Ms. Rutledge (59) has been Chief Marketing Officer since February 2018. Prior thereto, she had been Executive Vice President, Global Advertising & Media since February 2016 and Executive Vice President, Card Products & Benefits since May 2013.	
LAUREEN E. SEEGER —	Chief Legal Officer
Ms. Seeger (59) has been Chief Legal Officer since July 2014.	
JENNIFER SKYLER —	Chief Corporate Affairs Officer
Ms. Skyler (44) has been Chief Corporate Affairs Officer since October 2019. Ms. Skyler joined American Express from The We Company, where she had been Chief Communications Officer from January 2018 to September 2019. Prior thereto, she had been Global Head of Public Affairs from January 2016 to January 2018.	
STEPHEN J. SQUERI —	Chairman and Chief Executive Officer
Mr. Squeri (61) has been Chairman and Chief Executive Officer since February 2018. Prior thereto, he had been Vice Chairman since July 2015.	
ANRÉ WILLIAMS —	Group President, Global Merchant and Network Services
Mr. Williams (55) has been Group President, Global Merchant and Network Services since February 2018. Prior thereto, he had been President of Global Merchant Services and Loyalty since October 2015.	

COMPETITION

We compete in the global payments industry with card networks, issuers and acquirers, paper-based transactions (e.g., cash and checks), bank transfer models (e.g., wire transfers and Automated Clearing House, or ACH), as well as evolving and growing alternative mechanisms, systems and products that leverage new technologies, business models and customer relationships to create payment or financing solutions. The payments industry continues to undergo dynamic changes in response to evolving technologies, consumer habits and merchant needs, some of which have accelerated as a result of the pandemic, such as an increased shift to e-commerce and demand for contactless payments.

As a card issuer, we compete with financial institutions that issue general-purpose credit and debit cards. We also encounter competition from businesses that issue private label cards, operate mobile wallets or extend credit. We face intense competition for cobrand relationships, as both card issuer and network competitors have targeted key business partners with attractive value propositions.

Our global card network competes in the global payments industry with other card networks, including, among others, China UnionPay, Visa, Mastercard, JCB, Discover and Diners Club International (which is owned by Discover). We are the fourth largest general-purpose card network globally based on purchase volume, behind China UnionPay, Visa and Mastercard. In addition to such networks, a range of companies globally, including merchant acquirers, processors and web- and mobile-based payment platforms (e.g., Alipay, PayPal and Venmo), as well as regional payment networks (such as the National Payments Corporation of India), carry out some activities similar to those performed by our GMNS business.

The principal competitive factors that affect the card-issuing, merchant and network businesses include:

- The features, value and quality of the products and services, including customer care, rewards programs, partnerships, benefits and digital and mobile services, and the costs associated with providing such features and services
- Reputation and brand recognition
- The number, spending characteristics and credit performance of customers
- The quantity, diversity and quality of the establishments where the cards can be used
- The attractiveness of the value proposition to card issuers, merchant acquirers, cardholders, corporate clients and merchants (including the relative cost of using or accepting the products and services, and capabilities such as fraud prevention and data analytics)
- The number and quality of other cards and other forms of payment and financing available to customers
- The success of marketing and promotional campaigns
- The speed of innovation and investment in systems, technologies, and product and service offerings
- The nature and quality of expense management tools, electronic payment methods and data capture and reporting capabilities, particularly for business customers
- The security of cardholder, merchant and network partner information

Another aspect of competition is the dynamic and rapid growth of alternative payment and financing mechanisms, systems and products, which include payment aggregators, digital payment and electronic wallet platforms, point-of-sale lenders, real-time settlement and processing systems, financial technology companies, digital currencies developed by both governments and the private sector, blockchain and similar distributed ledger technologies, prepaid systems and gift cards, and systems linked to customer accounts or that provide payment solutions. Various competitors are integrating more financial services into their product offerings and competitors are seeking to attain the benefits of closed-loop, loyalty and rewards functionalities, such as ours.

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In addition to the discussion in this section, see “*Our operating results may materially suffer because of substantial and increasingly intense competition worldwide in the payments industry*” in “Risk Factors” for further discussion of the potential impact of competition on our business, and “*Our business is subject to comprehensive government regulation and supervision, which could materially adversely affect our results of operations and financial condition*” and “*Legal proceedings regarding provisions in our merchant contracts, including non-discrimination and honor-all-cards provisions, could have a material adverse effect on our business and result in additional litigation and/or arbitrations, substantial monetary damages and damage to our reputation and brand*” in “Risk Factors” for a discussion of the potential impact on our ability to compete effectively due to government regulations or if ongoing legal proceedings limit our ability to prevent merchants from engaging in various actions to discriminate against our card products.

SUPERVISION AND REGULATION

Overview

We are subject to extensive government regulation and supervision in jurisdictions around the world, and the costs of compliance are substantial. The financial services industry is subject to rigorous scrutiny, high regulatory expectations, a range of regulations and a stringent and unpredictable enforcement environment.

Governmental authorities have focused, and we believe will continue to focus, considerable attention on reviewing compliance by financial services firms with laws and regulations, and as a result, we continually work to evolve and improve our risk management framework, governance structures, practices and procedures. Reviews to assess compliance with laws and regulations by governmental authorities, as well as our own internal reviews, have resulted in, and are likely to continue to result in, changes to our products, practices and procedures, restitution to our customers and increased costs related to regulatory oversight, supervision and examination. We have also been subject to regulatory actions and may continue to be the subject of such actions, including governmental inquiries, investigations, enforcement proceedings and the imposition of fines or civil money penalties, in the event of noncompliance or alleged noncompliance with laws or regulations. In addition, legislators and regulators in various countries in which we operate have focused on the offering of consumer financial products and the operation of payment networks, resulting in changes to certain practices or pricing of card issuers, merchant acquirers and payment networks, and, in some cases, the establishment of broad and ongoing regulatory oversight regimes.

See “Risk Factors—Legal, Regulatory and Compliance Risks” for a discussion of the potential impact legislative and regulatory changes may have on our results of operations and financial condition.

Banking Regulation

Federal and state banking laws, regulations and policies extensively regulate the Company (which, for purposes of this section, refers to American Express Company as a bank holding company), TRS and our U.S. bank subsidiary, American Express National Bank (AENB). Both the Company and TRS are subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve and AENB is supervised, regulated and examined by the Office of the Comptroller of the Currency (OCC). The Company and its subsidiaries are also subject to the rulemaking, enforcement and examination authority of the Consumer Financial Protection Bureau (CFPB). Banking regulators have broad examination and enforcement power, including the power to impose substantial fines, limit dividends and other capital distributions, restrict operations and acquisitions and require divestitures, any of which could compromise our competitive position. Many aspects of our business also are subject to rigorous regulation by other U.S. federal and state regulatory agencies and by non-U.S. government agencies and regulatory bodies.

Activities

The BHC Act generally limits bank holding companies to activities that are considered to be banking activities and certain closely related activities. As noted above, each of the Company and TRS is a bank holding company and each has elected to become a financial holding company, which is authorized to engage in a broader range of financial and related activities. In order to remain eligible for financial holding company status, we must meet certain eligibility requirements. Those requirements include that each of the Company and AENB must be “well capitalized” and “well managed,” and AENB must have received at least a “satisfactory” rating on its most recent assessment under the Community Reinvestment Act of 1977 (the CRA). The Company and TRS engage in various activities permissible only for financial holding companies, including, in particular, providing travel agency services, acting as a finder and engaging in certain insurance underwriting and agency services. If the Company fails to meet eligibility requirements for financial holding company status, it and its subsidiaries are 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 AENB. In addition, the Company and its subsidiaries are prohibited by law from engaging in practices that the relevant regulatory authority deems unsafe or unsound (which such authorities generally interpret broadly).

Acquisitions and Investments

Applicable federal and state laws place limitations on the ability of persons to invest in or acquire control of us without providing notice to or obtaining the approval of one or more of our regulators. In addition, we are subject to banking laws and regulations that limit our investments and acquisitions and, in some cases, subject them to the prior review and approval of our regulators, including the Federal Reserve and the OCC. Federal banking regulators have broad discretion in evaluating proposed acquisitions and investments that are subject to their prior review or approval.

Financial Regulatory Reform

In October 2019, the U.S. federal bank regulatory agencies finalized rules that tailor the application of the enhanced prudential standards to bank holding companies and depository institutions (the Tailoring Rules) pursuant to the amendments to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd Frank) introduced by the Economic Growth, Regulatory Relief, and Consumer Protection Act. The Tailoring Rules assign each U.S. bank holding company with \$100 billion or more in total consolidated assets, as well as its bank subsidiaries, to one of four categories based on its status as a U.S. global systemically important banking organization and five other risk-based indicators: (i) size, (ii) cross-jurisdictional activity, (iii) non-bank assets, (iv) off-balance sheet exposure, and (v) weighted short-term wholesale funding.

Under the Tailoring Rules, the Company (and, pursuant to the Tailoring Rules, its depository institution subsidiary, AENB) is subject to Category IV standards.

Because a firm's categorization under the Tailoring Rules is determined by, and can change over time dependent upon, how the firm measures against the risk-based indicator thresholds, we are required to monitor and periodically report these risk-based indicators and there can be no assurance that the Company will continue to be a Category IV firm in the future.

Capital and Liquidity Regulation

Capital Rules

The Company and AENB are required to comply with the applicable capital adequacy rules established by federal banking regulators. These rules are intended to ensure that bank holding companies and depository institutions (collectively, banking organizations) have adequate capital given their level of assets and off-balance sheet obligations. The federal banking regulators' current capital rules (the Capital Rules) implement the Basel Committee on Banking Supervision's (the Basel Committee) framework for strengthening international capital regulation, known as Basel III. For additional information regarding our capital ratios, see "Consolidated Capital Resources and Liquidity" under "MD&A."

Under the Capital Rules, banking organizations are required to maintain minimum ratios for Common Equity Tier 1 (CET1), Tier 1 capital (that is, CET1 plus additional Tier 1 capital) and Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets. We report our capital adequacy ratios using risk-weighted assets calculated under the standardized approach. As a Category IV firm, we are not subject to the advanced approaches capital requirements.

In December 2017, the Basel Committee published standards that, among other things, revise the standardized approach for credit risk (including by recalibrating risk weights and introducing additional capital requirements for certain "unconditionally cancellable commitments" such as unused credit card lines of credit) and provide a new standardized calculation for operational risk capital requirements. If adopted in the United States as issued by the Basel Committee and applicable to us, the new standards could result in higher capital requirements for us.

In December 2018, federal banking regulators issued a final rule that provides an optional three-year phase-in period for the adverse regulatory capital effects of adopting the Current Expected Credit Loss (CECL) methodology pursuant to new accounting guidance for the recognition of credit losses on certain financial instruments, which became effective January 1, 2020. In August 2020, federal banking regulators issued a final rule that provides an option to delay the estimated impact of the adoption of the CECL methodology on regulatory capital for up to two years, followed by the three-year phase-in period. We elected to adopt the two-year delay followed by the three-year phase-in period. Therefore, the Company will begin phasing in the cumulative amount that is not recognized in regulatory capital at 25 percent per year beginning January 1, 2022. See "Critical Accounting Estimates" under "MD&A" for additional information on CECL.

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The Company and AENB must each maintain CET1, Tier 1 capital and Total capital ratios of at least 4.5 percent, 6.0 percent and 8.0 percent, respectively. On top of these minimum capital ratios, the Company is subject to a dynamic stress capital buffer (SCB) composed entirely of CET1 with a floor of 2.5 percent and AENB is subject to a static 2.5 percent capital conservation buffer (CCB). The SCB equals (i) the difference between a bank holding company's starting and minimum projected CET1 capital ratios under the supervisory severely adverse scenario under the Federal Reserve's stress tests described below, plus (ii) one year of planned common stock dividends as a percentage of risk-weighted assets.

In August 2020, the SCB requirement for the Company was set at 2.5 percent. A bank holding company's SCB requirement is generally effective on October 1 of each year and will remain in effect through September 30 of the following year unless it is reset in connection with resubmission of a capital plan, as discussed below. As a result, the effective minimum ratios for the Company (taking into account the SCB requirement) and AENB (taking into account the CCB requirement) are 7.0 percent, 8.5 percent and 10.5 percent for the CET1, Tier 1 capital and Total capital ratios, respectively. Banking organizations whose ratios of CET1, Tier 1 Capital or Total capital to risk-weighted assets are below these effective minimum ratios face constraints on discretionary distributions such as dividends, repurchases and redemptions of capital securities, and executive compensation. The capital distribution restrictions for the first quarter of 2021 discussed under "Stress Testing and Capital Planning" below are in addition to the SCB distribution constraints for bank holding companies at least through March 31, 2021. The Federal Reserve is expected to announce by March 31, 2021 any recalibration of the SCB requirements announced in August 2020.

We are also required to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization's Tier 1 capital to its average total consolidated assets (as defined for regulatory purposes). All banking organizations are required to maintain a leverage ratio of at least 4.0 percent.

Liquidity Regulation

The Federal Reserve's enhanced prudential standards rule includes heightened liquidity and overall risk management requirements. The rule requires the maintenance of a liquidity buffer, consisting of highly liquid assets, that is sufficient to meet projected net outflows for 30 days over a range of liquidity stress scenarios, and a minimum liquidity coverage ratio (LCR) that measures a firm's high-quality liquid assets to its projected net outflows. Under the Tailoring Rules, Category IV firms with less than \$50 billion in weighted short-term wholesale funding, such as the Company, are not subject to any LCR requirement.

A second standard provided for in the Basel III liquidity framework, referred to as the net stable funding ratio (NSFR), requires a minimum amount of longer-term funding based on the assets and activities of banking entities. Under the final NSFR rule published in October 2020, Category IV firms with less than \$50 billion in weighted short-term wholesale funding, such as the Company, are not subject to any NSFR requirement.

Stress Testing and Capital Planning

Under the Federal Reserve's regulations, the Company is subject to supervisory stress testing requirements that are designed to evaluate whether a bank holding company has sufficient capital on a total consolidated basis to absorb losses and support operations under adverse economic conditions. As a Category IV firm, the Company was subject to the Federal Reserve's supervisory stress tests in 2020 and will be required to participate in the supervisory stress tests every other year thereafter.

We are required to develop and submit to the Federal Reserve an annual capital plan. In January 2021, the Federal Reserve finalized changes to the capital plan rule, which will, among other things, provide firms subject to Category IV standards additional flexibility to develop their capital plans. In addition, these changes provide that for Category IV firms, such as the Company, the portion of the SCB based on the Federal Reserve's supervisory stress tests will be calculated every other year. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm will receive an updated SCB that reflects the firm's updated planned common stock dividends. A Category IV firm will also be able to elect to participate in the supervisory stress test and consequently receive an updated SCB. The Company must notify the Federal Reserve by April 5, 2021 if it elects to participate in the 2021 supervisory stress test. As part of the Comprehensive Capital Analysis and Review (CCAR), the Federal Reserve evaluates whether the Company has sufficient capital to continue operations by assessing our pro-forma capital position and ratios under a scenario of economic and financial market stress, and uses that information to determine the size of the SCB for each CCAR participating firm.

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Due to the continued economic uncertainty from the coronavirus pandemic, in June 2020, the Federal Reserve required all bank holding companies participating in CCAR to resubmit their capital plans in November 2020. In addition, the Federal Reserve prohibited share repurchases in the third and fourth quarters of 2020 for all bank holding companies participating in CCAR and allowed them to pay common stock dividends provided (a) they did not increase the amount of the dividend and (b) the dividends did not exceed the average of a firm's net income for the four preceding calendar quarters. On December 18, 2020, the Federal Reserve released the results of its second round of supervisory stress tests for all bank holding companies participating in CCAR based on economic scenarios reflecting changes in financial markets and the macroeconomic outlook. The Federal Reserve announced that it would allow bank holding companies participating in CCAR to pay common stock dividends and repurchase common stock in the first quarter of 2021 provided (a) the dividends and repurchases, in the aggregate, do not exceed the average of a firm's net income for the four preceding calendar quarters and (b) the firm does not increase the amount of its common stock dividends beyond the level paid in the second quarter of 2020. The Federal Reserve also announced that it would permit stock repurchases equal to the amount of share issuances related to expensed employee compensation. For additional information regarding our capital distributions, see "Consolidated Capital Resources and Liquidity" under "MD&A."

We may be required to revise and resubmit our capital plan following certain events or developments, such as a significant acquisition or an event that could result in a material change in our risk profile or financial condition. If we are required to resubmit our capital plan, we must receive prior approval from the Federal Reserve for any capital distributions (including common stock dividend payments and share repurchases), other than a capital distribution on a newly issued capital instrument.

Dividends and Other Capital Distributions

The Company and TRS, as well as AENB and the Company's insurance and other regulated subsidiaries, are limited in their ability to pay dividends by statutes, regulations and supervisory policy.

Common stock dividend payments and share repurchases by the Company are subject to the oversight of the Federal Reserve, as described above. The Company will be subject to limitations and restrictions on capital distributions if, among other things, (i) the Company's regulatory capital ratios do not satisfy applicable minimum requirements and buffers or (ii) the Company is required to resubmit its capital plan.

In general, federal laws and regulations prohibit, without first obtaining the OCC's approval, AENB from making dividend distributions to TRS, if such distributions are not paid out of available recent earnings or would cause AENB to fail to meet capital adequacy standards. In addition to specific limitations on the dividends AENB can pay to TRS, federal banking regulators have authority to prohibit or limit the payment of a dividend if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the institution.

Prompt Corrective Action

The Federal Deposit Insurance Act (FDIA) requires, among other things, that federal banking regulators take prompt corrective action in respect of depository institutions insured by the FDIC (such as AENB) that do not meet minimum capital requirements. The FDIA establishes five capital categories for FDIC-insured banks: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically 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. In order to be considered "well capitalized," AENB must maintain CET1, Tier 1 capital, Total capital and Tier 1 leverage ratios of 6.5 percent, 8.0 percent, 10.0 percent and 5.0 percent, respectively.

Under the FDIA, AENB could be prohibited from accepting brokered deposits (i.e., deposits raised through third-party brokerage networks) 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 portion of our outstanding U.S. retail deposits are considered brokered deposits for bank regulatory purposes. If a federal regulator determines that we are in an unsafe or unsound condition or that we are engaging in unsafe or unsound banking practices, the regulator may reclassify our capital category or otherwise place restrictions on our ability to accept or solicit brokered deposits.

On December 15, 2020, the FDIC finalized a rule intended to update and modernize the FDIC's brokered deposit regulations. The final rule, among other things, expands the definition of "deposit broker" and updates the interest rate restrictions for less than well capitalized banks. The final rule is expected to become effective on April 1, 2021.

Resolution Planning

Pursuant to Dodd Frank, certain bank holding companies are required to submit resolution plans to the Federal Reserve and FDIC providing for the company's strategy for rapid and orderly resolution in the event of its material financial distress or failure. However, in connection with the release of the Tailoring Rules, the Federal Reserve and FDIC finalized rules in October 2019 which, among other things, adjust the review cycles and applicability of the agencies' resolution planning requirements. Under these rules, Category IV firms such as the Company are not required to submit a holding company resolution plan.

AENB continues to be required to prepare and provide a separate resolution plan to the FDIC that would enable the FDIC, as receiver, to effectively resolve AENB under the FDIA in the event of failure. The FDIC issued an Advance Notice of Proposed Rulemaking on potential revisions to this separate resolution plan requirement for insured depository institutions in April 2019 and temporarily suspended resolution planning requirements for insured depository institutions. In January 2021, the FDIC lifted the moratorium on resolution plan submissions for insured depository institutions with \$100 billion or more in assets, including AENB, and will provide at least 12-months advance notice to firms required to submit resolution plans.

Orderly Liquidation Authority

The Company could become subject to the Orderly Liquidation Authority (OLA), a resolution regime under which the Treasury Secretary may appoint the FDIC as receiver to liquidate a systemically important financial institution, if the Company is in danger of default and is determined to present a systemic risk to U.S. financial stability. As under the FDIC resolution model, under the OLA, the FDIC has broad power as receiver. Substantial differences exist, however, between the OLA and the FDIC resolution model for depository institutions, including the right of the FDIC under the OLA to disregard the strict priority of creditor claims in limited circumstances, the use of an administrative claims procedure to determine creditor claims (as opposed to the judicial procedure used in bankruptcy proceedings), and the right of the FDIC to transfer claims to a "bridge" entity.

The FDIC has developed a strategy under OLA, referred to as the "single point of entry" or "SPOE" strategy, under which the FDIC would resolve a failed financial holding company by transferring its assets (including shares of its operating subsidiaries) and, potentially, very limited liabilities to a "bridge" holding company; utilize the resources of the failed financial holding company to recapitalize the operating subsidiaries; and satisfy the claims of unsecured creditors of the failed financial holding company and other claimants in the receivership by delivering securities of one or more new financial companies that would emerge from the bridge holding company. Under this strategy, management of the failed financial holding company would be replaced and its shareholders and creditors would bear the losses resulting from the failure.

FDIC Powers upon Insolvency of AENB

If the FDIC is appointed the conservator or receiver of AENB, the FDIC has the power: (1) to transfer any of AENB's assets and liabilities to a new obligor without the approval of AENB's creditors; (2) to enforce the terms of AENB's contracts pursuant to their terms; or (3) to repudiate or disaffirm any contract or lease to which AENB 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 AENB. In addition, the claims of holders of U.S. deposit liabilities and certain claims for administrative expenses of the FDIC against AENB would be afforded priority over other general unsecured claims against AENB, including claims of debt holders and depositors in non-U.S. offices, in the liquidation or other resolution of AENB. As a result, whether or not the FDIC ever sought to repudiate any debt obligations of AENB, 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 the U.S. offices of AENB.

Other Banking Regulations

Source of Strength

The Company is required to act as a source of financial and managerial strength to its U.S. bank subsidiary, AENB, and may be required to commit capital and financial resources to support AENB. Such support may be required at times when, absent this requirement, the Company otherwise might determine not to provide it. Capital loans by the Company to AENB are subordinate in right of payment to deposits and to certain other indebtedness of AENB. In the event of the Company's bankruptcy, any commitment by the Company to a federal banking regulator to maintain the capital of AENB will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Transactions Between AENB and its Affiliates

Certain transactions (including loans and credit extensions from AENB) between AENB and its affiliates (including the Company, TRS and their other subsidiaries) are subject to quantitative and qualitative limitations, collateral requirements and other restrictions imposed by statute and regulation. Transactions subject to these restrictions are generally required to be made on an arm's-length basis.

FDIC Deposit Insurance and Insurance Assessments

AENB accepts deposits that are insured by the FDIC up to the applicable limits. 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 would lead to termination of deposit insurance at AENB. The FDIC's deposit insurance fund is funded by assessments on insured depository institutions, including AENB, which are subject to adjustment by the FDIC.

Community Reinvestment Act

AENB is 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. In May 2020, the OCC issued a final rule intended to (i) clarify which activities qualify for CRA credit; (ii) update where activities count for CRA credit; and (iii) change the methods for CRA measurement, data collection, recordkeeping and reporting for national banks and federal savings associations. The final rule retains the current community development test for limited purpose banks, such as AENB, which evaluates a bank's community development performance through its community development loans, investments and services. The final rule requires institutions like AENB to designate additional geographic assessment areas where CRA activities will be measured for significant concentrations of retail domestic deposits. AENB must comply with the final rule by January 1, 2023.

Consumer Financial Products Regulation

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

On October 30, 2020, the CFPB issued a final rule that sets forth additional requirements for third-party debt collection agencies, which we use in the ordinary course of business. See "*We are exposed to credit risk and trends that affect Card Member spending and the ability of customers and partners to pay us, which could have a material adverse effect on our results of operations and financial condition*" under "Risk Factors" for potential impacts related to legal and regulatory changes on our ability to collect amounts owed to us.

We are also regulated in the United States under the "money transmitter" or "sale of check" laws in effect in most states. In addition, we are required by the laws of many states to comply with unclaimed and abandoned property laws, under which we must pay to states the face amount of any Travelers Cheque or prepaid card that is uncashed or unredeemed after a period of time depending on the type of product.

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In countries outside the United States, regulators continue to focus on a number of key areas impacting our card-issuing businesses, particularly consumer protection (such as in the European Union (EU), the United Kingdom and Canada) and responsible lending (such as in Australia, Mexico, New Zealand and Singapore), with increasing importance on and attention to customers and outcomes rather than just ensuring compliance with local rules and regulations. 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.

Payments Regulation

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

The EU, Australia and other jurisdictions have focused on interchange fees (that is, the fee paid by the bankcard merchant acquirer to the card issuer in payment networks like Visa and Mastercard), as well as the rules, contract terms and practices governing merchant card acceptance.

Regulation and other governmental actions relating to pricing or practices could affect all networks directly or indirectly, as well as adversely impact consumers and merchants. Among other things, regulation of bankcard fees has negatively impacted and may continue to negatively impact the discount revenue we earn, including as a result of downward pressure on our discount rate from decreases in competitor pricing in connection with caps on interchange fees. In some cases, regulations also extend to certain aspects of our business, such as network and cobrand arrangements or the terms of card acceptance for merchants, and we have exited our network businesses in the EU and Australia as a result of regulation in those jurisdictions, for example. In addition, there is uncertainty as to when or how interchange fee caps and other provisions of the EU payments legislation might apply when we work with cobrand partners and agents in the EU. Given differing interpretations by regulators and participants in cobrand arrangements, we are subject to regulatory action, penalties and the possibility we will not be able to maintain our existing cobrand and agent relationships in the EU.

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

In some countries, governments have established regulatory regimes that require international card networks to be locally licensed and/or to localize aspects of their operations. For example, 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, has issued a mandate requiring payment systems operators in India to store certain payments data locally. Governments in some countries also provide resources or protection to select domestic payment card networks. The development and enforcement of these and other similar laws, regulations and policies may adversely affect our ability to compete effectively and maintain and extend our global network.

Privacy, Data Protection, Data Governance, Information and Cyber Security

Regulatory and legislative activity in the areas of privacy, data protection, data governance and information and cyber security continues to increase worldwide. We have established and continue to maintain policies and a governance framework to comply with applicable privacy, data protection, data governance and information and cyber security laws and requirements, meet evolving customer and industry expectations and support and enable business innovation and growth.

Our regulators are increasingly focused on ensuring that our privacy, data protection, data governance and information and cyber security-related policies and practices are adequate to inform customers 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 appropriately safeguard their personal information and account access. Regulators are also focused on data management, data governance and our third-party risk management policies and practices.

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In the United States, certain of our businesses are subject to the privacy, disclosure and safeguarding provisions of the Gramm-Leach-Bliley Act (GLBA) and its implementing regulations and guidance. Among other things, GLBA imposes certain limitations on our ability to share consumers' nonpublic personal information with nonaffiliated third parties and requires us to develop, implement and maintain a written comprehensive information security program containing safeguards that are appropriate to the size and complexity of our business, the nature and scope of our activities and the sensitivity of customer information that we process. We are required to offer expanded privacy rights to California residents who are not covered by GLBA, pursuant to the California Consumer Privacy Act. Various regulators, U.S. states and territories are considering similar requirements or have adopted laws, rules and regulations pertaining to privacy and/or information and cyber security that may be more stringent and/or expansive than federal requirements.

We are also subject to certain privacy, data protection, data governance and information and cyber security laws in other countries in which we operate (including countries in the EU, Australia, Canada, China, Japan, Hong Kong, India, Mexico, Singapore and the United Kingdom), some of which are more stringent and/or expansive than those in the United States. Some countries have also instituted laws requiring in-country data processing and/or in-country storage of data. Compliance with such laws could result in higher technology, administrative and other costs for us, could limit our ability to optimize the use of our closed-loop data, and could require use of local technology services. Certain laws also require us to provide foreign governments and other third parties broader access to our data and intellectual property. Data breach and operational outage notification laws or regulatory activities to encourage such notifications are also becoming more prevalent in jurisdictions outside the United States in which we operate.

In Europe, the EU General Data Protection Regulation (GDPR) imposes legal and compliance obligations on companies that process personal data of individuals in the EU, irrespective of the geographical location of the company, with significant fines for non-compliance (up to 4 percent of total annual worldwide revenue). We continue to rely on our binding corporate rules as the primary method for lawfully transferring data from our European affiliates to our affiliates in the United States and elsewhere globally. The GDPR includes, among other things, a requirement for prompt notice of data breaches, in certain circumstances, to affected individuals and supervisory authorities.

The GDPR was transposed into UK domestic law in January 2021 following the United Kingdom's exit from the EU. This is known as the UK GDPR and it supplements the United Kingdom's Data Protection Act of 2018. The UK GDPR mirrors the compliance requirements and fine structure of the GDPR.

In addition, the European Directive 2002/58/EC (the ePrivacy Directive) will continue to set out requirements for the processing of personal data and the protection of privacy in the electronic communications sector until the approval of the forthcoming ePrivacy Regulation. The ePrivacy Directive places restrictions on, among other things, the sending of unsolicited marketing communications, as well as on the collection and use of data about internet users.

The European Central Bank and the European Banking Authority have enacted or are considering secondary legislation focused on security breaches, outsourcing, resiliency, strong customer authentication and information security-related policies. Likewise, a network and information security directive has been implemented into national laws by Member States in the EU. The Revised Payment Services Directive (PSD2) also contains regulatory requirements on strong customer authentication, open access to customer data and payment capabilities, and measures to prevent security incidents.

Anti-Money Laundering, Sanctions and Anti-Corruption Compliance

We are subject to significant supervision and regulation, and an increasingly stringent enforcement environment, with respect to compliance with anti-money laundering (AML), sanctions and anti-corruption laws and regulations in the United States and in other jurisdictions in which we operate. Failure to maintain and implement adequate programs and policies and procedures for AML, sanctions and anti-corruption compliance could have material financial, legal and reputational consequences.

Anti-Money Laundering

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 are derived from 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). The Anti-Money Laundering Act of 2020 (the AMLA), enacted in January 2021, amended the Bank Secrecy Act and is intended to comprehensively reform and modernize U.S. AML laws. Many of the statutory provisions in the AMLA will require additional rulemakings, reports and other measures, the effects of which are not known at this time. In Europe, AML requirements are largely the result of countries transposing the 5th and 6th EU Anti-Money Laundering Directives (and preceding EU Anti-Money Laundering Directives) into local laws and regulations. Numerous other countries, such as Argentina, Australia, Canada, India, Mexico, New Zealand and Russia, have also enacted or proposed new or enhanced AML legislation and regulations applicable to American Express.

Among other things, these laws and regulations require us 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. Our AML programs have become the subject of heightened scrutiny in some countries. Any errors, failures or delays in complying with federal, state or foreign AML and counter-terrorist financing laws or perceived deficiencies in our AML programs could result in significant criminal and civil lawsuits, penalties and forfeiture of significant assets or other enforcement actions.

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.

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended (the Exchange Act), an issuer is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted outside the United States by non-U.S. affiliates in compliance with applicable law, and whether or not the activities are sanctionable under U.S. law.

In 2020, we became aware of credit card accounts opened with American Express International, Inc. (Hong Kong branch) by the Acting Consul General of the Iranian Consulate in Hong Kong, and his predecessor, the now-former Consul General. We believe these cards were used only for personal expenses. The Acting Consul General had two cards, both of which were opened in 2018 and one of which was closed by client request on or about April 3, 2019, and the other of which was cancelled by us on or about June 16, 2020. The former Consul General’s card was issued in January 2019 and cancelled by us on or about March 13, 2019. We had negligible gross revenues and net profits attributable to these accounts. As all of the accounts were cancelled, we do not intend to continue to engage in this activity.

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 FCPA also requires us to strictly comply with certain accounting and internal controls standards. The UK Bribery Act 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 of the Company, our subsidiaries, colleagues, contractors or agents to comply with the FCPA, the UK Bribery Act and other similar laws can expose us and/or individual colleagues to investigation, prosecution and potentially severe criminal and civil penalties.

Compensation Practices

Our compensation practices are subject to oversight by the Federal Reserve. The federal banking regulators' guidance on sound incentive compensation practices sets forth three key principles for incentive compensation arrangements that are designed to help ensure that incentive compensation plans do not encourage imprudent 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 our compensation practices that are identified by the Federal Reserve or other banking regulators in connection with their review of our compensation practices may be incorporated into our supervisory ratings, which can affect our ability to make acquisitions or perform other actions. Enforcement actions may be taken against us if our incentive compensation arrangements or related risk-management control or governance processes are determined to pose a risk to our safety and soundness, and we have not taken prompt and effective measures to correct the deficiencies.

In May 2016, the federal banking regulators, the Securities and Exchange Commission (SEC), the Federal Housing Finance Agency and the National Credit Union Administration re-proposed a rule, originally proposed in 2011, on incentive-based compensation practices. The re-proposed rule would apply deferral, downward adjustment and forfeiture, and clawback requirements to incentive-based compensation arrangements granted to senior executive officers and significant risk-takers of covered institutions, with specific requirements varying based on the asset size of the covered institution and the category of employee. If these or other regulations are adopted in a form similar to what has been proposed, they will impose limitations on the manner in which we may structure compensation for our colleagues, which could adversely affect our ability to hire, retain and motivate key colleagues.

ADDITIONAL INFORMATION

We maintain an Investor Relations website at <http://ir.americanexpress.com>. We make available free of charge, on or through this website, 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 SEC.

In addition, we routinely post financial and other information, some of which could be material to investors, on our Investor Relations website. Information regarding our corporate responsibility and sustainability initiatives, including our Environmental, Social and Governance reports, are available on our Corporate Responsibility website at <http://about.americanexpress.com/corporate-responsibility>.

The content of any of our websites 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 website addresses only as inactive textual references and do not intend them to be active links.

You can find certain statistical disclosures required of bank holding companies starting on page A-1, which are incorporated herein by reference.

Our business as a whole has not experienced significant seasonal fluctuations, although card billed business tends to be moderately higher in the fourth quarter than in other quarters. As a result, the amount of Card Member loans and receivables outstanding tend to be moderately higher during that quarter. The average discount rate also tends to be slightly lower during the fourth quarter due to a higher level of retail-related billed business volumes.

ITEM 1A. RISK FACTORS

This section highlights certain risks that could affect us and our businesses, broadly categorized as “Strategic, Business and Competitive Risks,” “Legal, Regulatory and Compliance Risks” and “Credit, Liquidity and Market Risks.” 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, including the “Risk Management” section under “MD&A,” which describes our approach to identifying, monitoring and managing the risks we assume in conducting our businesses and provides certain quantitative and qualitative disclosures about market risks. The risks and uncertainties we face 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.

Strategic, Business and Competitive Risks

The impact of the COVID-19 pandemic and the measures implemented to contain the spread of the virus have had, and are expected to continue to have, a material adverse impact on our business and results of operations.

The COVID-19 pandemic is having widespread, rapidly evolving and unpredictable impacts on global society, economies, financial markets and business practices. The pandemic and containment measures have contributed to, among other things:

- Widespread changes to, and significant reductions in, household and business activity and consumer and business spending, as well as economic concerns and a rise in unemployment.
- Adverse impacts on our cobrand and other partners in the travel and airline industries, our GBT JV and on our third-party service providers, merchants, customer acquisition channels, processors, aggregators, network partners and other third parties that we rely on for services that are integral to our operations.
- Adverse impacts on the creditworthiness of our customers and other counterparties and their ability to pay amounts owed to us and our ability to collect such amounts and required increases in our reserves for credit losses.
- Adverse impacts on industries representing a significant portion of our billed business (including, but not limited to, travel and entertainment (T&E) spending).
- Adverse impacts on capital and credit market conditions and our deposit base, which may limit our access to funding, increase our cost of capital, and affect our ability to meet liquidity needs.
- An increased risk of significantly higher Card Member reimbursements for goods or services purchased from merchants that cease operations or are otherwise unable to ultimately provide those goods or services or, in the case of our business partners, impairments of rewards points we purchased from those partners.
- An increased strain on our risk management policies generally, including, but not limited to, the effectiveness and accuracy of our models, given the lack of data inputs and comparable precedent.
- An increased risk of impairment, restructuring or other charges, including as a result of impairment of the value of our investments and other assets.
- Adverse impacts on our daily business operations and our colleagues’ ability to perform necessary business functions, including as a result of illness, office closures and other limitations, or restrictions on movement.
- Increased challenges in growing or retaining our Card Member base and in launching new products or businesses or refreshing existing products in line with expectations or the current and changing needs of our customers.
- Increased spending on our business continuity efforts, such as technology, service centers and our supply chain, and readiness efforts for returning to our offices, which may in turn require that we further cut costs and investments in other areas.
- An increased risk of an information or cyber security incident, fraud, a failure to maintain the uninterrupted operation of our information systems or a failure in the effectiveness of our AML and other compliance programs due to, among other things, an increase in remote work.

These and other impacts of the COVID-19 pandemic may continue even after the outbreak has subsided and containment measures are lifted, and may exacerbate many of the other risks described in this “Risk Factors” section. The extent to which our business and results of operations will continue to be adversely affected will depend on numerous evolving factors and future developments that we are not able to predict, including the continued spread and severity of the virus and new variants; the imposition of further containment measures and their ability to control the spread of the virus; the availability, distribution and use of effective treatments and vaccines; the extent and duration of the effect on the economy, unemployment, consumer confidence and consumer and business spending; the availability and effectiveness of government stimulus measures; and how quickly and to what extent normal operating conditions and customer behaviors resume, such as with respect to travel, dining and in-person events.

Difficult conditions in the business and economic environment, including as a result of the COVID-19 pandemic, have had and are expected to continue to have a material adverse effect on our business and results of operations.

We offer a broad array of products and services to consumers, small businesses and commercial clients and thus are very dependent upon the level of consumer and business activity and the demand for payment and financing products. Slow

economic growth, economic contraction or shifts in broader consumer and business trends significantly impact customer behaviors, including spending on our cards, the ability and willingness of Card Members to borrow and pay amounts owed to us, and demand for fee-based products and services. Factors such as consumer spending and confidence, unemployment rates, business investment, geopolitical instability, public policy decisions, government spending, international trade relationships, interest rates, taxes, energy costs, the volatility and strength of the capital markets, inflation and deflation all affect the economic environment and, ultimately, our profitability. Such factors may also cause our earnings, billings, loan balances, 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, adversely affecting, and/or increasing the volatility of, the trading price of our common shares.

Spending at T&E merchants, for example, is sensitive to business and personal discretionary spending levels and circumstances impacting travel. We experienced the effects of this sensitivity in 2020 as a result of the COVID-19 pandemic, with T&E spending decreasing 61 percent compared to 2019, while non-T&E spending decreased 1 percent. Likewise, spending by small businesses and corporate clients, which comprised approximately 40 percent of our worldwide billed business during 2020, depends in part on the economic environment and a favorable climate for continued business investment and new business formation, as well as on related volumes of business travel. During the pandemic, Card Member billed business decreased 19 percent in 2020 compared to 2019.

Increases in delinquencies and write-off rates as a result of increases in bankruptcies, unemployment rates, changes in customer behaviors or otherwise could also have a material adverse effect on our results of operations. We increased our reserves for credit losses significantly in 2020 due to the deterioration of the global macroeconomic outlook.

The consequences of negative circumstances impacting us or the environment generally can be sudden and severe, as we experienced from the end of the first quarter into the second quarter of 2020 due to the pandemic.

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

Geopolitical events, terrorist attacks, natural disasters, severe weather conditions, health pandemics, information or cyber security incidents (including intrusion into or degradation of systems or technology by cyberattacks) and other catastrophic events can have a material adverse effect on our business. Political and social conditions, fiscal and monetary policies, trade wars and tariffs, prolonged or recurring government shutdowns, regional or domestic hostilities and the prospect or occurrence of more widespread conflicts could also negatively affect consumer and business spending, including travel patterns and business investment, and demand for credit.

As noted above, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse impact on our business and results of operations. Because of our proximity to the World Trade Center site, our headquarters were damaged as a result of the terrorist attacks of September 11, 2001. Recent hurricanes and other natural disasters have impacted spending and credit performance in the areas affected. Other disasters or catastrophic events in the future, and the impact of such events on certain industries or the overall economy, could have a negative effect on our business, results of operations and infrastructure, including our technology and systems. Climate change may exacerbate certain of these threats, including the frequency and severity of weather-related events. Card Members in California, New York, Florida, Texas, Georgia and New Jersey account for a significant portion of U.S. Consumer billed business and Card Members loans, and our results of operations could be impacted by events or conditions that disproportionately or specifically affect one or more of those states.

Because we derive a portion of our revenues from travel-related spending, our business is sensitive to safety concerns related to travel and tourism, limitations on travel and mobility, and health-related risks, including travel restrictions and bans as a result of the COVID-19 pandemic and changes in customer behaviors that may continue even after the outbreak has subsided and containment measures are lifted, such as decisions to delay or forgo business or personal travel. In addition, disruptions in air travel and other forms of travel can result in the payment of claims under travel interruption insurance policies we offer.

The exit of the United Kingdom from the European Union could materially adversely impact our business, results of operations and financial condition.

Our business in the United Kingdom and elsewhere may be negatively impacted by the exit of the United Kingdom from the EU (commonly referred to as Brexit), including from a deterioration of the economic environment in the United Kingdom and other countries in which we operate. While a trade deal was agreed to between the United Kingdom and the EU at the end of 2020, the financial, trade and legal implications of Brexit remain uncertain. As of December 31, 2020, the United Kingdom constituted approximately 4 percent of our worldwide billed business and the EMEA (Europe, Middle East and Africa) region as a whole constituted approximately 9 percent.

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

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The payments industry is highly competitive, and we compete with card networks, issuers and acquirers, paper-based transactions (e.g., cash and checks), bank transfer models (e.g., wire transfers and ACH), as well as evolving and growing alternative payment and financing providers. If we are not able to differentiate ourselves from our competitors, develop compelling value propositions for our customers and/or effectively grow in areas such as mobile and online payments and emerging technologies, we may not be able to compete effectively.

We believe Visa and Mastercard are larger than we are in most countries based on billed business volumes. As a result, card issuers and acquirers on the Visa and Mastercard networks may be able to benefit from the dominant position, scale, resources, marketing and pricing of those networks. Our business may also be negatively affected if we are unable to continue increasing merchant acceptance (including by merchants that accept cards on the Visa and Mastercard networks) and perceptions of coverage, or if our Card Members do not experience welcome acceptance of our cards.

Some of our competitors have developed, or may develop, substantially greater financial and other resources than we have and may offer richer value propositions or a wider range of programs and services than we offer or may use more effective advertising, marketing or cross-selling strategies to acquire and retain more customers, capture a greater share of spending and borrowings, establish and develop more attractive cobrand card and other partner programs and maintain greater merchant acceptance than we have. We may not be able to compete effectively against these threats or respond or adapt to changes in consumer spending habits as effectively as our competitors. Costs such as Card Member rewards and Card Member services expenses could continue to increase as we improve our value propositions for Card Members, including in response to increased competition.

Spending on our cards could continue to be impacted by increasing consumer usage of credit and debit cards issued on other networks, as well as adoption of alternative payment mechanisms, systems and products. The fragmentation of customer spending to take advantage of different merchant or card incentives or for convenience with technological solutions may continue to increase. Revolving credit balances on our cards could also be impacted by alternative financing providers, such as point-of-sale lenders. To the extent other payment and financing mechanisms, systems and products continue to successfully expand, our discount revenues earned from Card Member spending and our net interest income earned from Card Member borrowing could be negatively impacted. In addition, companies that control access to consumer and merchant payment method choices at the point of sale or through digital wallets, commerce-related experiences, mobile applications or other technologies could choose not to accept, suppress use of, or degrade the experience of using our products or could restrict our access to our customers and transaction data. Such companies could also require payments from us to participate in such digital wallets, experiences or applications or negotiate incentives or pricing concessions, impacting our profitability on transactions.

The competitive value of our closed-loop data may also be diminished as traditional and non-traditional competitors use other, new data sources and technologies to derive similar insights. Certain regulations, such as PSD2 in Europe and open banking initiatives in various jurisdictions around the world, could also diminish the value of our closed-loop data or the demand for our products and services by disintermediating existing financial services providers.

To the extent we expand into new business areas and new geographic regions, such as mainland China, we will 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 limit our growth in international regions. We may face additional compliance and regulatory risks to the extent that we expand into new business areas, and we may need to dedicate more expense, time and resources to comply with regulatory requirements than our competitors, particularly those that are not regulated financial institutions.

Many of our competitors are subject to different, and in some cases, less stringent, legislative and regulatory regimes, and some may have lower cost structures and more agile business models and systems. More restrictive laws and regulations that do not apply to all of our competitors can put us at a disadvantage, including prohibiting us from engaging in certain transactions, regulating our business practices or adversely affecting our cost structure.

We face intense competition for partner relationships, which could result in a loss or renegotiation of these arrangements that could have a material adverse impact on our business and results of operations.

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 Delta, Marriott, Hilton and British Airways, as well as many others globally, to offer cobranded cards for consumers and small businesses, and through our Membership Rewards program we have partnered with businesses in many industries, including Delta and others in the airline industry, to offer benefits to Card Member participants. See “Partners and Relationships” under “Business” for additional information on our business partnerships, including with Delta.

Competition for relationships with key business partners is very intense and there can be no assurance we will be able to grow or maintain these partner relationships or that they will remain as profitable. Establishing and retaining attractive cobrand card partnerships is particularly competitive among card issuers and networks as these partnerships typically appeal to high-spending

loyal customers. All of our cobrand portfolios in the aggregate accounted for approximately 19 percent of our worldwide billed business for the year ended December 31, 2020. Card Member loans related to our cobrand portfolios accounted for approximately 37 percent of our worldwide Card Member loans as of December 31, 2020.

Cobrand arrangements are entered into for a fixed period, generally ranging from five to ten years, and will terminate in accordance with their terms, including at the end of the fixed period unless extended or renewed at the option of the parties, or upon early termination as a result of an event of default or otherwise. We face the risk that we could lose partner relationships, even after we have invested significant resources in the relationships. We may also choose to not renew certain cobrand relationships. The volume of billed business could decline and Card Member attrition could increase, in each case, significantly as a result of the termination of one or more cobrand partnership relationships. In addition, some of our cobrand arrangements provide that, upon expiration or termination, the cobrand partner may purchase or designate a third party to purchase the loans generated with respect to its program, which could result in the loss of the card accounts and a significant decline in our Card Member loans outstanding.

We regularly seek to extend or renew cobrand arrangements in advance of the end of the contract term and face the risk that existing relationships will be renegotiated with less favorable terms for us or that we may be unable to renegotiate on terms that are acceptable to us, as competition for such relationships continues to increase. We make payments to our cobrand partners, which can be significant, based primarily on the amount of Card Member spending and corresponding rewards earned on such spending and, under certain arrangements, on the number of accounts acquired and retained. The amount we pay to our cobrand partners has increased, particularly in the United States, and may continue to increase as arrangements are renegotiated due to increasingly intense competition for cobrand partners among card issuers and networks. See "Off-Balance Sheet Arrangements and Contractual Obligations" under "MD&A" for additional information regarding commitments for payments to certain cobrand partners.

The loss of exclusivity arrangements with business partners, the loss of the partner relationship altogether (whether by non-renewal at the end of the contract period, such as the end of our relationship with Costco in the United States in 2016, or as the result of a merger, legal or regulatory action or otherwise, such as the withdrawal of American Airlines in 2014 from our Airport Club Access program for Centurion® and Platinum Card® Members) or the renegotiation of existing partnerships with terms that are significantly worse for us could have a material adverse impact on our business and results of operations. See "*Our business is subject to comprehensive government regulation and supervision, which could materially adversely affect our results of operations and financial condition*" for information on the uncertainty regarding our cobrand and agent relationships in the EU. In addition, any publicity associated with the loss of any of our key business partners could harm our reputation, making it more difficult to attract and retain Card Members and merchants, and could weaken our negotiating position with our remaining and prospective business partners.

Arrangements with our business partners represent a significant portion of our business. We are exposed to risks associated with our business partners, including reputational issues, business slowdowns, bankruptcies, liquidations, restructurings and consolidations, and the possible obligation to make payments to our partners.

Our success is, in many ways, dependent on the success of our partners. From customer acquisition to cobranding arrangements, from participation in our rewards programs to facilitating B2B supplier payments for our corporate clients, we rely on our business partners across many aspects of our company and our arrangements with business partners represent a significant portion of our business. Some of our partners manage certain aspects of our customer relationships, such as our OptBlue partners. To the extent any of our partners fail to effectively promote and support our products, experience a slowdown in their business, operational disruptions, reputational issues or loss of consumer confidence, or are otherwise unable to meet our expectations or those of their other stakeholders, our business may be materially negatively impacted. We face the risk that existing relationships will be renegotiated with less favorable terms for us or that we may be unable to renegotiate on terms that are acceptable to us. In addition, we may be obligated to make or accelerate payments to certain business partners such as cobrand partners upon the occurrence of certain triggering events such as a shortfall in certain performance and revenue levels. If we are not able to effectively manage these 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. See "Contractual Obligations" under "MD&A" for additional information on financial commitments related to agreements with certain cobrand partners.

Similarly, we are 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. During 2020, we pre-purchased loyalty points from certain of our travel cobrand partners, which we may use for future promotions, rewards and incentive programs for our customers. To the extent such partners cease operations or the loyalty points are no longer desired by our customers, the value of the pre-purchased points may be diminished and may result in an impairment charge. We could also be materially impacted if we were obligated or elected to reimburse Card Members for products and services purchased from merchants that have ceased operations or stopped accepting our cards. For example, we are exposed to credit risk in the airline industry to the extent we protect Card Members against non-delivery of goods and

services, such as where we have remitted payment to an airline for a Card Member purchase of tickets that have not yet been used or “flown.” If we are unable to collect the amount from the airline, we may bear the loss for the amount credited to the Card Member. At December 31, 2020, our best estimate of the maximum amount of billed business volumes for goods and services that had yet to be delivered by, or could be charged back to, merchants was \$19 billion. This amount assumes all such merchants worldwide cease operations and thus are no longer available to deliver such goods and services or to accept such chargebacks, and that all such billed business results in claims-in-full by Card Members. Such a maximum amount has not been indicative of our actual loss exposure in the past and we have not experienced significant losses related to these exposures to date; however, our historical experience may not be representative in the current environment given the economic and financial disruptions, particularly to travel, caused by the COVID-19 pandemic and resulting containment measures. See Note 12 to the “Consolidated Financial Statements” for additional information regarding this exposure.

For additional information relating to the general risks related to the airline industry, see “Risk Management—Institutional Credit Risk—Exposure to the Airline and Travel Industry” under “MD&A.”

We face continued intense competitive pressure that may materially impact the prices we charge for accepting our cards for payment for goods and services, as well as the risk of losing merchant relationships, which could have a material adverse impact on our business and results of operations.

We face pressure from competitors that primarily rely on sources of revenue other than discount revenue or have lower costs that can make their pricing for card acceptance more attractive. Merchants, business partners and third-party merchant acquirers and aggregators are also able to negotiate incentives, pricing concessions and other contractual benefits from us as a condition to accepting our cards, being cobrand partners or signing merchants on our behalf. As merchants become even larger (such as the largest tech companies), we may have to increase the amount of incentives and/or concessions we provide to such merchants. We also face the risk of losing a merchant relationship that could materially adversely affect our billed business volumes, ability to retain current Card Members and attract new Card Members and therefore, our business and results of operations.

Our average merchant discount rate has been impacted by regulatory changes affecting competitor pricing in certain international countries. We have also experienced erosion of our average merchant discount rate as we increase merchant acceptance. We may not be successful in significantly expanding merchant acceptance or offsetting rate erosion with volumes at new merchants.

In addition, the regulatory environment and differentiated payment models and technologies from non-traditional players in the alternative payments space could pose challenges to our traditional payment model and adversely impact our average merchant discount rate. Some merchants continue to invest in their own payment solutions, such as proprietary-branded mobile wallets, using both traditional and new technology platforms. If merchants are able to drive broad consumer adoption and usage, it could adversely impact our average merchant discount rate and billed business volumes.

A continuing priority of ours is to drive greater and differentiated value to our merchants that, if not successful, could negatively impact our discount revenue and financial results. We may not succeed in maintaining merchant discount rates or offsetting the impact of declining merchant discount rates, for the reasons discussed above and others, which could materially and adversely affect our revenues and profitability, and therefore our ability to invest in innovation and in value-added services for merchants and Card Members.

Surcharging or steering by merchants could materially adversely affect our business and results of operations.

In certain countries, such as Australia and certain Member States in the EU, merchants are expressly permitted by law to surcharge certain card purchases. In jurisdictions allowing surcharging, we have seen merchant surcharging on American Express cards in certain merchant categories, and in some cases, either the surcharge is greater than that applied to Visa and Mastercard cards or Visa and Mastercard cards are not surcharged at all (practices that are known as differential surcharging), even though there are many cards issued on competing networks that have an equal or greater cost of acceptance for the merchant. In addition, the laws of a number of states in the United States that prohibit surcharging have been overturned in litigation brought by merchant groups.

We also 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 our cards. Our Card Members value the ability to use their cards where and when they want to, and we, therefore, take steps to meet our Card Members’ expectations and to protect the American Express brand by prohibiting this form of discrimination, subject to local legal requirements. When we work with merchant acquirers, aggregators and processors to manage certain aspects of the merchant relationship, we are dependent on them to promote and support the acceptance and usage of our cards, but such third parties may have business interests, strategies or goals that are inconsistent with ours.

If surcharging, steering or other forms of discrimination become 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 such factors as: the industry or manner in which a surcharge is levied; how Card Members are surcharged or steered to other card products or payment forms at the point of sale; the ease and speed of implementation for merchants, including as a result of new or emerging technologies; the size and recurrence of the underlying charges; and whether and to what extent these actions are applied to other forms of payment, including whether it varies depending on the type of card (e.g., credit or debit), product, network, acquirer or issuer. Discrimination against American Express cards could have a material adverse effect on our business, financial condition and results of operations, particularly where it only or disproportionately impacts credit card usage, our Card Members or our business.

We may not be successful in our efforts to promote card usage through marketing and promotion, merchant acceptance and Card Member rewards and services, or to effectively control the costs of such investments, both of which may materially impact our profitability.

Revenue growth is dependent on increasing consumer and business spending on our cards, growing loan balances and increasing fee revenue. We have been investing in a number of growth initiatives, including to attract new Card Members, reduce Card Member attrition and capture a greater share of customers' total spending and borrowings. There can be no assurance that our investments to acquire Card Members, provide differentiated features and services and increase usage of our cards will continue to be effective, particularly with changing consumer and business behaviors as a result of the COVID-19 pandemic. In addition, if we develop new products or offers that attract customers looking for short-term incentives rather than incentivize long-term loyalty, Card Member attrition and costs could increase. Increasing spending on our cards also depends on our continued expansion of merchant acceptance of our cards. If we are unable to continue growing merchant acceptance and perceptions of coverage or merchants decide to no longer accept American Express cards, our business could suffer. Expanding our service offerings, adding customer acquisition channels and forming new partnerships or renewing current partnerships could have higher costs than our current arrangements, and could adversely impact our average discount rate or dilute our brand.

Another way we invest in customer value is through our Membership Rewards program, as well as other Card Member benefits. Any significant change in, or failure by management to reasonably estimate, actual redemptions of Membership Rewards points and associated redemption costs could adversely affect our profitability. We rely on third parties for certain redemption options and may not be able to continue to offer such redemption options in the future, which could diminish the value of the program for our Card Members. Our two largest redemption partners are Amazon and Delta. In addition, many credit card issuers have instituted rewards and cobrand programs and may introduce programs and services that are similar to or more attractive than ours. Our inability to differentiate our products and services could materially adversely affect us.

We may not be able to cost-effectively manage and expand Card Member benefits, including containing the growth of marketing, promotion, rewards and Card Member services expenses in the future. If such expenses increase beyond our expectations, we will need to find ways to offset the financial impact by increasing payment volumes, increasing other areas of revenues such as fee-based revenues, or both. We may not succeed in doing so, particularly in the current competitive and regulatory environment.

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

Our brand and its attributes are key assets, and we believe our continued success depends on our ability to preserve, grow and realize the benefits of the value of our brand. Our ability to attract and retain consumer and small business Card Members and corporate clients is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, privacy and data protection, management, workplace culture, merchant acceptance, financial condition, response to political and social issues or catastrophic events (including our response to the COVID-19 pandemic and natural disasters) and other subjective qualities. Negative perceptions or publicity regarding these matters — even if related to seemingly isolated incidents and whether or not factually correct—could erode trust and confidence and damage our reputation among existing and potential Card Members, corporate clients, merchants and partners, which could make it difficult for us to attract new customers and maintain existing ones. Negative public opinion could result from actual or alleged conduct in any number of activities or circumstances, including card practices, regulatory compliance, the use and protection of customer information, conduct by our colleagues and policy engagement, including activities of the American Express Company Political Action Committee, and from actions taken by regulators or others in response thereto. Discussion about such matters in 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 or controversy related to a third-party vendor, business partner, merchant acquirer or network partner may be attributed by Card Members and merchants to us, thus damaging our reputation and brand value. Acceptance of American Express cards by merchants in certain industries can also affect perceptions of us. The lack of acceptance, suppression of card usage or surcharging by merchants can also negatively impact perceptions of our brand and our products, lower overall transaction volume and increase the attractiveness of other payment products or systems. 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 business volumes, revenues and profitability.

A major information or cyber security incident or an increase in fraudulent activity could lead to reputational damage to our brand and material legal, regulatory and financial exposure, and could reduce the use and acceptance of our cards.

We and third parties process, transmit, store and provide access to account information in connection with our charge and credit cards and other products, 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 colleagues.

Our networks and systems are subject to constant attempts to identify and exploit potential vulnerabilities in our operating environment with intent to disrupt our business operations and capture, destroy, manipulate or expose various types of information relating to corporate trade secrets, customer information, including Card Member, travel and loyalty program data, colleague information and other sensitive business information, including acquisition activity, non-public financial results and intellectual property. There are a number of motivations for cyber threat actors, including criminal activities such as fraud, identity theft and ransom, corporate or nation-state espionage, political agendas, public embarrassment with the intent to cause financial or reputational harm, intent to disrupt information technology systems, and to expose and exploit potential security and privacy vulnerabilities in corporate systems and websites.

Global financial institutions like us, as well as our customers, colleagues, regulators, vendors and other third parties, have experienced a significant increase in information and cyber security risk in recent years and will likely continue to be the target of increasingly sophisticated cyberattacks, including computer viruses, malicious or destructive code, ransomware, social engineering attacks (including phishing, impersonation and identity takeover attempts), corporate espionage, hacking, website defacement, denial-of-service attacks, exploitation of vulnerabilities and other attacks and similar disruptions from the misconfiguration or unauthorized use of or access to computer systems. For example, we and other U.S. financial services providers have been the target of distributed denial-of-service attacks from sophisticated third parties. These threats can arise from external parties as well as insiders who knowingly or unknowingly engage in or enable malicious cyber activities.

We develop and maintain systems and processes aimed at detecting and preventing information and cyber security incidents and fraudulent activity, which require significant investment, maintenance and ongoing monitoring and updating as technologies and regulatory requirements change and as efforts to overcome security measures become more sophisticated. Despite our efforts, the possibility of information and cyber security incidents, malicious social engineering, corporate espionage, fraudulent or other malicious activities and human error or malfeasance cannot be eliminated entirely and will evolve as new and emerging technology is deployed, including the increasing use of personal mobile and computing devices that are outside of our network and control environments. Risks associated with such incidents and activities include theft of funds and other monetary loss, the disruption of our operations and the unauthorized disclosure, release, gathering, monitoring, misuse, modification, loss or destruction of confidential, proprietary, trade secret or other information (including account data information), the effects of which could be compounded if not detected or reported quickly. Indeed, an information or cyber security incident may not be detected until well after it occurs and the severity and potential impact may not be fully known for a substantial period of time after it has been discovered.

Information or cyber security incidents, fraudulent activity and other actual or perceived failures to maintain confidentiality, integrity, privacy and/or security has led to increased regulatory scrutiny and may lead to regulatory investigations and intervention (such as mandatory card reissuance), increased litigation (including class action litigation), remediation, fines and response costs, negative assessments of us and our subsidiaries by banking regulators and rating agencies, reputational and financial damage to our brand, and reduced usage of our products and services, all of which could have a material adverse impact on our business. The disclosure of sensitive company information could also undermine our competitive advantage and divert management attention and resources.

Successful cyberattacks, data breaches, disruptions or other incidents related to the actual or perceived failures to maintain confidentiality, integrity, privacy and/or security at other large financial institutions, large retailers, travel and hospitality companies, government agencies or other market participants, whether or not we are impacted, could lead to a general loss of customer confidence that could negatively affect us, including harming the market perception of the effectiveness of our security measures or harming the reputation of the financial system in general, which could result in reduced use of our products and services. Such events could also result in legislation and additional regulatory requirements. Although we maintain cyber insurance, there can be no assurance that liabilities or losses we may incur will be covered under such policies or that the amount of insurance will be adequate.

The uninterrupted operation of our information systems is critical to our success and a significant disruption could have a material adverse effect on our business and results of operations.

Our information technology systems, including our transaction authorization, clearing and settlement systems, and data centers, may experience service disruptions or degradation because of technology malfunction, sudden increases in customer transaction volume, natural disasters, accidents, power outages, internet outages, telecommunications failures, fraud, denial-of-service and other cyberattacks, terrorism, computer viruses, vulnerabilities in hardware or software, physical or electronic break-ins, or similar events. Service disruptions or degradations could prevent access to our online services and account information, compromise or limit access to company or customer data, impede transaction processing and financial reporting, and lead to regulatory investigations and fines, increased regulatory oversight and litigation (including class action litigation). Any such service disruption or degradation could adversely affect the perception of the reliability of our products and services and materially adversely affect our overall business, reputation and results of operations.

We rely on third-party providers for acquiring and servicing customers, technology, platforms and other services integral to the operations of our businesses. These third parties may act in ways that could materially harm our business.

We rely on third-party service providers, cobrand partners, merchants, customer acquisition channels, processors, aggregators, network partners and other third parties for services that are integral to our operations and are subject to the risk that activities of such third parties may adversely affect our business. As outsourcing, specialization of functions, third-party digital services and technology innovation within the payments industry increase (including with respect to mobile technologies, tokenization, big data, artificial intelligence and cloud storage solutions), more third parties are involved in processing card transactions and handling our data. For example, we rely on third parties for the timely transmission of accurate information across our global network, card acquisition and provision of services to our customers. If a service provider or other third party ceases to provide the data quality or communications capacity we expect or services upon which we rely, as a result of natural disaster, operational disruptions or errors, including as a result of the impacts of COVID-19, terrorism, information or cyber security incidents, or any other reason, the failure could interrupt or compromise the quality of our services to customers or impact our business. A disruption or other event at a third party affecting one of our service providers or partners could also impede their ability to provide to us services or data on which we rely to operate our business. Service providers or other third parties could also cease providing data to us or use our data in a way that diminishes the value of our closed loop.

The confidentiality, integrity, privacy, availability and/or security of data communicated over third-party networks or platforms or held by, or accessible to, third parties, including merchants that accept our cards, payment processors, payment intermediaries and our third-party vendors and business partners, could become compromised, which could lead to unauthorized use of our data or fraudulent transactions on our cards, as well as costs associated with responding to such an incident, including regulatory investigations and fines, increased regulatory oversight and litigation.

The management and oversight of multiple vendors increases our operational complexity and governance challenges and decreases our control. A failure to exercise adequate oversight over service providers, including compliance with service level agreements or regulatory or legal requirements, could result in regulatory actions, fines, litigation, sanctions or economic and reputational harm to us. In addition, we may not be able to effectively monitor or mitigate operational risks relating to our third-party providers' service providers. We are also exposed to the risk that a service disruption at a service provider common to our third-party providers could impede their ability to provide services to us. Notwithstanding any attempts to diversify our reliance on third parties, we may not be able to effectively mitigate operational risks relating to our third-party providers' use of common service providers.

If we are not able to invest successfully in, and compete at the leading edge of, technological developments across all our businesses, our revenue and profitability could be materially adversely 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 technology across all areas of our business, including in transaction processing, data management and analytics, machine learning and artificial intelligence, customer interactions and communications, open banking and alternative payment and financing mechanisms, authentication technologies and digital identification, tokenization, real-time settlement, and risk management and compliance systems. Incorporating new technologies into our products and services, including developing the appropriate governance and controls consistent with regulatory expectations, requires substantial expenditures and takes considerable time, and ultimately may not be successful. We expect that new technologies in the payments industry will continue to emerge, and these new technologies may be superior to, or render obsolete, our existing technology.

The process of developing new products and services, enhancing existing products and services and adapting to technological changes and evolving industry standards is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly impede our ability to compete effectively. Consumer and merchant adoption is a key competitive factor and our competitors may develop products, platforms or technologies that become more widely adopted than ours. In addition, we may underestimate the time and expense we must invest in new products and services before they generate significant revenues, if at all. Our use of artificial intelligence and machine learning is subject to risks related to flaws in our algorithms and datasets that may be insufficient or contain biased information. These deficiencies could undermine the decisions, predictions or analysis such technologies produce, subjecting us to competitive harm, legal liability, and brand or reputational harm.

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Our ability to develop, acquire or access competitive technologies or business processes on acceptable terms may also be limited by intellectual property rights that third parties, including those that current and potential competitors, may assert. In addition, our ability to adopt new technologies may be inhibited by the emergence of industry-wide standards, a changing legislative and regulatory environment, an inability to develop appropriate governance and controls, a lack of internal product and engineering expertise, resistance to change from Card Members or merchants, lack of appropriate change management processes or the complexity of our systems.

We may not be successful in realizing the benefits associated with our acquisitions, strategic alliances, joint ventures and investment activity, and our business and reputation could be materially adversely affected.

We have acquired a number of businesses, including Kabbage, and have made a number of strategic investments, and continue to evaluate potential transactions. There is no assurance that we will be able to successfully identify suitable candidates, value potential investment or acquisition opportunities accurately, negotiate acceptable terms for those opportunities, or complete proposed acquisitions and investments. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures, result in unanticipated liabilities, including legal claims, violations of laws, commercial disputes and information security vulnerabilities or breaches (including from not integrating the acquired company, business or technology quickly or appropriately, from activities that occurred prior to the acquisition, and from exposure to third party relationships of the acquired company or business or new laws and regulations), and harm our business generally. It may take us longer than expected to fully realize the anticipated benefits of these transactions, and those benefits may ultimately be smaller than anticipated or may not be realized at all, which could materially adversely affect our business and operating results, including as a result of write-downs of goodwill and other intangible assets.

We may also face risks with other types of strategic transactions, such as the sale to InComm of the operations relating to our prepaid reloadable and gift card business. The reloadable operations have experienced disruptions in the past, impacting the ability of our prepaid customers to load and use their cards. If such operations are interrupted, suspended or terminated in the future, it could further negatively impact our customers' experience, result in additional costs, litigation and regulatory action, and harm our business and reputation.

Joint ventures, including our GBT JV and our joint venture in China, and minority investments inherently involve a lesser degree of control over business operations, thereby potentially increasing the financial, legal, operational and/or compliance risks associated with the joint venture or minority investment, including as a result of becoming subject to different laws or regulations. In addition, we may be dependent on joint venture partners, controlling shareholders or management who may have business interests, strategies or goals that are inconsistent with ours. For example, trade secrets and other proprietary information we may provide to a joint venture may become available to third parties beyond our control. The ability to enforce intellectual property and contractual rights to prevent disclosure of our trade secrets and other proprietary information may be limited in certain jurisdictions. Business decisions or other actions or omissions of the joint venture partner, controlling shareholders or management may adversely affect the value of our investment, result in litigation or regulatory action against us and otherwise damage our reputation and brand.

Our success is dependent on maintaining a culture of integrity and respect, the resilience of our colleagues through the pandemic, and upon our executive officers and other key personnel, and misconduct by or loss of key personnel could materially adversely affect our business.

We rely upon our key personnel not only for business success, but also to lead with integrity and promote a culture of respect. To the extent our leaders behave in a manner that does not comport with our company's values, the consequences to our brand and reputation could be severe and could negatively affect our financial condition as a result of operations. Our colleagues have had to adapt to rapidly changing conditions during the pandemic, and if we are unable to continue addressing the safety, health and productivity of our colleagues, our business could suffer.

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 who voluntarily or involuntarily leave the company. Changes in immigration and work permit laws and regulations or the administration or enforcement of such laws or regulations or other changes in the legal or regulatory environment, including as a result of Brexit, can also impair our ability to attract and retain qualified personnel, or to employ such personnel in the location(s) of our choice. Our compensation practices are subject to review and oversight by the Federal Reserve and the compensation practices of AENB are subject to review and oversight by the OCC. This regulatory review and oversight 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.

Legal, Regulatory and Compliance Risks

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

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We are subject to comprehensive government regulation and supervision in jurisdictions around the world, which significantly affects our business and requires continual enhancement of our compliance efforts. Supervision efforts and the enforcement of existing laws and regulations impact the scope and profitability of our existing business activities, limit our ability to pursue certain business opportunities and adopt new technologies, compromise our competitive position, and affect our relationships with Card Members, partners, merchants, vendors and other third parties. New laws or regulations could similarly affect our business, increase our costs of doing business and require us to change certain of our business practices and invest significant management attention and resources, all of which could adversely affect our results of operations and financial condition. Legislators and regulators around the world are aware of each other's approaches to the regulation of the payments industry. Consequently, a development in one country, state or region may influence regulatory approaches in another. 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.

If we fail to satisfy regulatory requirements or maintain our financial holding company status, 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 business activities or acquisitions, which could compromise our competitive position. 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 business activities or acquisitions or require us to maintain more capital.

In recent years, legislators and regulators have focused on the operation of card networks, including interchange fees paid to card issuers in payment networks such as Visa and Mastercard and the fees merchants are charged to accept cards. Even where we are not directly regulated, regulation of bankcard fees significantly negatively impacts the discount revenue derived from our business, including as a result of downward pressure on our discount rate from decreases in competitor pricing in connection with caps on interchange fees. In some cases, regulations also extend to certain aspects of our business, such as network and cobrand arrangements or the terms of card acceptance for merchants, including terms relating to non-discrimination and honor-all-cards. For example, we have exited our network businesses in the EU and Australia as a result of regulation in those jurisdictions. In addition, there is uncertainty as to when or how interchange fee caps and other provisions of the EU payments legislation might apply when we work with cobrand partners and agents in the EU. In a ruling issued on February 7, 2018, the EU Court of Justice confirmed the validity of the application of the fee caps and other provisions in circumstances where three-party networks issue cards with a cobrand partner or through an agent, although the ruling provided only limited guidance as to when or how the provisions might apply in such circumstances and remains subject to differing interpretations by regulators and participants in cobrand arrangements. As a result, we are subject to regulatory action, penalties and the possibility we will not be able to maintain our existing cobrand and agent relationships in the EU.

We are subject to certain provisions of the Bank Secrecy Act, as amended by the Patriot Act and the AMLA, with regard to maintaining effective AML programs. Similar AML requirements apply under the laws of most jurisdictions where we operate. As regulators increase their focus in this area, we are likely to face increased costs related to oversight, supervision and fines and changes to our business practices, including restrictions with respect to the types of products and services we may offer, the countries in which our cards may be used, and the types of customers and merchants who can obtain or accept our cards. Emerging technologies, such as digital currencies, could limit our ability to track the movement of funds. Money laundering, terrorist financing and other illicit activities involving our business could result in enforcement action, and our reputation may suffer due to our customers' association with certain countries, persons or entities or the existence of any such transactions.

Various regulatory agencies and legislatures are also considering regulations and legislation covering identity theft, account management guidelines, credit bureau reporting, disclosure rules, security and marketing that would impact us directly, in part due to increased scrutiny of our underwriting and account management standards. These new requirements may restrict our ability to issue charge and credit cards or partner with other financial institutions, which could adversely affect our revenue growth.

See "Supervision and Regulation" for more information about certain laws and regulations to which we are subject and their impact on us.

Litigation and regulatory actions could subject us to significant fines, penalties, judgments and/or requirements resulting in significantly increased expenses, damage to our reputation and/or a material adverse effect on our business.

Businesses in the financial services and payments industries have historically been subject to significant legal actions, including class action lawsuits. Many of these actions have included claims for substantial compensatory or punitive damages. While we have historically relied on our arbitration clause in agreements with customers to limit our exposure to class action litigation, there can be no assurance that we will continue to be successful in enforcing our arbitration clause in the future, including as a result of regulation that would require that our consumer arbitration clause not apply to cases filed in court as class actions, and claims of the type we previously arbitrated could be subject to the complexities, risks and costs associated with class action cases. The continued focus of merchants on issues relating to the acceptance of various forms of payment may lead to additional litigation and other legal actions. Given the inherent uncertainties involved in litigation, and the very large or indeterminate

damages sought in some matters asserted against us, there is significant uncertainty as to the ultimate liability we may incur from litigation.

We have been subject to regulatory actions and may continue to be subject to such actions, including governmental inquiries, investigations and enforcement proceedings, in the event of noncompliance or alleged noncompliance with laws or regulations. External publicity concerning investigations, including those that are narrow in scope, can increase their scope and scale and lead to further regulatory inquiries. Beginning in May 2020, we began responding to a regulatory review led by the OCC and the Department of Justice Civil Division regarding historical sales practices relating to certain small business card sales. We also conducted an internal review of certain sales from 2015 and 2016 and have taken appropriate disciplinary and remedial actions, including voluntarily providing remediation to certain current and former customers. Information regarding our investigation has been provided to our other regulators, including the Federal Reserve. In January 2021, we received a grand jury subpoena from the United States Attorney's Office for the Eastern District of New York regarding the sales practices for small business cards and a Civil Investigative Demand from the CFPB seeking information on sales practices related to consumers. We are cooperating with all of these inquiries and have continued to enhance our controls related to our sales practices. We do not believe this matter will have a material adverse impact on our business or results of operations.

We expect that regulators will continue taking formal enforcement actions against financial institutions in addition to addressing supervisory concerns through non-public supervisory actions or findings, which could involve restrictions on our activities, among other limitations that could adversely affect our business. In addition, a violation of law or regulation by another financial institution could give rise to an investigation by regulators and other governmental agencies of the same or similar practices by us. Further, a single event may give rise to numerous and overlapping investigations and proceedings. Regulatory action could subject us to significant fines, penalties or other requirements resulting in Card Member reimbursements, increased expenses, limitations or conditions on our business activities, and damage to our reputation and our brand, all of which could adversely affect our results of operations and financial condition.

Governmental authorities have adopted or proposed measures to provide economic assistance to individual households and businesses, stabilize markets and support economic growth. The future success of these measures is unknown and they may not be sufficient to mitigate the negative impact of the pandemic. Additionally, some measures, such as a suspension of loan payments and encouragement of forbearances, may have a negative impact on our business, results of operations and financial condition. We also face an increased risk of litigation and governmental and regulatory scrutiny as a result of the effects of the pandemic on market and economic conditions, such as a renewed focus on fair lending laws, and actions governmental authorities take in response to those conditions, including participation in the PPP.

Legal proceedings regarding provisions in our merchant contracts, including non-discrimination and honor-all-cards provisions, could have a material adverse effect on our business and result in additional litigation and/or arbitrations, substantial monetary damages and damage to our reputation and brand.

We are, and have been in the past, a defendant in a number of actions, including legal proceedings and proposed class actions filed by merchants, challenging certain provisions of our card acceptance agreements. See Note 12 to the "Consolidated Financial Statements" for a description of our outstanding material legal proceedings.

An adverse outcome in these proceedings could have a material adverse effect on our business and results of operations, require us to change our merchant agreements in a way that could expose our cards to increased merchant steering and other forms of discrimination that could impair the Card Member experience, result in additional litigation and/or arbitrations, impose substantial monetary damages and damage our reputation and brand. Even if we were not required to change our merchant agreements, changes in Visa's and Mastercard's policies or practices as a result of legal proceedings, lawsuit settlements or regulatory actions pending against them could result in changes to our business practices and materially and adversely impact our profitability.

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

Failure to meet current or future capital or liquidity requirements could compromise our competitive position and could result in restrictions imposed by the Federal Reserve, including limiting our ability to pay dividends, repurchase our capital stock, invest in our business, expand our business or engage in acquisitions. Some elements of the capital and liquidity regimes are not yet final and certain developments could significantly impact the requirements applicable to financial institutions. For example, the Basel Committee finalized revisions to the standardized approach for credit risk and operational risk capital requirements. If these revisions are adopted in the United States, we could be required to hold significantly more capital. In addition, it may be necessary for us to hold additional capital because of an increase in the SCB requirement based on the results from a supervisory stress test.

Compliance with capital adequacy and liquidity rules requires a material investment of resources. An inability to meet regulatory expectations regarding our compliance with applicable capital adequacy and liquidity rules may also negatively impact the assessment of us and our U.S. bank subsidiary by federal banking regulators.

For more information on capital adequacy requirements, see “Capital and Liquidity Regulation” under “Supervision and Regulation.”

We are subject to restrictions that limit our ability to pay dividends and repurchase our capital stock. Our subsidiaries are also subject to restrictions that limit their ability to pay dividends to us, which may adversely affect our liquidity.

We are limited in our ability to pay dividends and repurchase capital stock by our regulators, who have broad authority to prohibit any action that would be considered an unsafe or unsound banking practice. For example, the Federal Reserve prohibited share repurchases in the third and fourth quarters of 2020 for all banking organizations participating in CCAR and has limited distributions for the first quarter of 2021. We are subject to a requirement to submit capital plans to the Federal Reserve for review that include, among other things, projected dividend payments and repurchases of capital stock. As part of the capital planning and stress testing process, our proposed capital actions are assessed against our ability to satisfy applicable capital requirements in the event of a stressed market environment. If we fail to satisfy applicable capital requirements, including the stress capital buffer, our ability to undertake capital actions may be restricted.

Our ability to declare or pay dividends on, or to purchase, redeem or otherwise acquire, shares of our common stock will be prohibited, subject to certain exceptions, in the event that we do not declare and pay in full dividends for the last preceding dividend period of our Series B and Series C preferred stock.

American Express Company relies on dividends from its subsidiaries for liquidity, and such dividends may be limited by law, regulation or supervisory policy. For example, our U.S. bank subsidiary, AENB, is subject to various statutory and regulatory limitations on its declaration and payment of dividends. These limitations may hinder our ability to access funds we may need to make payments on our obligations, make dividend payments on outstanding American Express Company capital stock or otherwise achieve strategic objectives.

Any future reduction or elimination of our common stock dividend or share repurchase program could adversely affect the market price of our common stock and market perceptions of American Express. For more information on bank holding company and depository institution dividend restrictions, see “Stress Testing and Capital Planning” and “Dividends and Other Capital Distributions” under “Supervision and Regulation,” as well as “Consolidated Capital Resources and Liquidity—Dividends and Share Repurchases” under “MD&A” and Note 22 to our “Consolidated Financial Statements.”

Regulation in the areas of privacy, data protection, data governance, account access and information and cyber security could increase our costs and affect or limit our business opportunities and how we collect and/or use personal information.

Legislators and regulators in the United States and other countries in which we operate are increasingly adopting or revising privacy, data protection, data governance, account access and information and cyber security laws, including data localization, authentication and notification laws. As such laws are interpreted and applied (in some cases, with significant differences or conflicting requirements across jurisdictions), compliance and technology costs will continue to increase, particularly in the context of ensuring that adequate data governance, data protection, data transfer and account access mechanisms are in place.

Compliance with current or future privacy, data protection, data governance, account access and information and cyber security laws could significantly impact our collection, use, sharing, retention and safeguarding of consumer and/or colleague information and could restrict our ability to fully maximize our closed-loop capability or provide certain products and services, which could materially and adversely affect our profitability. Our failure to comply with such laws could result in potentially significant regulatory and/or governmental investigations and/or actions, litigation, fines, sanctions, ongoing regulatory monitoring, customer attrition, decreases in the use or acceptance of our cards and damage to our reputation and our brand. In recent years, there has been increasing regulatory enforcement and litigation activity in the areas of privacy, data protection and information and cyber security in the United States, the EU and various other countries in which we operate.

For more information on regulatory and legislative activity in this area, see “Privacy, Data Protection, Data Governance, Information and Cyber Security” under “Supervision and Regulation.”

We may not be able to effectively manage the operational and compliance risks to which we are exposed.

We consider operational risk to be the risk of loss due to, among other things, inadequate or failed processes, people or information systems, or impacts from the external environment (e.g., natural disasters). Operational risk includes, among others, the risk that error or misconduct could result in a material financial misstatement, a failure to monitor a third party’s compliance with regulatory or legal requirements, or a failure to adequately monitor and control access to, or use of, data in our systems we grant to third parties. As processes or organizations 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. Through human error, fraud or malfeasance, conduct risk can result in harm to customers, broader markets and the company and its employees.

Compliance risk arises from the failure to adhere to applicable laws, rules, regulations and internal policies and procedures. We need to continually update and enhance our control environment to address operational and compliance risks. Operational and compliance failures or deficiencies in our control environment can expose us to reputational and legal 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.

If we are not able to protect our intellectual property, or successfully defend against any infringement or misappropriation assertions brought against us, our revenue and profitability could be negatively affected.

We rely on a variety of measures to protect our intellectual property and control access to, and distribution of, our trade secrets and other proprietary information. These measures may not prevent infringement of our intellectual property rights or misappropriation of our proprietary information and a resulting loss of competitive advantage. The ability to enforce intellectual property rights to prevent disclosure of our trade secrets and other proprietary information may be limited in certain jurisdictions. In addition, competitors or other third parties may allege that our products, systems, processes or technologies infringe on their intellectual property rights. Given the complex, rapidly changing and competitive technological and business environments in which we operate, and the potential risks and uncertainties of intellectual property-related litigation, a future assertion of an infringement or misappropriation claim against us could cause us to lose significant revenues, incur significant defense, license, royalty or technology development expenses, and/or pay significant monetary damages.

Tax legislative initiatives or assessments could adversely affect our results of operations and financial condition.

We are subject to income and other taxes in the United States and in various foreign jurisdictions. The laws and regulations related to tax matters are extremely complex and subject to varying interpretations. Although management believes our positions are reasonable, we are subject to audit by the Internal Revenue Service in the United States and by tax authorities in all the jurisdictions in which we conduct business operations. We are being challenged in a number of countries regarding our application of value-added taxes (VAT) to certain transactions. While we believe we comply with all applicable VAT and other tax laws, rules and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional taxes or apply existing laws and regulations more broadly, which could result in a significant increase in liabilities for taxes and interest in excess of accrued liabilities.

New tax legislative initiatives, including increases in the corporate tax rate, may be enacted, impacting our effective tax rate and potentially adversely affecting our tax positions or tax liabilities. In addition, unilateral or multi-jurisdictional actions by various tax authorities, including an increase in tax audit activity, could have an adverse impact on our tax liabilities.

Credit, Liquidity and Market Risks

Our risk management policies and procedures may not be effective.

Our risk management framework seeks to identify and mitigate risk and appropriately balance risk and return. 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. There may also be risks that exist, or develop in the future, that we have not appropriately identified or mitigated. As regulations and competition 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. Although we have a governance framework for model development and independent model validation, the modeling methodology or key assumptions could be erroneous or the models could be misused. In addition, issues with the quality or effectiveness of our data aggregation and validation procedures, as well as the quality and integrity of data inputs, could result in ineffective or inaccurate model outputs and reports. For example, models based on historical data sets might not be accurate predictors of future outcomes and their ability to appropriately predict future outcomes may degrade over time. The CECL methodology requires measurement of expected credit losses for the estimated life of certain financial instruments, not only based on historical experience and current conditions, but also by including forecasts incorporating forward-looking information. Our ability to accurately forecast future losses under that methodology may be impaired by the significant uncertainty surrounding the pandemic and the lack of comparable precedent. If our business decisions or estimates for credit losses are based on incorrect or misused models and assumptions or we fail to manage data inputs effectively and to aggregate or analyze data in an accurate and timely manner, our results of operations and financial condition may be materially adversely affected.

We are exposed to credit risk and trends that affect Card Member spending and the ability of customers and partners to pay us, which could have a material adverse effect on our results of operations and financial condition.

We are exposed to both individual credit risk, principally from consumer and small business Card Member loans and receivables, and institutional credit risk, principally from corporate Card Member loans and receivables, merchants, network partners, loyalty coalition partners and treasury and investment counterparties. Third parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. General economic factors, such as GDP, unemployment, inflation and interest rates, may result in greater delinquencies that lead to greater credit losses. A customer's ability and willingness to repay us can be negatively impacted not only by economic, market, political and social conditions but

also by a customer's other payment obligations, and increasing leverage can result in a higher risk that customers will default or become delinquent in their obligations to us. Our caution about the potential for a significant downturn in the pace of economic recovery is reflected in the macroeconomic outlook that informs our reserves for credit losses.

We rely principally on the customer's creditworthiness for repayment of loans or receivables and therefore have no other recourse for collection. Our ability to assess creditworthiness may be impaired if the criteria or models we use to manage our credit risk prove inaccurate in predicting future losses, which could cause our losses to rise and have a negative impact on our results of operations. Further, our pricing strategies may not offset the negative impact on profitability caused by increases in delinquencies and losses; thus any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. 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.

Rising delinquencies and rising rates of bankruptcy are often precursors of future write-offs and may require us to increase our reserve for credit losses. Higher write-off rates and the resulting increase in our reserves for credit losses adversely affect our profitability and the performance of our securitizations, and may increase our cost of funds.

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. In addition, our ability to manage credit risk or collect amounts owed to us may be adversely affected by legal or regulatory changes (such as restrictions on collections or changes in bankruptcy laws, minimum payment regulations and re-age guidance). Increased credit risk, whether resulting from underestimating the credit losses inherent in our portfolio of loans and receivables, deteriorating economic conditions (particularly in the United States where, for example, Card Members were responsible for approximately 87 percent of our total Card Member loans outstanding as of December 31, 2020), increases in the level of loan balances, changes in our mix of business or otherwise, could require us to increase our provisions for losses and could have a material adverse effect on our results of operations and financial condition.

Interest rate changes could materially adversely affect our earnings.

Our interest expense was approximately \$2.1 billion for the year ended December 31, 2020. If the rate of interest we pay on our borrowings increases more or decreases less than the rate of interest we earn on our loans, our net interest yield, and consequently our net interest income, could decrease. As of December 31, 2020, a hypothetical immediate 100 basis point increase in market interest rates would have a detrimental impact on our annual net interest income of up to \$113 million. A hypothetical immediate 100 basis point decrease in market interest rates would have a smaller but still detrimental impact on our annual net interest income. We expect the rates we pay on our deposits will change if benchmark interest rates change. In addition, interest rate changes may affect customer behavior, such as impacting the loan balances Card Members carry on their credit cards or their ability to make payments as higher interest rates lead to higher payment requirements, further impacting our results of operations. For a further discussion of our interest rate risk, see "Risk Management — Market Risk Management Process" under "MD&A."

The discontinuance of LIBOR may negatively impact our access to funding and the value of our financial instruments and commercial agreements.

Central banks and global regulators have called for financial market participants to prepare for the discontinuance of the London interbank offered rate (LIBOR) and the establishment of alternative reference rates. Certain of our financial instruments and commercial agreements reference LIBOR, which will need to be amended or otherwise modified to replace LIBOR with an alternative reference rate. Some of those instruments and agreements contain provisions to replace LIBOR as the benchmark following the occurrence of specified transition events. Such provisions may not be sufficient to trigger a change in the benchmark at all times when LIBOR is no longer representative of market interest rates, or that these events will align with similar events in the market generally or in other parts of the financial markets, such as the derivatives market.

Alternative reference rates are calculated using components different from those used in the calculation of LIBOR and may fluctuate differently than, and not be representative of, LIBOR. In order to compensate for these differences, certain of our financial instruments and commercial agreements allow for a benchmark replacement adjustment. However, there is no assurance that any benchmark replacement adjustment will be sufficient to produce the economic equivalent of LIBOR, either at the benchmark replacement date or over the life of such instruments and agreements.

Uncertainty as to the nature and timing of the potential discontinuance or modification of LIBOR, the replacement of LIBOR with one or more alternative reference rates or other reforms may negatively impact market liquidity, our access to funding and the trading market for our financial instruments. Furthermore, the timing of implementation and use of alternative reference rates and corresponding adjustments or other reforms could be subject to disputes, could cause the interest payable on our outstanding financial instruments and commercial agreements to be materially different than expected and may impact the value of such instruments and agreements.

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

Our ability to obtain financing in the debt capital markets for unsecured term debt and asset securitizations is dependent on financial market conditions. Disruptions, uncertainty or volatility across the financial markets, as well as adverse developments affecting our competitors and the financial industry generally, could negatively impact market liquidity and limit our access to funding required to operate our business. Such market conditions may also limit our ability to replace, in a timely manner, maturing liabilities, satisfy regulatory capital requirements and access the funding necessary to grow our business. In some circumstances, we may incur an unattractive cost to raise capital, which could decrease profitability and significantly reduce financial flexibility. For a further discussion of our liquidity and funding needs, see “Consolidated Capital Resources and Liquidity” under “MD&A.”

Any reduction in our and our 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.

Rating agencies regularly evaluate us and our subsidiaries, and their ratings of our and our subsidiaries’ long-term and short-term debt and deposits are based on a number of factors, including financial strength, as well as factors not within our control, including conditions affecting the financial services industry generally, and the wider state of the economy. Our and our subsidiaries’ ratings could be downgraded at any time and without any notice by any of the rating agencies, which could, among other things, adversely limit our access to the capital markets and adversely affect the cost and other terms upon which we and our subsidiaries are able to obtain funding.

Adverse currency fluctuations and foreign exchange controls could decrease earnings we receive from our international operations and impact our capital.

During 2020, approximately 22 percent 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 accordingly the revenue we generate outside the United States is subject to unpredictable fluctuations if the values of other currencies change relative to the U.S. dollar (including as a result of Brexit), which could have a material adverse effect on our results of operations.

Foreign exchange regulations or capital controls might restrict or prohibit the conversion of other currencies into U.S. dollars or our ability to transfer them. Political and economic conditions in other countries could also impact the availability of foreign exchange for the payment to us by the local card issuer for obligations arising out of local Card Members’ spending outside such country and for the payment by Card Members who are billed in a currency other than their local currency. Substantial and sudden devaluation of local Card Members’ currency can also affect their ability to make payments to the local issuer of the card in connection with spending outside the local country. The occurrence of any of these circumstances could further impact our results of 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.

Our U.S. bank subsidiary, AENB, accepts deposits directly from consumers, as well as from individuals through third-party brokerage networks, and uses the proceeds as a source of funding. As of December 31, 2020, we had approximately \$86 billion in total U.S. retail deposits, a portion of which had been raised through third-party brokerage networks. We face strong and increasing competition with regard to deposits, and pricing and product changes may adversely affect our ability to attract and retain cost-effective deposit balances. To the extent we 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 is also dependent on AENB’s capital levels. The FDIA’s brokered deposit provisions and related FDIC rules in certain circumstances prohibit banks from accepting or renewing brokered deposits and apply other restrictions, such as a cap on interest rates that can be paid. Additionally, our regulators can adjust applicable capital requirements at any time and have authority to place limitations on our deposit businesses. An inability to attract or maintain deposits in the future could materially adversely affect our ability to fund our business.

The value of our investments may be adversely impacted by economic, political or market conditions.

Market risk includes the loss in value of portfolios and financial instruments due to adverse changes in market variables, which could negatively impact our financial condition. We held approximately \$22 billion of investment securities as of December 31, 2020. In the event that actual default rates of these investment securities were to significantly change from historical patterns due to economic conditions or otherwise, it could have a material adverse impact on the value of our investment portfolio, potentially resulting in impairment charges. Defaults or economic disruptions, even in countries or territories in which we do not have material investment exposure, conduct business or have operations, could adversely affect us.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal executive offices are in a 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 an approximately 49 percent ownership interest in the building and an affiliate of Brookfield Financial Properties owns the remaining approximately 51 percent interest in the building. We also lease space in the building from Brookfield's affiliate.

Other owned or leased principal locations include American Express offices in Phoenix, Arizona, Sunrise, Florida, Gurgaon, India, Brighton, England, Manila, Philippines, Tokyo, Japan, Kuala Lumpur, Malaysia and Sydney, Australia; the American Express data centers in Phoenix, Arizona and Greensboro, North Carolina; the headquarters for AENB in Sandy, Utah; the headquarters for American Express Services Europe Limited in London, England; the headquarters for American Express Europe, S.A. in Madrid, Spain; the headquarters for Amex Bank of Canada and Amex Canada Inc. in Toronto, Ontario, Canada; and the headquarters for American Express Bank (Mexico) S.A. Institucion de Banca Multiple and American Express Company (Mexico) S.A. de C.V. in Mexico City, Mexico. We also lease and operate multiple travel lounges as a benefit for our Card Members in major U.S. and global hub airports.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 12 to our "Consolidated Financial Statements," which is incorporated herein by reference.

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, 2020, we had 19,446 common shareholders of record. You can find dividend information concerning our common stock in Note 26 to our "Consolidated Financial Statements." For information on dividend restrictions, see "Dividends and Other Capital Distributions" under "Supervision and Regulation" and Note 22 to our "Consolidated Financial Statements." You can find information on securities authorized for issuance under our equity compensation plans under the caption "Executive Compensation — Equity Compensation Plans" to be contained in our definitive 2021 proxy statement for our Annual Meeting of Shareholders, which is scheduled to be held on May 4, 2021. The information to be found under such caption is incorporated herein by reference. Our definitive 2021 proxy statement for our Annual Meeting of Shareholders is expected to be filed with the SEC in March 2021 (and, in any event, not later than 120 days after the close of our most recently completed fiscal year).

Stock Performance Graph

The information contained in this Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.

The following graph compares the cumulative total shareholder return on our common shares with the total return on the S&P 500 Index and the S&P Financial Index for the last five years. It shows the growth of a \$100 investment on December 31, 2015, including the reinvestment of all dividends.



Year-end Data	2015		2016		2017		2018		2019		2020	
American Express	\$	100.00	\$	108.57	\$	147.88	\$	143.99	\$	190.82	\$	188.62
S&P 500 Index	\$	100.00	\$	111.95	\$	136.38	\$	130.39	\$	171.44	\$	202.96
S&P Financial Index	\$	100.00	\$	122.75	\$	149.92	\$	130.37	\$	172.21	\$	169.19

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- (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 or on behalf of us during the quarter ended December 31, 2020.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^(c)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2020				
Repurchase program ^(a)	—	\$ —	—	102,171,653
Employee transactions ^(b)	—	\$ —	N/A	N/A
November 1-30, 2020				
Repurchase program ^(a)	—	\$ —	—	102,171,653
Employee transactions ^(b)	19,140	\$ 91.24	N/A	N/A
December 1-31, 2020				
Repurchase program ^(a)	—	\$ —	—	102,171,653
Employee transactions ^(b)	—	\$ —	N/A	N/A
Total				
Repurchase program ^(a)	—	\$ —	—	102,171,653
Employee transactions ^(b)	19,140	\$ 91.24	N/A	N/A

- (a) On September 23, 2019, the Board of Directors authorized the repurchase of up to 120 million common shares from time to time, subject to market conditions and in accordance with our capital plans. This authorization replaced the prior repurchase authorization and does not have an expiration date. See “MD&A – Consolidated Capital Resources and Liquidity” for additional information regarding share repurchases.
- (b) Includes: (i) shares surrendered by holders of employee stock options who exercised options (granted under our incentive compensation plans) in satisfaction of the exercise price and/or tax withholding obligation of such holders and (ii) restricted shares withheld (under the terms of grants under our incentive compensation plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. Our incentive compensation plans provide that the value of the shares delivered or attested to, or withheld, be based on the price of our common stock on the date the relevant transaction occurs.
- (c) Share purchases under publicly announced programs are made pursuant to open market purchases or privately negotiated transactions (including employee benefit plans) as market conditions warrant and at prices we deem appropriate.

ITEM 6. SELECTED FINANCIAL DATA

	2020	2019	2018	2017	2016
Operating Results (\$ in Millions)					
Total revenues net of interest expense	\$ 36,087	\$ 43,556	\$ 40,338	\$ 36,878	\$ 35,438
Provisions for credit losses ^(a)	4,730	3,573	3,352	2,760	2,027
Expenses	27,061	31,554	28,864	26,693	25,369
Pretax income	4,296	8,429	8,122	7,425	8,042
Income tax provision	1,161	1,670	1,201	4,677	2,667
Net income	3,135	\$ 6,759	\$ 6,921	\$ 2,748	\$ 5,375
Return on average equity ^(b)	14.2 %	29.6 %	33.5 %	13.2 %	25.8 %
Balance Sheet (\$ in Millions)					
Cash and cash equivalents ^(c)	\$ 32,965	\$ 24,446	\$ 27,808	\$ 33,263	\$ 25,494
Card Member receivables, net	43,434	56,794	55,320	53,526	46,841
Loans, net	70,643	89,624	83,396	74,300	65,461
Investment securities	21,631	8,406	4,647	3,159	3,157
Total assets	191,367	198,321	188,602	181,196	158,917
Customer deposits	86,875	73,287	69,960	64,452	53,042
Short-term borrowings	1,878	6,442	3,100	3,278	5,581
Long-term debt	42,952	57,835	58,423	55,804	46,990
Shareholders' equity	\$ 22,984	\$ 23,071	\$ 22,290	\$ 18,261	\$ 20,523
Common Share Statistics^(d)					
Earnings per share:					
Net income attributable to common shareholders: ^(e)					
Basic	\$ 3.77	\$ 8.00	\$ 7.93	\$ 3.00	\$ 5.63
Diluted	3.77	7.99	7.91	2.99	5.61
Cash dividends declared per common share	1.72	\$ 1.64	\$ 1.48	\$ 1.34	\$ 1.22
Book value per common share	26.58	\$ 26.51	\$ 24.45	\$ 19.42	\$ 20.95
Average common shares outstanding (millions):					
Basic	805	828	856	883	933
Diluted	806	830	859	886	935
Shares outstanding at period end (millions)	805	810	847	859	904
Other Statistics					
Number of colleagues at period end (thousands):					
United States	23	23	21	20	21
Outside the United States	41	41	38	35	35
Total	64	64	59	55	56
Number of shareholders of record	19,446	19,974	21,078	22,262	23,572

- (a) Results for reporting periods beginning after January 1, 2020 are presented using the CECL methodology, while comparative information continues to be reported in accordance with the incurred loss methodology in effect for prior periods. Refer to Note 3 to the "Consolidated Financial Statements" for further information.
- (b) Return on average equity is calculated by dividing one-year period of net income by one-year average of total shareholders' equity.
- (c) Effective December 31, 2020, we reclassified restricted cash from Other assets to Cash and cash equivalents on the Consolidated Balance Sheets. Prior period amounts have been revised to conform to the current period presentation.
- (d) Our common stock trades principally on The New York Stock Exchange under the trading symbol AXP.
- (e) Represents net income, less earnings allocated to participating share awards and dividends on preferred shares.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

EXECUTIVE OVERVIEW

BUSINESS INTRODUCTION

We are a globally integrated payments company with three reportable operating segments: Global Consumer Services Group (GCSG), Global Commercial Services (GCS) and Global Merchant and Network Services (GMNS). Corporate functions and certain other businesses and operations are included in Corporate & Other.

Our range of products and services includes:

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

Our various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including mobile and online applications, affiliate marketing, customer referral programs, third-party vendors and business partners, direct mail, telephone, in-house sales teams, and direct response advertising. Business travel-related services are offered through our non-consolidated joint venture, American Express Global Business Travel (the GBT JV).

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

- Discount revenue, our largest revenue source, primarily represents the amount we earn on transactions occurring at merchants that have entered into a card acceptance agreement with us, or a Global Network Services (GNS) partner or other third-party merchant acquirer, for facilitating transactions between the merchants and Card Members. The amount of fees charged for accepting our cards as payment for goods or services, or merchant discount, varies with, among other factors, the industry in which the merchant does business, the merchant’s overall American Express-related transaction volume, the method of payment, the settlement terms with the merchant, the method of submission of transactions and, in certain instances, the geographic scope for the related card acceptance agreement between the merchant and us (e.g., domestic or global) and the transaction amount. In some instances, an additional flat transaction fee is assessed as part of the merchant discount, and additional fees may be charged such as a variable fee for “non-swiped” card transactions or for transactions using cards issued outside the United States at merchants located in the United States;
- Interest on loans, principally represents interest income earned on outstanding balances;
- Net card fees, represent revenue earned from annual card membership fees, which vary based on the type of card and the number of cards for each account;
- Other fees and commissions, primarily represent Card Member delinquency fees, foreign currency conversion fees charged to Card Members, loyalty coalition-related fees, service fees earned from merchants, travel commissions and fees, and Membership Rewards program fees; and
- Other revenue, primarily represents revenues arising from contracts with partners of our GNS business (including commissions and signing fees less issuer rate payments), cross-border Card Member spending, ancillary merchant-related fees, earnings (losses) from equity method investments (including the GBT JV), insurance premiums earned from Card Members, and prepaid card and Travelers Cheque-related revenue.

NON-GAAP MEASURES

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

BUSINESS ENVIRONMENT

The COVID-19 pandemic has brought unprecedented challenges to businesses and economies around the world. Our 2020 financial results were significantly down year-over-year, reflecting the impact of the deterioration in the global economy due to the pandemic and the related containment measures. There remains a high degree of uncertainty relating to the ongoing spread and severity of the virus and new variants, as well as the availability, distribution and use of effective treatments and vaccines. To the extent that the global economy continues to be negatively impacted by the pandemic, our results will be affected, with credit trends and spending volumes being the key drivers of our financial performance. Throughout 2020, we focused and made substantial progress on our four priorities to manage through this period of uncertainty: supporting our colleagues and winning as a team; protecting our customers and our brand; structuring the company for growth in the future; and remaining financially strong.

Since the first quarter of 2020, our colleague base has successfully operated in a mostly remote working environment and we have sought to ensure that our colleagues have the flexibility and resources they needed to stay safe, healthy and productive. To support our customers and merchants, we offered financial and other assistance, added product benefits to reflect today's environment, and provided the high level of customer service they expect and rely on. We experienced lower voluntary attrition rates on our proprietary products compared to the prior year. In addition, our Card Members continued to recognize our commitment to service excellence, ranking us number one in the J.D. Power U.S. Credit Card Satisfaction Study for the tenth time. We worked with our strategic partners on initiatives to support our communities and launched our largest ever Shop Small campaign to help support small merchants. In addition, we remained committed to strengthening inclusion and diversity, and committed to an action plan to promote racial, ethnic and gender equity for our colleagues, customers and communities.

Reflective of the impacts of the pandemic and the broader macroeconomic environment, our billed business for the year was down 19 percent compared to the prior year, with a low in mid-April followed by a gradual recovery over the remainder of the year. Proprietary billed business, which accounted for 86 percent of our total billings and drives most of our financial results, was also down by 19 percent. Since mid-April, we have seen steady improvement in our overall billed business, with different recovery trends in T&E and non-T&E spend. Non-T&E spend, which has historically accounted for a large portion of our billed business, recovered to pre-pandemic levels in the second half of the year resulting in a full year decline of 1 percent compared to the prior year. T&E spend continued to be significantly impacted throughout the course of the year, although we saw a modest improvement from the lows of mid-April primarily driven by proprietary consumer T&E spend, resulting in a year-over-year decline of 61 percent.

Revenues net of interest expense decreased 17 percent compared to the prior year, consistent with the trend in billings. Discount revenue, our largest revenue line, decreased 22 percent, which was a larger contraction than the decline in billed business for the year due to a decrease in the average discount rate. The average discount rate decrease was driven by a shift in spend mix to non-T&E categories. Other fees and commissions and Other revenues declined year-over-year, primarily driven by a reduction in travel-related revenues. Card fee revenues, which are recognized over a twelve-month period and therefore are slower to react to economic shifts, continued to grow as compared to the prior year. While Card Member retention remained high throughout the year, net card fee growth decelerated as we slowed new card acquisitions to manage through the peak of uncertainty during the crisis. Net interest income declined by 7 percent year-over-year, primarily driven by lower average loans.

As a result of the spend-centric nature of our business model, Card Member loans and receivables declined 16 percent and 24 percent year-over-year, respectively, due to lower billed business volumes. Provisions for credit losses increased, primarily due to a higher reserve build reflecting the deterioration of the global macroeconomic outlook, including unemployment and gross domestic product (GDP), partially offset by improved credit performance and lower loan and receivable volumes.

In order to provide support to our customers impacted by the pandemic, we created a short-term Customer Pandemic Relief program and enhanced our longer-term financial relief programs. The total balance of loans and receivables that were in a delinquent status or in one of our financial relief programs peaked in the second quarter and then declined sequentially through the remainder of the year. In addition, our write-offs and delinquencies were down year-over-year reflecting our strong risk management practices, the record levels of government stimulus and the broad availability of forbearance programs.

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Card Member rewards, Card Member services and business development expenses are generally correlated to billings or are variable based on usage, and were lower this year due to the decline in billing volumes and lower usage of travel-related benefits. During the year, we remained focused on controlling operating expenses, while investing in marketing initiatives to support our customers, such as enhancements that we made to value propositions for many of our card products and our largest ever Shop Small campaign.

Throughout the year, our liquidity levels and capital position remained strong, with capital ratios that are well above our targets and regulatory requirements. These robust liquidity and capital levels provide us with significant flexibility to maintain the strength of our balance sheet through this uncertain period. Looking forward, we remain committed to capital distributions through dividend payments and resuming share repurchases up to our maximum capacity authorized by the Federal Reserve in the first quarter of 2021.

Our progress in managing through the pandemic over the last year confirms the resilience of our differentiated business model, which includes a loyal and diverse customer base, a valued brand, our global merchant network, and our integrated payments platform. All of this, supported by our resilient colleagues around the world, provides us with a solid foundation as we move into 2021, which we see as a transition year. We will still be managing through the effects of the pandemic, but with an increased focus on maximizing investments in areas that will enable us to rebuild growth momentum.

See “Supervision and Regulation” in “Business” for information on legislative and regulatory changes that could have a material adverse effect on our results of operations and financial condition and “Risk Factors” and “Cautionary Note Regarding Forward Looking Statements” for information on additional potential impacts of the COVID-19 pandemic and the potential impacts of economic, geopolitical and competitive conditions and certain litigation and regulatory matters on our business.

CONSOLIDATED RESULTS OF OPERATIONS

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

The discussions in the "Financial Highlights", "Consolidated Results of Operations" and "Business Segment Results of Operations" provide commentary on the variances for the year ended December 31, 2020 compared to the year ended December 31, 2019, as presented in the accompanying tables. These discussions should be read in conjunction with the discussion under "Business Environment," which contains further information on the COVID-19 pandemic and the related impacts on our consolidated results of operations. For a discussion of the financial condition and results of operations for 2019 compared to 2018, please refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 13, 2020.

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

TABLE 1: SUMMARY OF FINANCIAL PERFORMANCE

Years Ended December 31, (Millions, except percentages and per share amounts)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Total revenues net of interest expense	\$ 36,087	\$ 43,556	\$ 40,338	\$ (7,469)	(17)%	\$ 3,218	8 %
Provisions for credit losses	4,730	3,573	3,352	1,157	32	221	7
Expenses	27,061	31,554	28,864	(4,493)	(14)	2,690	9
Pretax income	4,296	8,429	8,122	(4,133)	(49)	307	4
Income tax provision	1,161	1,670	1,201	(509)	(30)	469	39
Net income	3,135	6,759	6,921	(3,624)	(54)	(162)	(2)
Earnings per common share — diluted ^(a)	\$ 3.77	\$ 7.99	\$ 7.91	\$ (4.22)	(53)%	\$ 0.08	1 %
Return on average equity ^(b)	14.2 %	29.6 %	33.5 %				
Effective tax rate (ETR)	27.0 %	19.8 %	14.8 %				
Adjustments to ETR ^(c)			6.1 %				
Adjusted ETR ^(c)			20.9 %				

- (a) Represents net income, less (i) earnings allocated to participating share awards of \$20 million, \$47 million and \$54 million for the years ended December 31, 2020, 2019 and 2018, respectively, and (ii) dividends on preferred shares of \$79 million, \$81 million and \$80 million for the years ended December 31, 2020, 2019 and 2018, respectively.
- (b) Return on average equity (ROE) is computed by dividing (i) one-year period of net income (\$3.1 billion, \$6.8 billion and \$6.9 billion for 2020, 2019 and 2018, respectively) by (ii) one-year average of total shareholders' equity (\$22.0 billion, \$22.8 billion and \$20.7 billion for 2020, 2019 and 2018, respectively).
- (c) The adjusted ETR for 2018 is a non-GAAP measure. The 2018 adjusted ETR excludes a benefit of \$496 million relating to changes in the tax method of accounting for certain expenses, the resolution of certain prior years' tax audits, and a final adjustment to our 2017 provisional tax charge related to the Tax Cuts and Jobs Act enacted on December 22, 2017 (Tax Act).

TABLE 2: TOTAL REVENUES NET OF INTEREST EXPENSE SUMMARY

Years Ended December 31, (Millions, except percentages)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Discount revenue	\$ 20,401	\$ 26,167	\$ 24,721	\$ (5,766)	(22)%	\$ 1,446	6 %
Net card fees	4,664	4,042	3,441	622	15	601	17
Other fees and commissions	2,163	3,297	3,153	(1,134)	(34)	144	5
Other	874	1,430	1,360	(556)	(39)	70	5
Total non-interest revenues	28,102	34,936	32,675	(6,834)	(20)	2,261	7
Total interest income	10,083	12,084	10,606	(2,001)	(17)	1,478	14
Total interest expense	2,098	3,464	2,943	(1,366)	(39)	521	18
Net interest income	7,985	8,620	7,663	(635)	(7)	957	12
Total revenues net of interest expense	\$ 36,087	\$ 43,556	\$ 40,338	\$ (7,469)	(17)%	\$ 3,218	8 %

TOTAL REVENUES NET OF INTEREST EXPENSE

Discount revenue decreased, primarily due to a decrease in worldwide billed business of 19 percent. U.S. billed business decreased 16 percent and non-U.S. billed business decreased 23 percent due to the impacts of the COVID-19 pandemic during 2020.

Additional billed business highlights for the full year 2020 as compared to full year 2019:

- Worldwide non-T&E billed business decreased 1 percent and T&E billed business decreased 61 percent.
- Proprietary consumer billed business decreased by 17 percent, primarily driven by declines in T&E, and offline non-T&E spend, which were partially offset by increased online and card-not-present spend at non-T&E merchants.
- Proprietary commercial billed business decreased by 21 percent, primarily driven by year-over-year decreases in T&E spend by large and global corporate card customers, with less pronounced billed business declines from small and mid-sized enterprises, where T&E volumes made up a lower proportion of spend.

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

The decrease in discount revenue was also driven by a decrease in the average discount rate primarily due to a shift in spend mix to non-T&E categories. The average discount rate was 2.28 percent for 2020 and 2.37 percent for 2019.

Net card fees increased, primarily driven by our premium card product portfolios. Card fees, which are recognized over a twelve-month period, are slower to react to economic shifts, such as those arising from the impacts of the COVID-19 pandemic.

Other fees and commissions decreased, primarily due to the impacts of travel restrictions related to the COVID-19 pandemic, which resulted in lower foreign exchange conversion revenue related to decreased cross-border Card Member spending and lower travel commissions and fees from our consumer travel business, as well as a decline in late fees due to lower delinquencies.

Other revenues decreased, primarily driven by a net loss in the current year, as compared to net income in the prior year, from the GBT JV and lower revenue earned on cross-border Card Member spending due to the impacts of the COVID-19 pandemic, including travel restrictions.

Interest income decreased, primarily driven by a reduction in benchmark interest rates and lower average Card Member loan volumes.

Interest expense decreased, primarily driven by lower interest rates paid on deposits and a reduction in outstanding debt.

TABLE 3: PROVISIONS FOR CREDIT LOSSES SUMMARY

Years Ended December 31, (Millions, except percentages)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Card Member receivables							
Net write-offs	\$ 881	\$ 900	\$ 859	\$ (19)	(2)%	\$ 41	5 %
Reserve build	134	63	78	71	113	(15)	(19)
Total	1,015	963	937	52	5	26	3
Card Member loans							
Net write-offs	2,170	2,235	1,843	(65)	(3)	392	21
Reserve build	1,283	227	423	1,056	#	(196)	(46)
Total	3,453	2,462	2,266	991	40	196	9
Other							
Net write-offs - Other loans ^(a)	111	98	79	13	13	19	24
Net write-offs - Other receivables ^(b)	27	20	32	7	35	(12)	(38)
Reserve build - Other loans ^(a)	66	28	44	38	#	(16)	(36)
Reserve build (release) - Other receivables ^(b)	58	2	(6)	56	#	8	(133)
Total	262	148	149	114	77	(1)	(1)
Total provisions for credit losses	\$ 4,730	\$ 3,573	\$ 3,352	\$ 1,157	32 %	\$ 221	7 %

Denotes a variance greater than 100 percent

- (a) Relates to Other loans of \$2.9 billion, \$4.8 billion, and \$3.8 billion less reserves of \$238 million, \$152 million, and \$124 million, as of December 31, 2020, 2019 and 2018, respectively.
- (b) Relates to Other receivables included in Other assets on the Consolidated Balance Sheets of \$3 billion, \$3.1 billion, and \$2.9 billion, less reserves of \$85 million, \$27 million, \$25 million as of December 31, 2020, 2019, and 2018, respectively.

PROVISIONS FOR CREDIT LOSSES

Card Member loans and receivables provision for credit losses increased, primarily driven by a higher reserve build reflecting the deterioration of the global macroeconomic outlook, including unemployment and GDP, partially offset by improved credit performance and a decline in the outstanding balance of Card Member loans and receivables.

Other provision for credit losses increased, primarily driven by a higher reserve build and higher net write-offs.

Refer to Note 1 to the "Consolidated Financial Statements" for further information about CECL, including the January 1, 2020 implementation impact on reserves.

TABLE 4: EXPENSES SUMMARY

Years Ended December 31, (Millions, except percentages)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Marketing and business development	\$ 6,747	\$ 7,125	\$ 6,477	\$ (378)	(5)%	\$ 648	10 %
Card Member rewards	8,041	10,439	9,696	(2,398)	(23)	743	8
Card Member services	1,230	2,223	1,777	(993)	(45)	446	25
Total marketing, business development, rewards and Card Member services	16,018	19,787	17,950	(3,769)	(19)	1,837	10
Salaries and employee benefits	5,718	5,911	5,250	(193)	(3)	661	13
Other, net	5,325	5,856	5,664	(531)	(9)	192	3
Total expenses	\$ 27,061	\$ 31,554	\$ 28,864	\$ (4,493)	(14)%	\$ 2,690	9 %

EXPENSES

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

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Marketing and business development expense decreased, primarily due to a temporary reduction in proactive marketing for Card Member acquisitions, as well as decreases in corporate client incentives and network partner payments due to lower billed business, all of which were a result of the impacts of the COVID-19 pandemic, partially offset by incremental investments in limited time enhancements to our Card Member value proposition to maintain customer engagement and the Delta changes described above.

Card Member rewards expense decreased, primarily driven by decreases in Membership Rewards and cash back rewards expenses of \$1,579 million and cobrand rewards expense of \$819 million, both of which were primarily driven by lower billed business as a result of the impacts of the COVID-19 pandemic. In addition, changes in redemption mix due to a decline in higher cost travel redemptions since the onset of the COVID-19 pandemic contributed to a decrease in the Membership Rewards weighted average cost (WAC) per reward point and expense. Cobrand rewards expense also reflected the impact of the Delta changes described above.

The Membership Rewards Ultimate Redemption Rate (URR) for current program participants was 96 percent (rounded up) at both December 31, 2020 and 2019.

Card Member services expense decreased, primarily due to lower usage of travel-related benefits as a result of the impacts of the COVID-19 pandemic, as well as the Delta changes described above.

Salaries and employee benefits expense decreased, primarily driven by lower incentive compensation expenses, partially offset by increased payroll costs due to a higher full year average headcount as compared to the prior year.

Other expenses decreased, primarily driven by a prior year litigation-related charge, lower employee-related operating costs and lower professional services expense, partially offset by a prior year non-income tax-related benefit.

INCOME TAXES

The effective tax rate for 2020 was 27.0 percent. The effective tax rate for 2019 was 19.8 percent. The increase in the effective tax rate in the current period primarily reflected discrete tax charges related to the realizability of certain foreign deferred tax assets, resulting from cumulative losses in certain non-U.S. legal entities that were exacerbated by the impacts of the COVID-19 pandemic. The tax rates in both periods reflect the level of pretax income in relation to recurring permanent tax benefits and the geographic mix of business.

TABLE 5: SELECTED CARD-RELATED STATISTICAL INFORMATION

Years Ended December 31,	2020	2019	2018	Change 2020 vs. 2019	Change 2019 vs. 2018
Billed business: (billions)					
U.S.	\$ 693.1	\$ 827.7	\$ 777.6	(16) %	6 %
Outside the U.S.	317.5	413.1	406.4	(23)	2
Total	\$ 1,010.6	\$ 1,240.8	\$ 1,184.0	(19)	5
Proprietary	\$ 870.7	\$ 1,070.5	\$ 1,002.6	(19)	7
GNS	139.9	170.3	181.4	(18)	(6)
Total	\$ 1,010.6	\$ 1,240.8	\$ 1,184.0	(19)	5
Cards-in-force: (millions)					
U.S.	53.8	54.7	53.7	(2)	2
Outside the U.S.	58.2	59.7	60.3	(3)	(1)
Total	112.0	114.4	114.0	(2)	—
Proprietary	68.9	70.3	69.1	(2)	2
GNS	43.1	44.1	44.9	(2)	(2)
Total	112.0	114.4	114.0	(2)	—
Basic cards-in-force: (millions)					
U.S.	42.2	43.0	42.3	(2)	2
Outside the U.S.	49.1	50.0	50.3	(2)	(1)
Total	91.3	93.0	92.6	(2)	—
Average proprietary basic Card Member spending: (dollars)					
U.S.	\$ 18,085	\$ 21,515	\$ 20,840	(16)	3
Outside the U.S.	\$ 12,264	\$ 16,351	\$ 15,756	(25)	4
Worldwide Average	\$ 16,352	\$ 19,972	\$ 19,340	(18)	3
Average discount rate	2.28 %	2.37 %	2.37 %		
Average fee per card (dollars) ^(a)	\$ 67	\$ 58	\$ 51	16 %	14 %

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

TABLE 6: BILLED BUSINESS-RELATED STATISTICAL INFORMATION

	2020		2019	
	Percentage Increase (Decrease)	Percentage Increase (Decrease) Assuming No Changes in FX Rates ^(a)	Percentage Increase (Decrease)	Percentage Increase (Decrease) Assuming No Changes in FX Rates ^(a)
Worldwide				
Proprietary				
Proprietary consumer	(17) %	(17) %	8 %	9 %
Proprietary commercial	(21)	(21)	6	6
Total Proprietary	(19)	(19)	7	8
GNS	(18)	(17)	(6)	(2)
Worldwide Total	(19)	(18)	5	6
T&E-related volume (14% and 30% of Worldwide Total for 2020 and 2019, respectively) ^(b)	(61)	(60)	4	6
Non-T&E-related volume (86% and 70% of Worldwide Total for 2020 and 2019, respectively) ^(b)	(1)	(1)	6	7
Airline-related volume (3% and 8% of Worldwide Total for 2020 and 2019, respectively) ^(b)	(76)	(76)	1	3
U.S.				
Proprietary				
Proprietary consumer	(15)		7	
Proprietary commercial	(18)		5	
Total Proprietary	(16)		6	
U.S. Total	(16)		6	
T&E-related volume (13% and 25% of U.S. Total for 2020 and 2019, respectively) ^(b)	(57)		6	
Non-T&E-related volume (87% and 75% of U.S. Total for 2020 and 2019, respectively) ^(b)	(1)		6	
Airline-related volume (2% and 7% of U.S. Total for 2020 and 2019, respectively) ^(b)	(75)		4	
Outside the U.S.				
Proprietary				
Proprietary consumer	(21)	(21)	10	14
Proprietary commercial	(32)	(31)	7	11
Total Proprietary	(26)	(25)	9	13
Outside the U.S. Total	(23)	(22)	2	6
Asia Pacific, Australia and New Zealand	(16)	(16)	1	5
Latin America & Canada	(32)	(26)	4	10
Europe, the Middle East & Africa	(30) %	(31) %	1 %	5 %

(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 prior-year period against which such results are being compared).

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

TABLE 7: SELECTED CREDIT-RELATED STATISTICAL INFORMATION

As of or for the Years Ended December 31, (Millions, except percentages and where indicated)	2020	2019	2018	Change 2020 vs. 2019	Change 2019 vs. 2018
Worldwide Card Member loans:					
Card Member loans: (billions)					
U.S.	\$ 64.2	\$ 76.0	\$ 72.0	(16) %	6 %
Outside the U.S.	9.2	11.4	9.9	(19)	15
Total	\$ 73.4	\$ 87.4	\$ 81.9	(16)	7
Credit loss reserves:					
Beginning balance ^(a)	\$ 4,027	\$ 2,134	\$ 1,706	89	25
Provisions - principal, interest and fees	3,453	2,462	2,266	40	9
Net write-offs — principal less recoveries	(1,795)	(1,860)	(1,539)	(3)	21
Net write-offs — interest and fees less recoveries	(375)	(375)	(304)	—	23
Other ^(b)	34	22	5	55	#
Ending balance	\$ 5,344	\$ 2,383	\$ 2,134	#	12
% of loans	7.3 %	2.7 %	2.6 %		
% of past due	727 %	177 %	182 %		
Average loans (billions)	\$ 74.6	\$ 82.8	\$ 75.8	(10)	9
Net write-off rate — principal only ^(c)	2.4 %	2.2 %	2.0 %		
Net write-off rate — principal, interest and fees ^(c)	2.9 %	2.7 %	2.4 %		
30+ days past due as a % of total	1.0 %	1.5 %	1.4 %		
Worldwide Card Member receivables:					
Card Member receivables: (billions)					
U.S.	\$ 30.5	\$ 39.0	\$ 39.0	(22)	—
Outside the U.S.	13.2	18.4	16.9	(28)	9
Total	\$ 43.7	\$ 57.4	\$ 55.9	(24)	3
Credit loss reserves:					
Beginning balance ^(a)	\$ 126	\$ 573	\$ 521	(78)	10
Provisions - principal and fees	1,015	963	937	5	3
Net write-offs - principal and fees less recoveries	(881)	(900)	(859)	(2)	5
Other ^(b)	7	(17)	(26)	#	(35)
Ending balance	\$ 267	\$ 619	\$ 573	(57) %	8 %
% of receivables	0.6 %	1.1 %	1.0 %		
Net write-off rate — principal and fees ^{(c)(d)}	2.0 %	1.6 %	1.6 %		

Denotes a variance greater than 100 percent

- (a) Includes an increase of \$1,643 million and decrease of \$493 million to the beginning reserve balances for Card Member loans and receivables, respectively, as of January 1, 2020, related to the adoption of the CECL methodology. Refer to Note 3 to the "Consolidated Financial Statements" for further information.
- (b) Other includes foreign currency translation adjustments.
- (c) We present a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, as our practice is to include uncollectible interest and/or fees as part of our total provision for credit losses, a net write-off rate including principal, interest and/or fees is also presented.
- (d) Refer to Tables 10 and 13 for Net write-off rate - principal only and 30+ days past due metrics for GCSG and Global Small Business Services (GSBS) receivables, respectively. A net write-off rate based on principal losses only for Global Corporate Payments (GCP), which reflects global, large and middle market corporate accounts, is not available due to system constraints.

TABLE 8: NET INTEREST YIELD ON AVERAGE CARD MEMBER LOANS

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

Years Ended December 31, (Millions, except percentages and where indicated)	2020	2019	2018
Net interest income	\$ 7,985	\$ 8,620	\$ 7,663
Exclude:			
Interest expense not attributable to our Card Member loan portfolio ^(a)	1,295	1,833	1,592
Interest income not attributable to our Card Member loan portfolio ^(b)	(668)	(1,227)	(1,010)
Adjusted net interest income ^(c)	\$ 8,612	\$ 9,226	\$ 8,245
Average Card Member loans (billions)	\$ 74.6	\$ 82.8	\$ 75.8
Net interest income divided by average Card Member loans ^(c)	10.7 %	10.4 %	10.1 %
Net interest yield on average Card Member loans ^(c)	11.5 %	11.1 %	10.9 %

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

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

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

BUSINESS SEGMENT RESULTS OF OPERATIONS

We consider a combination of factors when evaluating the composition of our 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 outside the United States) and regulatory considerations. Refer to Note 24 to the “Consolidated Financial Statements” and Part I, Item 1. “Business” for additional discussion of products and services that comprise each segment.

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

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

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

Results of the reportable operating segments generally treat each segment as a stand-alone business. The management reporting process that derives these results allocates revenue and expense using various methodologies as described below.

TOTAL REVENUES NET OF INTEREST EXPENSE

We allocate discount revenue and certain other revenues among segments using a transfer pricing methodology. Within the GCSG and GCS segments, discount revenue generally reflects the issuer component of the overall discount revenue generated by each segment’s Card Members; within the GMNS segment, discount revenue generally reflects the network and acquirer component of the overall discount revenue.

Net card fees and Other fees and commissions are directly attributable to the segment in which they are reported.

Interest and fees on loans and certain investment income is directly attributable to the segment in which it is reported. Interest expense represents an allocated funding cost based on a combination of segment funding requirements and internal funding rates.

PROVISIONS FOR CREDIT LOSSES

The provisions for credit losses are directly attributable to the segment in which they are reported.

EXPENSES

Marketing and business development expense is included in each segment based on the actual expenses incurred. Global brand advertising is primarily allocated to the segments based on the relative levels of revenue. Rewards and Card Member services expenses are included in each segment based on the actual expenses incurred.

Salaries and employee benefits and other operating expenses reflect both costs incurred directly within each segment, as well as allocated expenses. The allocated expenses include service costs allocated based on activities directly attributable to the segment, and overhead expenses allocated based on the relative levels of revenue and Card Member loans and receivables.

INCOME TAXES

An income tax provision (benefit) is allocated to each reportable operating segment based on the effective tax rates applicable to the various businesses that comprise the segment.

GLOBAL CONSUMER SERVICES GROUP

TABLE 9: GCSG SELECTED INCOME STATEMENT DATA

Years Ended December 31, (Millions, except percentages)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Revenues							
Non-interest revenues	\$ 14,178	\$ 16,702	\$ 15,357	\$ (2,524)	(15)%	\$ 1,345	9 %
Interest income	8,199	9,413	8,323	(1,214)	(13)	1,090	13
Interest expense	1,051	1,730	1,448	(679)	(39)	282	19
Net interest income	7,148	7,683	6,875	(535)	(7)	808	12
Total revenues net of interest expense	21,326	24,385	22,232	(3,059)	(13)	2,153	10
Provisions for credit losses	3,148	2,635	2,431	513	19	204	8
Total revenues net of interest expense after provisions for credit losses	18,178	21,750	19,801	(3,572)	(16)	1,949	10
Expenses							
Marketing, business development, rewards and Card Member services	9,668	12,043	10,796	(2,375)	(20)	1,247	12
Salaries and employee benefits and other operating expenses	4,903	4,967	4,585	(64)	(1)	382	8
Total expenses	14,571	17,010	15,381	(2,439)	(14)	1,629	11
Pretax segment income	3,607	4,740	4,420	(1,133)	(24)	320	7
Income tax provision	906	933	805	(27)	(3)	128	16
Segment income	\$ 2,701	\$ 3,807	\$ 3,615	\$ (1,106)	(29)%	\$ 192	5 %
Effective tax rate	25.1 %	19.7 %	18.2 %				

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

TOTAL REVENUES NET OF INTEREST EXPENSE

Non-interest revenues decreased, primarily driven by lower discount revenue and other fees and commissions, partially offset by higher net card fees. Discount revenue decreased 20 percent, reflecting a decrease in proprietary consumer billed business of 17 percent. See Tables 5, 6 and 10 for more details on billed business performance.

Other fees and commissions decreased 40 percent, primarily due to the impacts of travel restrictions related to the COVID-19 pandemic, which resulted in lower travel commissions and fees from our consumer travel business and lower foreign exchange conversion revenue related to decreased cross-border spending, as well as a decline in late fees due to lower delinquencies.

Net card fees increased 16 percent, driven by a year-over-year increase in the average fee per card of our premium card products.

Net interest income decreased, primarily due to lower average Card Member loan volumes and a reduction in benchmark interest rates, partially offset by a lower cost of funds.

PROVISIONS FOR CREDIT LOSSES

Provisions for credit losses increased, primarily driven by a higher reserve build in Card Member loans, partially offset by lower net write-offs in both the Card Member loans and receivables portfolios. The higher reserve build primarily reflected the deterioration of the global macroeconomic outlook, including unemployment and GDP, partially offset by improved credit performance and a decline in the outstanding balance of loans and receivables.

EXPENSES

Marketing, business development, rewards and Card Member services expenses decreased due to reductions in Card Member rewards and Card Member services expenses, partially offset by increased Marketing and business development costs. The decrease in Card Member rewards expense was primarily driven by a decrease in billed business and a change in redemption mix due to a decline in higher cost travel redemptions since the onset of the COVID-19 pandemic. The decrease in Card Member services expense was primarily driven by lower usage of travel-related benefits. Those decreases were partially offset by increased Marketing and business development expense, primarily due to incremental investments in limited time enhancements to our Card Member value proposition to maintain customer engagement, partially offset by a temporary reduction in proactive marketing for Card Member acquisitions.

TABLE 10: GCSG SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, (Millions, except percentages and where indicated)	2020	2019	2018	Change 2020 vs. 2019	Change 2019 vs. 2018
Proprietary billed business: (billions)					
U.S.	\$ 337.6	\$ 398.8	\$ 371.1	(15) %	7 %
Outside the U.S.	121.1	154.0	140.3	(21)	10
Total	\$ 458.7	\$ 552.8	\$ 511.4	(17)	8
Proprietary cards-in-force:					
U.S.	37.7	37.9	37.7	(1)	1
Outside the U.S.	16.7	17.5	16.8	(5)	4
Total	54.4	55.4	54.5	(2)	2
Proprietary basic cards-in-force:					
U.S.	26.6	26.9	27.0	(1)	—
Outside the U.S.	11.6	12.1	11.6	(4)	4
Total	38.2	39.0	38.6	(2)	1
Average proprietary basic Card Member spending: (dollars)					
U.S.	\$ 12,641	\$ 14,801	\$ 14,161	(15)	5
Outside the U.S.	\$ 10,175	\$ 12,884	\$ 12,348	(21)	4
Average	\$ 11,881	\$ 14,212	\$ 13,613	(16)	4
Total segment assets (billions)	\$ 86.7	\$ 106.3	\$ 102.4	(18)	4
Card Member loans:					
Total loans (billions)					
U.S.	\$ 51.4	\$ 62.4	\$ 59.9	(18)	4
Outside the U.S.	8.7	10.9	9.6	(20)	14
Total	\$ 60.1	\$ 73.3	\$ 69.5	(18)	5
Average loans (billions)					
U.S.	\$ 53.0	\$ 59.4	\$ 55.1	(11)	8
Outside the U.S.	8.6	10.0	8.9	(14)	12
Total	\$ 61.6	\$ 69.4	\$ 64.0	(11) %	8 %
U.S.					
Net write-off rate — principal only ^(a)	2.4 %	2.3 %	2.1 %		
Net write-off rate — principal, interest and fees ^(a)	2.9 %	2.8 %	2.5 %		
30+ days past due as a % of total	1.0 %	1.6 %	1.4 %		
Outside the U.S.					
Net write-off rate — principal only ^(a)	3.0 %	2.4 %	2.1 %		
Net write-off rate — principal, interest and fees ^(a)	3.7 %	2.9 %	2.6 %		
30+ days past due as a % of total	1.7 %	1.8 %	1.6 %		
Total					
Net write-off rate — principal only ^(a)	2.5 %	2.3 %	2.1 %		
Net write-off rate — principal, interest and fees ^(a)	3.0 %	2.8 %	2.5 %		
30+ days past due as a % of total	1.1 %	1.6 %	1.5 %		

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<i>(Millions, except percentages and where indicated)</i>	2020	2019	2018	Change 2020 vs. 2019	Change 2019 vs. 2018
Card Member receivables: (billions)					
U.S.	\$ 11.9	\$ 14.2	\$ 13.7	(16) %	4 %
Outside the U.S.	6.8	8.6	7.8	(21)	10
Total receivables	\$ 18.7	\$ 22.8	\$ 21.5	(18) %	6 %
U.S.					
Net write-off rate — principal only ^(a)	1.3 %	1.4 %	1.3 %		
Net write-off rate — principal and fees ^(a)	1.4 %	1.6 %	1.5 %		
30+ days past due as a % of total	0.4 %	1.2 %	1.1 %		
Outside the U.S.					
Net write-off rate — principal only ^(a)	2.5 %	2.2 %	2.1 %		
Net write-off rate — principal and fees ^(a)	2.7 %	2.4 %	2.3 %		
30+ days past due as a % of total	1.0 %	1.3 %	1.3 %		
Total					
Net write-off rate — principal only ^(a)	1.7 %	1.7 %	1.6 %		
Net write-off rate — principal and fees ^(a)	1.9 %	1.9 %	1.8 %		
30+ days past due as a % of total	0.6 %	1.2 %	1.2 %		

(a) Refer to Table 7 footnote (c).

TABLE 11: GCSG NET INTEREST YIELD ON AVERAGE CARD MEMBER LOANS

As of or for the Years Ended December 31,

(Millions, except percentages and where indicated)

	2020	2019	2018
U.S.			
Net interest income	\$ 6,222	\$ 6,660	\$ 5,985
Exclude:			
Interest expense not attributable to our Card Member loan portfolio ^(a)	288	276	233
Interest income not attributable to our Card Member loan portfolio ^(b)	(189)	(220)	(179)
Adjusted net interest income ^(c)	\$ 6,321	\$ 6,716	\$ 6,039
Average Card Member loans (billions)	\$ 53.0	\$ 59.4	\$ 55.1
Net interest income divided by average Card Member loans ^(c)	11.7 %	11.2 %	10.9 %
Net interest yield on average Card Member loans ^(c)	11.9 %	11.3 %	11.0 %
Outside the U.S.			
Net interest income	\$ 926	\$ 1,024	\$ 890
Exclude:			
Interest expense not attributable to our Card Member loan portfolio ^(a)	101	85	69
Interest income not attributable to our Card Member loan portfolio ^(b)	(11)	(15)	(8)
Adjusted net interest income ^(c)	\$ 1,016	\$ 1,094	\$ 951
Average Card Member loans (billions)	\$ 8.6	\$ 10.0	\$ 8.9
Net interest income divided by average Card Member loans ^(c)	10.8 %	10.2 %	10.0 %
Net interest yield on average Card Member loans ^(c)	11.9 %	10.9 %	10.7 %
Total			
Net interest income	\$ 7,148	\$ 7,683	\$ 6,875
Exclude:			
Interest expense not attributable to our Card Member loan portfolio ^(a)	389	361	302
Interest income not attributable to our Card Member loan portfolio ^(b)	(200)	(234)	(187)
Adjusted net interest income ^(c)	\$ 7,337	\$ 7,810	\$ 6,990
Average Card Member loans (billions)	\$ 61.6	\$ 69.4	\$ 64.0
Net interest income divided by average Card Member loans ^(c)	11.6 %	11.1 %	10.7 %
Net interest yield on average Card Member loans ^(c)	11.9 %	11.3 %	10.9 %

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

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

(c) Refer to Table 8 footnote (c).

GLOBAL COMMERCIAL SERVICES

TABLE 12: GCS SELECTED INCOME STATEMENT DATA

Years Ended December 31, (Millions, except percentages)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Revenues							
Non-interest revenues	\$ 9,652	\$ 12,242	\$ 11,481	\$ (2,590)	(21)%	\$ 761	7 %
Interest income	1,586	1,900	1,621	(314)	(17)	279	17
Interest expense	619	1,034	898	(415)	(40)	136	15
Net interest income	967	866	723	101	12	143	20
Total revenues net of interest expense	10,619	13,108	12,204	(2,489)	(19)	904	7
Provisions for credit losses	1,493	918	900	575	63	18	2
Total revenues net of interest expense after provisions for credit losses	9,126	12,190	11,304	(3,064)	(25)	886	8
Expenses							
Marketing, business development, rewards and Card Member services	4,991	6,237	5,844	(1,246)	(20)	393	7
Salaries and employee benefits and other operating expenses	3,199	3,261	2,996	(62)	(2)	265	9
Total expenses	8,190	9,498	8,840	(1,308)	(14)	658	7
Pretax segment income	936	2,692	2,464	(1,756)	(65)	228	9
Income tax provision	200	501	452	(301)	(60)	49	11
Segment income	\$ 736	\$ 2,191	\$ 2,012	\$ (1,455)	(66)%	\$ 179	9 %
Effective tax rate	21.4 %	18.6 %	18.3 %				

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

TOTAL REVENUES NET OF INTEREST EXPENSE

Non-interest revenues decreased, primarily driven by lower discount revenue and other fees and commissions. Discount revenue decreased, primarily due to a decrease in commercial billed business of 21 percent. See Tables 5, 6 and 13 for more details on billed business performance. Other fees and commissions decreased, primarily due to a decline in late fees due to lower delinquencies, as well as lower foreign exchange conversion revenue related to decreased cross-border spending, primarily driven by the impacts of travel restrictions related to the COVID-19 pandemic.

Net interest income increased, primarily driven by a lower cost of funds, partially offset by a reduction in benchmark interest rates.

PROVISIONS FOR CREDIT LOSSES

Provisions for credit losses increased, primarily driven by a higher reserve build and higher net write-offs. The higher reserve build primarily reflected the deterioration of the global macroeconomic outlook, including unemployment and GDP, partially offset by improved credit performance and a decline in the outstanding balance of loans and receivables.

EXPENSES

Marketing, business development, rewards and Card Member services expenses decreased, primarily due to reductions in Card Member rewards expense and Marketing and business development expense. The decrease in Card Member rewards expense was primarily driven by a decrease in billed business. The decrease in Marketing and business development expense was primarily due to a decrease in corporate client incentives and a temporary reduction in proactive marketing for Card Member acquisitions, partially offset by incremental investments in limited time enhancements to our Card Member value proposition to maintain customer engagement.

TABLE 13: GCS SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31, (Millions, except percentages and where indicated)	2020	2019	2018	Change 2020 vs. 2019	Change 2019 vs. 2018
Proprietary billed business (billions)	\$ 406.5	\$ 513.3	\$ 486.2	(21) %	6 %
Proprietary cards-in-force	14.5	14.9	14.5	(3)	3
Average Card Member spending (dollars)	\$ 27,769	\$ 34,905	\$ 34,058	(20)	2
Total segment assets (billions)	\$ 42.1	\$ 52.8	\$ 51.3	(20)	3
GSBS Card Member loans:					
Total loans (billions)	\$ 13.2	\$ 14.1	\$ 12.4	(6)	14
Average loans (billions)	\$ 12.9	\$ 13.3	\$ 11.7	(3) %	14 %
Net write-off rate - principal only ^(a)	2.1 %	1.9 %	1.7 %		
Net write-off rate - principal, interest and fees ^(a)	2.4 %	2.2 %	2.0 %		
30+ days past due as a % of total	0.7 %	1.3 %	1.3 %		
Calculation of Net Interest Yield on Average Card Member Loans:					
Net interest income	\$ 967	\$ 866	\$ 723		
Exclude:					
Interest expense not attributable to our Card Member loan portfolio ^(b)	478	772	693		
Interest income not attributable to our Card Member loan portfolio ^(c)	(170)	(222)	(161)		
Adjusted net interest income ^(d)	\$ 1,275	\$ 1,416	\$ 1,255		
Average Card Member loans (billions)	\$ 13.0	\$ 13.4	\$ 11.8		
Net interest income divided by average Card Member loans ^(d)	7.4 %	6.5 %	6.1 %		
Net interest yield on average Card Member loans ^(d)	9.8 %	10.6 %	10.7 %		
Card Member receivables:					
Total receivables (billions)	\$ 25.0	\$ 34.6	\$ 34.4	(28) %	1 %
Net write-off rate - principal and fees ^{(a)(e)}	2.1 %	1.4 %	1.5 %		
GCP Card Member receivables:					
Total receivables (billions)	\$ 10.9	\$ 17.2	\$ 17.7	(37) %	(3) %
90+ days past billing as a % of total ^(e)	0.6 %	0.8 %	0.7 %		
Net write-off rate - principal and fees ^{(a)(e)}	1.9 %	0.8 %	1.1 %		
GSBS Card Member receivables:					
Total receivables (billions)	\$ 14.1	\$ 17.4	\$ 16.7	(19) %	4 %
Net write-off rate - principal only ^(a)	2.1 %	1.9 %	1.7 %		
Net write-off rate - principal and fees ^(a)	2.3 %	2.1 %	2.0 %		
30+ days past due as a % of total	0.7 %	1.7 %	1.6 %		

(a) Refer to Table 7 footnote (c).

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

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

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

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

GLOBAL MERCHANT AND NETWORK SERVICES

TABLE 14: GMNS SELECTED INCOME STATEMENT AND OTHER DATA

Years Ended December 31, (Millions, except percentages and where indicated)	2020	2019	2018	Change 2020 vs. 2019		Change 2019 vs. 2018	
Revenues							
Non-interest revenues	\$ 4,595	\$ 5,903	\$ 5,790	\$ (1,308)	(22)%	\$ 113	2 %
Interest income	18	28	30	(10)	(36)	(2)	(7)
Interest expense	(80)	(303)	(244)	223	(74)	(59)	24
Net interest income	98	331	274	(233)	(70)	57	21
Total revenues net of interest expense	4,693	6,234	6,064	(1,541)	(25)	170	3
Provisions for credit losses	88	20	22	68	#	(2)	(9)
Total revenues net of interest expense after provisions for credit losses	4,605	6,214	6,042	(1,609)	(26)	172	3
Expenses							
Marketing, business development, rewards and Card Member services	1,303	1,422	1,243	(119)	(8)	179	14
Salaries and employee benefits and other operating expenses	1,914	2,010	2,256	(96)	(5)	(246)	(11)
Total expenses	3,217	3,432	3,499	(215)	(6)	(67)	(2)
Pretax segment income	1,388	2,782	2,543	(1,394)	(50)	239	9
Income tax provision	434	650	633	(216)	(33)	17	3
Segment income	\$ 954	\$ 2,132	\$ 1,910	\$ (1,178)	(55)	\$ 222	12
Effective tax rate	31.3 %	23.4 %	24.9 %				
Total segment assets (billions)	\$ 14.3	\$ 17.5	\$ 15.5	\$ (3.2)	(18)%	\$ 2	13 %

Denotes a variance greater than 100 percent

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

TOTAL REVENUES NET OF INTEREST EXPENSE

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

Net interest income decreased, primarily driven by a lower interest expense credit relating to internal transfer pricing, which results in a net benefit for GMNS due to its merchant payables.

EXPENSES

Marketing, business development, and rewards and Card Member services expenses decreased, primarily driven by lower Marketing and business development expense, including decreased network partner payments due to lower spend volumes as a result of the impacts of the COVID-19 pandemic.

Salaries and employee benefits and other operating expenses decreased, primarily reflecting lower incentive compensation expense and lower professional services expense.

CORPORATE & OTHER

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

Corporate & Other net loss was \$1.3 billion and \$1.4 billion in 2020 and 2019, respectively. The decrease in the net loss in 2020 compared to 2019 was primarily driven by a prior year litigation-related charge, a higher gain in the current year related to our strategic investments and lower incentive compensation in the current year, partially offset by a net loss in the current year as compared to net income in the prior year, related to the GBT JV.

CONSOLIDATED CAPITAL RESOURCES AND LIQUIDITY

Our balance sheet management objectives are to maintain:

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

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

CAPITAL STRATEGY

We believe capital allocated to growing businesses with a return on risk-adjusted equity in excess of our costs will generate shareholder value. Our objective is to retain sufficient levels of capital generated through net income and other sources, such as the exercise of stock options by employees, to maintain a strong balance sheet, provide flexibility to support future business growth, and distribute excess capital to shareholders through dividends and share repurchases. See "Dividends and Share Repurchases" below.

The level and composition of our consolidated capital position are determined through our Internal Capital Adequacy Assessment Process, which takes into account our business activities, as well as marketplace conditions and requirements or expectations of credit rating agencies, regulators and shareholders, among others. As a bank holding company, we are 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. Failure to maintain minimum regulatory capital levels at American Express or our U.S. bank subsidiary, American Express National Bank (AENB), could affect our status as a financial holding company and cause the banking regulators with oversight of American Express or AENB to take actions that could limit our business operations.

We seek to maintain capital levels and ratios in excess of the minimum regulatory requirements, specifically within a 10 to 11 percent target range for American Express' Common Equity Tier 1 risk-based capital ratio.

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

We report our capital ratios using the Basel III capital definitions and the Basel III standardized approach for calculating risk-weighted assets.

The following table presents our regulatory risk-based capital and leverage ratios and those of AENB, as of December 31, 2020.

TABLE 15: REGULATORY RISK-BASED CAPITAL AND LEVERAGE RATIOS

	Effective Minimum ^(a)	Ratios as of December 31, 2020
Risk-Based Capital		
Common Equity Tier 1	7.0 %	
<i>American Express Company</i>		13.5 %
<i>American Express National Bank</i>		16.2
Tier 1	8.5	
<i>American Express Company</i>		14.7
<i>American Express National Bank</i>		16.2
Total	10.5	
<i>American Express Company</i>		16.2
<i>American Express National Bank</i>		18.3
Tier 1 Leverage	4.0 %	
<i>American Express Company</i>		11.0
<i>American Express National Bank</i>		10.9%

(a) Represents Basel III minimum requirements and applicable regulatory buffers as defined by the federal banking regulators, which includes the stress capital buffer (SCB) for American Express Company and the capital conservation buffer for American Express National Bank. Refer to “Capital and Liquidity Regulation” under “Supervision and Regulation” and Note 22 to our “Consolidated Financial Statements” for additional information.

The following table presents American Express Company's regulatory risk-based capital and risk-weighted assets, which are calculated in accordance with standard regulatory guidance as described below:

TABLE 16: REGULATORY RISK-BASED CAPITAL COMPONENTS AND RISK-WEIGHTED ASSETS

American Express Company <i>(\$ in Billions)</i>	December 31, 2020
Risk-Based Capital	
Common Equity Tier 1	\$ 18.7
Tier 1 Capital	20.3
Tier 2 Capital	2.1
Total Capital	22.4
Risk-Weighted Assets	138.3
Average Total Assets to calculate the Tier 1 Leverage Ratio	\$ 185.1

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

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

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

Total Risk-Based Capital Ratio — Calculated as the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets. Tier 2 capital is the sum of the reserve for loan and receivable credit losses adjusted for the CECL final rules (limited to 1.25 percent of risk-weighted assets), and \$360 million of eligible subordinated notes, adjusted for capital held by insurance

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subsidiaries. The \$360 million of eligible subordinated notes reflect a 40 percent, or \$240 million, reduction of Tier 2 capital credit for the \$600 million subordinated debt issued in December 2014.

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

We elected to delay the impact of the adoption of the CECL methodology on regulatory capital for two years followed by a three-year phase-in period pursuant to rules issued by federal banking regulators (the CECL final rules). As of December 31, 2020, our reported regulatory capital excluded the \$0.9 billion impact to retained earnings upon the adoption of the CECL methodology and 25 percent of the impact of the \$1.5 billion increase in reserves for credit losses from January 1, 2020 to December 31, 2020. We will begin phasing in the cumulative amount that is not recognized in regulatory capital at 25 percent per year beginning January 1, 2022. Refer to "Capital and Liquidity Regulation" under Part 1, Item 1. "Business - Supervision and Regulation" for additional details.

DIVIDENDS AND SHARE REPURCHASES

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

During the year ended December 31, 2020, we returned \$2.3 billion to our shareholders in the form of common stock dividends of \$1.4 billion and share repurchases of \$0.9 billion. We repurchased 7 million common shares at an average price of \$121.14 in 2020. These dividend and share repurchase amounts collectively represent approximately 70 percent of total capital generated during the year.

In addition, during the year ended December 31, 2020, we paid \$79 million in dividends on non-cumulative perpetual preferred shares outstanding. For additional information on our preferred shares, refer to Note 16 to the "Consolidated Financial Statements."

Our decisions on capital distributions depend on various factors, including: our capital levels and regulatory capital requirements; actual and forecasted business results; economic and market conditions; revisions to, or revocation of, the Federal Reserve's authorization of our capital plan; and the Comprehensive Capital Analysis and Review (CCAR) process.

Due to the uncertain business environment, we suspended share repurchases in March 2020 to maintain financial strength. Subsequently, the Federal Reserve announced that it would prohibit share repurchases in the third and fourth quarters of 2020 for all banking organizations participating in CCAR and would allow them to pay common stock dividends provided (a) they do not increase the amount of the dividend and (b) they do not exceed the average of a firm's net income for the four preceding calendar quarters. Based upon the results of its second round of 2020 stress testing, the Federal Reserve announced on December 18, 2020, certain modifications to its capital distribution restrictions that would apply for the first quarter of 2021. Refer to "Stress Testing and Capital Planning" under Part 1, Item 1. "Business - Supervision and Regulation" for additional details.

We plan to resume share repurchases under our previously disclosed share repurchase program in the first quarter of 2021, up to our maximum capacity of approximately \$440 million authorized by the Federal Reserve. Share purchases under publicly announced programs are made pursuant to open market purchases or privately negotiated transactions (including employee benefit plans) as market conditions warrant and at prices we deem appropriate.

FUNDING STRATEGY

Our principal funding objective is to maintain broad and well-diversified funding sources to allow us to meet our maturing obligations, cost-effectively finance asset growth in our global businesses, as well as to maintain a strong liquidity profile. The diversity of funding sources by type of instrument, by maturity and by investor base, among other factors, mitigates the impact of disruptions in any one type of instrument, maturity or investor. The mix of our funding in any period will seek to achieve cost efficiency consistent with both maintaining diversified sources and achieving our liquidity objectives. We seek to diversify our funding sources by maintaining scale and relevance in unsecured debt, asset securitizations and deposits. Our direct retail deposits have become a larger proportion of our funding over time and we expect that will continue. Our funding strategy and activities are integrated into our asset-liability management activities. We have in place a funding policy covering American Express Company and all of our subsidiaries.

Our global proprietary card-issuing businesses generate significant assets in both domestic and international Card Member lending and receivable activities. Our financing needs are in large part a consequence of our proprietary card-issuing businesses, and the maintenance of a liquidity position to meet regulatory requirements and support all of our business activities, such as merchant payments. We generally pay merchants for card transactions prior to reimbursement by Card Members and therefore

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fund the merchant payments during the period Card Member loans and receivables are outstanding. We also have additional financing needs associated with general corporate purposes. Our funding plan to meet these financing needs is in turn driven by, among other factors, our liquidity position, size and mix of business asset growth, choice of funding sources, and our maturing obligations.

Due to the impact of COVID-19, we experienced significant reductions in our business volumes and decline in the balances of our Card Member loans and receivables. The decline in Card Member loans and receivables balances resulted in substantial liquidity levels, which were further strengthened by the strong growth in our direct retail deposits in 2020.

FUNDING PROGRAMS AND ACTIVITIES

We meet our funding needs through a variety of sources, including direct and third-party distributed deposits and debt instruments, such as senior unsecured debt, asset securitizations, borrowings through secured borrowing facilities and a committed bank credit facility.

We had the following consolidated debt and customer deposits outstanding as of December 31:

TABLE 17: SUMMARY OF CONSOLIDATED DEBT AND CUSTOMER DEPOSITS

<i>(Billions)</i>	2020		2019
Short-term borrowings	\$	1.9	\$ 6.4
Long-term debt		43.0	57.8
Total debt		44.9	64.2
Customer deposits		86.9	73.3
Total debt and customer deposits	\$	131.8	\$ 137.5

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

Our funding plan for the full year 2021 includes, among other sources, a limited amount of unsecured and secured term debt issuance. Actual funding activities can vary from our plans due to various factors, such as future business growth, the impact of global economic, political and other events on market capacity and funding needs, demand for securities offered by us, regulatory changes, ability to securitize and sell receivables, and the performance of receivables previously sold in securitization transactions. Many of these factors are beyond our control.

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

TABLE 18: UNSECURED DEBT RATINGS

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

These ratings are not a recommendation to buy or hold any of our securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

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

SHORT-TERM FUNDING PROGRAMS

Short-term borrowings, such as commercial paper, are defined as any debt with an original maturity of twelve months or less, as well as interest-bearing overdrafts with banks. Our short-term funding programs are used primarily to fund working capital needs, such as managing seasonal variations in receivables balances. The amount of short-term borrowings issued in the future will depend on our funding strategy, our needs and market conditions. As of December 31, 2020, we had nil in commercial paper outstanding and we had an average of \$628 million in commercial paper outstanding during 2020. Refer to Note 8 to the “Consolidated Financial Statements” for a further description of these borrowings.

DEPOSIT PROGRAMS

We offer deposits within our U.S. bank subsidiary, AENB. These funds are currently insured up to an amount that is at least \$250,000 per account holder through the FDIC. Our ability to obtain deposit funding and offer competitive interest rates is dependent on, among other factors, the capital level of AENB. Direct retail deposits offered by AENB is our primary deposit product channel, which makes FDIC-insured high-yield savings account and certificates of deposit (CDs) products available directly to consumers. AENB also sources deposits through third-party distribution channels as needed to meet our overall funding objectives. As of December 31, 2020, we had \$86.9 billion in deposits. Refer to Note 7 to the “Consolidated Financial Statements” for a further description of these deposits.

LONG-TERM DEBT AND ASSET SECURITIZATION PROGRAMS

As of December 31, 2020, we had \$43.0 billion in long-term debt outstanding, including unsecured debt and asset-backed securities. Refer to Note 8 to the “Consolidated Financial Statements” for a further description of these borrowings.

We periodically securitize Card Member loans and receivables arising from our card business, as the securitization market provides us with cost-effective funding. Securitization of Card Member loans and receivables is accomplished through the transfer of those assets to a trust, which in turn issues securities collateralized by the transferred assets to third-party investors. The proceeds from issuance are distributed to us, through our wholly owned subsidiaries, as consideration for the transferred assets. Refer to Note 5 to the “Consolidated Financial Statements” for a further description of our asset securitizations.

On February 1, 2020, we removed U.S. consumer and small business Card Member receivables from the American Express Issuance Trust II (the Charge Trust) and substantially replaced them with U.S. corporate Card Member receivables.

On April 20, 2020, we added approximately \$1.7 billion of additional U.S. corporate Card Member receivables to the Charge Trust.

Given the significant reductions in our business volumes and our resulting substantial cash and liquidity position, we did not issue any unsecured or secured term debt during 2020.

LIQUIDITY MANAGEMENT

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

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

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

We seek to maintain access to a diverse set of on-balance sheet and off-balance sheet liquidity sources, including cash and other liquid assets, committed bank credit facilities and secured borrowing facilities. Through our U.S. bank subsidiary, AENB, we also hold collateral eligible for use at the Federal Reserve’s discount window.

The amount and type of liquidity resources we maintain can vary over time, based upon the results of stress scenarios required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as additional stress scenarios required under our liquidity risk policy. These stress scenarios possess distinct characteristics, varying by cash flow assumptions, time horizon and qualifying liquidity sources, among other factors. Scenarios under our liquidity risk policy include market-wide, firm-specific and combined liquidity stresses. We consider other factors in determining the amount and type of liquidity we maintain, such as economic and financial market conditions, seasonality in business operations, growth in our businesses, potential acquisitions or dispositions, the cost and availability of alternative liquidity sources and credit rating agency guidelines and requirements.

We believe that we currently maintain sufficient liquidity to meet all internal and regulatory liquidity requirements. As of December 31, 2020, we had a total of \$54.6 billion in Cash and cash equivalents and Investment securities (which are substantially comprised of U.S. Government Treasury obligations). The increase of \$21.7 billion from \$32.9 billion as of December 31, 2019 was primarily driven by the decline in the balances of our Card Member loans and receivables and the growth in our direct retail deposits.

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

Securitized Borrowing Capacity

As of December 31, 2020, we maintained our committed, revolving, secured borrowing facility, with a maturity date of July 15, 2022, which gives us the right to sell up to \$3.0 billion face amount of eligible AAA notes from the Charge Trust. As the balance of Card Member receivables in the Charge Trust fluctuates over time in line with business volumes, our capacity to draw on the Charge Trust facility may be reduced when volumes decline. We also maintained our committed, revolving, secured borrowing facility, with a maturity date of September 15, 2022, which gives us the right to sell up to \$2.0 billion face amount of eligible AAA certificates from the American Express Credit Account Master Trust (the Lending Trust). Both facilities are used in the ordinary course of business to fund working capital needs, as well as to further enhance our contingent funding resources. As of December 31, 2020, no amounts were drawn on the Charge Trust facility or the Lending Trust facility.

Federal Reserve Discount Window

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

We had approximately \$64.8 billion as of December 31, 2020 in U.S. credit card loans and charge card receivables that could be sold over time through our securitization trusts or pledged in return for secured borrowings to provide further liquidity, subject in each case to applicable market conditions and eligibility criteria.

Committed Bank Credit Facility

In addition to the secured borrowing facilities described above, we maintained a committed syndicated bank credit facility as of December 31, 2020 of \$3.5 billion, with a maturity date of October 15, 2022. The availability of this credit line is subject to compliance with certain covenants by American Express Credit Corporation (Credco), principally the maintenance by Credco of a 1.25 ratio of its combined earnings, certain capital contributions and fixed charges, to fixed charges. As of December 31, 2020 and 2019, Credco was in compliance with each of these covenants. As of December 31, 2020, no amounts were drawn on the committed credit facility. We may, from time to time, use this facility in the ordinary course of business to fund working capital needs. Any undrawn portion of this facility could serve as backstop for the amount of commercial paper outstanding.

Our committed bank credit facility does not contain a material adverse change clause, which might otherwise preclude borrowing under the credit facility, nor is it dependent on our credit rating.

CASH FLOWS

The following table summarizes our cash flow activity, followed by a discussion of the major drivers impacting operating, investing and financing cash flows for the year ended December 31, 2020 compared to the year ended December 31, 2019.

TABLE 19: CASH FLOWS

<i>(Billions)</i>	2020	2019	2018
Total cash provided by (used in):			
Operating activities	\$ 5.6	\$ 13.6	\$ 8.9
Investing activities	11.6	(16.7)	(19.6)
Financing activities	(9.1)	(0.5)	5.1
Effect of foreign currency exchange rates on cash and cash equivalents	0.4	0.2	0.1
Net increase (decrease) in cash and cash equivalents	\$ 8.5	\$ (3.4)	\$ (5.5)

Cash Flows from Operating Activities

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

The decrease in net cash provided by operating activities was primarily driven by decreases in Net income and Accounts payable due to decreases in merchant payables reflecting the significant decline in billed business in the current year, and an increase in Other assets due to purchases of loyalty program points from certain of our cobrand partners. These points are held as prepaid assets until they are used for rewards, promotions and incentives.

Cash Flows from Investing Activities

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

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

Cash Flows from Financing Activities

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

The increase in net cash used in financing activities was primarily driven by higher net repayment of debt, partially offset by higher growth in customer deposits and the suspension of the share repurchase program.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

We have identified both on- and off-balance sheet transactions, arrangements, obligations and other relationships that may have a material current or future effect on our financial condition, changes in financial condition, results of operations, or liquidity and capital resources.

CONTRACTUAL OBLIGATIONS

The table below identifies transactions that represent our contractually committed future obligations. Purchase obligations include our agreements to purchase goods and services that are enforceable and legally binding 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.

TABLE 20: COMMITTED FUTURE OBLIGATIONS BY YEAR

(Millions)	Payments due by year ^(a)				Total
	2021	2022-2023	2024-2025	2026 and thereafter	
Long-term debt	\$ 11,829	\$ 21,324	\$ 5,757	\$ 4,132	\$ 43,042
Certificates of deposit	3,828	3,698	483	—	8,009
Interest payments on long-term debt ^(b)	713	760	402	1,058	2,933
Lease obligations	141	273	232	1,024	1,670
Deemed repatriation tax ^(c)	—	14	582	416	1,012
Purchase obligations ^(d)	231	174	34	—	439
Other long-term liabilities ^{(e) (f)}	243	36	6	38	323
Total	\$ 16,985	\$ 26,279	\$ 7,496	\$ 6,668	\$ 57,428

- (a) The table above excludes approximately \$0.8 billion of tax reserves related to the 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. Refer to Note 20 to the “Consolidated Financial Statements” for additional information.
- (b) Estimated interest payments were calculated using the effective interest rates as of December 31, 2020, and includes the effect of existing interest rate swaps. Actual cash flows may differ from estimated payments.
- (c) Represents the remaining obligation under the Tax Act to pay a one-time transition tax on unrepatriated earnings and profits of certain foreign subsidiaries.
- (d) The purchase obligation amounts represent either the early termination fees or non-cancelable minimum contractual obligations, as applicable, by period under contracts that were in effect as of December 31, 2020.
- (e) As of December 31, 2020, 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 2021 are anticipated to be approximately \$47 million, and this amount has been included within other long-term liabilities. Remaining obligations under defined benefit pension and postretirement benefit plans aggregating \$659 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 \$9.8 billion of Membership Rewards liabilities, which are not considered long-term liabilities as Card Members in good standing can redeem points immediately, without restrictions, and because the timing of point redemption is not determinable.
- (f) As of December 31, 2020, we had committed to provide funding related to certain tax credit investments resulting in a \$208 million unfunded commitment included in other long-term liabilities. In addition to this amount, there was a further \$106 million of contractual off-balance sheet obligations that have not been included in the table above as the timing of such obligations is not determinable. Refer to Note 6 to the “Consolidated Financial Statements” for additional information.

In addition to the contractual obligations noted in Table 20, we have financial commitments related to agreements with certain cobrand partners under which we are required to make a certain level of minimum payments over the life of the agreement, generally ranging from five to ten years. Such commitments are designed to be satisfied by the payments we make to such cobrand partners primarily based on Card Members' spending and earning rewards on their cobrand cards and as we acquire new Card Members. In the event these payments do not fully satisfy the commitment, we generally pay the cobrand partner up to the amount of the commitment in exchange for an equivalent value of reward points. As of December 31, 2020, we had approximately \$4 billion in such commitments outstanding and also had certain cobrand arrangements that include commitments based on variables, the values of which are not yet determinable and thus the amount is not quantifiable. Refer to Note 12 to the “Consolidated Financial Statements” for further information.

We also have off-balance sheet arrangements that include guarantees, indemnifications and certain other off-balance sheet arrangements.

GUARANTEES

As of December 31, 2020, we had guarantees and indemnifications totaling approximately \$1 billion related primarily to real estate and business dispositions in the ordinary course of business. Refer to Note 15 to the "Consolidated Financial Statements" for further discussion regarding our guarantees.

CERTAIN OTHER OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2020, we had approximately \$314 billion of unused credit available to Card Members as part of established lending product agreements. Total unused credit available to Card Members does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn. Our charge card products generally have no pre-set spending limit, and therefore are not reflected in unused credit available to Card Members.

We provide Card Member protection that covers losses associated with purchased goods and services. We have an accrual of \$58 million related to this exposure as of December 31, 2020. To date, we have not experienced significant losses related to this exposure; however, our historical experience may not be representative in the current environment given the economic and financial disruption cause by the COVID-19 pandemic and resulting containment measures. See *"Arrangements with our business partners represent a significant portion of our business. We are exposed to risks associated with our business partners, including reputational issues, business slowdowns, bankruptcies, liquidations, restructurings and consolidations, and the possible obligation to make payments to our partners"* under "Risk Factors" and Note 12 to the "Consolidated Financial Statements" for further information.

RISK MANAGEMENT

GOVERNANCE

We use our comprehensive Enterprise-wide Risk Management (ERM) program to identify, aggregate, monitor, and manage risks. The program also defines our risk appetite, governance, culture and capabilities. The implementation and execution of the ERM program is headed by our Chief Risk Officer.

Risk management is overseen by our Board of Directors through three Board committees: the Risk Committee, the Audit and Compliance Committee, and the Compensation and Benefits Committee. Each committee consists entirely of independent directors and provides regular reports to the full Board regarding matters reviewed at their committee. The committees meet regularly in private sessions with our Chief Risk Officer, the Chief Compliance & Ethics Officer, the Chief Audit Executive and other senior management with regard to our risk management processes, controls, talent and capabilities. The Board monitors the “tone at the top,” our risk culture, and oversees emerging and strategic risks.

The Risk Committee of our Board of Directors provides oversight of our ERM framework, processes and methodologies. The Risk Committee approves our ERM policy. The ERM policy governs risk governance, risk oversight and risk appetite for risks, including individual credit risk, institutional credit risk, operational risk, compliance risk, reputational risk, market risk, funding and liquidity risk, model risk, strategic and business risk, and country risk. Risk appetite defines the authorized risk limits to control exposures within our risk capacity and risk tolerance, including stressed forward-looking scenarios. In addition, it establishes principles for risk taking in the aggregate and for each risk type, and is supported by a comprehensive system for monitoring limits, escalation triggers and assessing control programs.

The Risk Committee reviews and concurs with the appointment, replacement, performance and compensation of our Chief Risk Officer and receives regular updates from the Chief Risk Officer on key risks, transactions and exposures.

The Risk Committee reviews our risk profile against the tolerances specified in the Risk Appetite Framework, including significant risk exposures, risk trends in our portfolios and major risk concentrations.

The Risk Committee also provides oversight of our compliance with Regulatory capital and liquidity standards, our Internal Capital Adequacy Assessment Process, including the CCAR submissions.

The Audit and Compliance Committee of our Board of Directors reviews and approves compliance policies, which include our Compliance Risk Tolerance Statement. In addition, the Audit and Compliance Committee reviews the effectiveness of our Corporate-wide Compliance Risk Management Program. More broadly, this committee is responsible for assisting the Board in its oversight responsibilities relating to the integrity of our financial statements and financial reporting process, internal and external auditing, including the qualifications and independence of the independent registered public accounting firm and the performance of our internal audit services function, and the integrity of our systems of internal controls.

The Audit and Compliance Committee provides oversight of our Internal Audit Group. The Audit and Compliance Committee reviews and concurs with the appointment, replacement, performance and compensation of our Chief Audit Executive, who reports to the Audit and Compliance Committee, and approves Internal Audit’s annual audit plan, charter, policies, budget and staffing levels, and overall risk assessment methodology. The Audit and Compliance Committee also receives regular updates on the audit plan’s status and results, including significant reports issued by Internal Audit and the status of our corrective actions.

The Compensation and Benefits Committee of our Board of Directors works with the Chief Risk Officer to ensure our overall compensation programs, as well as those covering our risk-taking employees, appropriately balance risk with business incentives and how business performance is achieved without taking imprudent or excessive risk. Our Chief Risk Officer is actively involved in setting risk goals for the Company. Our Chief Risk Officer also reviews the current and forward-looking risk profiles of each business unit and provides input into performance evaluation. The Chief Risk Officer meets with the Compensation and Benefits Committee and attests whether performance goals and results have been achieved without taking imprudent risks. The Compensation and Benefits Committee uses a risk-balanced incentive compensation framework to decide on our bonus pools and the compensation of senior executives.

There are several internal management committees, including the Enterprise-wide Risk Management Committee (ERMC), chaired by our Chief Risk Officer. The ERMC is the highest-level management committee to oversee all firm-wide risks and is responsible for risk governance, risk oversight and risk appetite. It maintains the enterprise-wide risk appetite framework and monitors compliance with limits and escalations defined in it. The ERMC oversees implementation of risk policies company-wide. The ERMC reviews key risk exposures, trends and concentrations, significant compliance matters, and provides guidance on the steps to monitor, control and report major risks. In addition, the Asset Liability Committee, chaired by our Chief Financial Officer, is responsible for managing our capital, funding and liquidity, investment, market risk and asset/liability activities in accordance with our policies and in compliance with applicable regulatory requirements.

As defined in the ERM policy, we follow the “three lines of defense” approach to risk management. The first line of defense comprises functions and management committees directly initiating risk taking. The Chief Executive Officer, business unit presidents and the Chief Financial Officer are part of the first line of defense. The second line comprises independent functions overseeing risk-taking activities of the first line. The Chief Risk Officer, the Chief Compliance & Ethics Officer, the Chief Operational Risk Officer and certain control groups, both at the enterprise level and within regulated entities, are part of the second line of defense. The global risk oversight team oversees the policies, strategies, frameworks, models, processes and capabilities deployed by the first line teams and provides challenges and independent assessments on how the first line of defense is managing risks. Our Internal Audit Group constitutes the third line of defense and provides independent assessments and effective challenge of the first and second lines of defense.

CREDIT RISK MANAGEMENT PROCESS

Credit risk is defined as loss due to obligor or counterparty default or changes in the credit quality of a counterparty or security. Our credit risks are divided into two broad categories: individual and institutional. Each has distinct risk management capabilities, strategies, and tools. 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.

INDIVIDUAL CREDIT RISK

Individual credit risk arises from consumer and small business charge cards, credit cards, and term loans. These portfolios consist of millions of customers across multiple geographies, industries and levels of net worth. We benefit from the high-quality profile of our customers, which is driven by our brand, premium customer servicing, product features and risk management capabilities, which span underwriting, customer management and collections. The risk in these portfolios is generally correlated to broad economic trends, such as unemployment rates and GDP growth.

The business unit leaders and their Chief Credit Officers take the lead in managing the credit risk process. These Chief Credit Officers are guided by the Individual Credit Risk Committee (ICRC), which is responsible for implementation and enforcement of the Individual Credit Risk Management Policy. The ICRC ensures compliance with ERMC guidelines and procedures and escalates to the ERMC as appropriate.

Credit risk management is supported by sophisticated proprietary scoring and decision-making models that use up-to-date information on prospects and customers, such as spending and payment history and data feeds from credit bureaus. We have developed data-driven economic decision logic for customer interactions to better serve our customers.

INSTITUTIONAL CREDIT RISK

Institutional credit risk arises principally within our GCS and GMNS 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, makes investment decisions in core risk capabilities, ensures proper implementation of the underwriting standards and contractual rights for risk mitigation, monitors risk exposures, and determines 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 management teams to optimize risk-adjusted returns on capital. A centralized risk rating unit provides risk assessment of our institutional obligors.

Exposure to the Airline and Travel Industry

We have multiple important cobrand, rewards, merchant acceptance and corporate payments arrangements with airlines. The ERM program evaluates the risks posed by our airline partners and the overall airline strategy company-wide through comprehensive business analysis of global airlines, and the travel industry more broadly, including cruise lines, travel agencies and tour operators. Our largest airline partner is Delta, and this relationship includes an exclusive cobrand credit card partnership and other arrangements including Membership Rewards redemption, merchant acceptance, travel and corporate payments. See *"We face intense competition for partner relationships, which could result in a loss or renegotiation of these arrangements that could have a material adverse impact on our business and results of operations"* and *"Arrangements with our business partners represent a significant portion of our business. We are exposed to risks associated with our business partners, including reputational issues, business slowdowns, bankruptcies, liquidations, restructurings and consolidations, and the possible obligation to make payments to our partners"* under "Risk Factors" for additional information.

Debt Exposure

As part of our ongoing risk management process, we monitor our financial exposure to both sovereign and non-sovereign customers and counterparties, and measure and manage concentrations of risk by geographic regions, as well as by economic sectors and industries. A primary focus area for monitoring is credit deterioration due to weaknesses in economic and fiscal profiles. We evaluate countries based on the market assessment of the riskiness of their sovereign debt and our assessment of the economic and financial outlook and closely monitor those deemed high risk. As of December 31, 2020, we considered our gross credit exposures to government entities, financial institutions and corporations in those countries deemed high risk to be individually and collectively not material.

OPERATIONAL RISK MANAGEMENT PROCESS

We consider operational risk to be the risk of loss due to, among other things, inadequate or failed processes, people or information systems, or impacts from the external environment, including failures to comply with laws and regulations as well as impacts from relationships with third parties. 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, we have implemented a comprehensive operational risk framework that is defined in the Operational Risk Management Policy approved by the Risk Committee. The Operational Risk Management Committee (ORMC), chaired by the Chief Operational Risk Officer, coordinates with all control groups on effective risk assessments and controls and oversees the preventive, responsive and mitigation efforts by Operational Excellence teams in the business units and staff groups.

We use the operational risk framework to identify, measure, monitor and report inherent and emerging operational risks. This framework, supervised by the ORMC, consists of (a) operational risk event capture, (b) a project office to coordinate issue management and control enhancements, (c) key risk indicators, and (d) process and entity-level risk assessments.

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

INFORMATION AND CYBER SECURITY

We define information and cyber security risk as the risk that a security incident could impact the confidentiality, integrity or availability of American Express customer, colleague or proprietary information.

Our information and cyber security program is designed to protect the confidentiality, integrity, and availability of information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction. The program is built upon a foundation of advanced security technology, a well-staffed and highly trained team of experts, and robust operations based on the National Institute of Standards and Technology Cybersecurity Framework. This consists of controls designed to identify, protect, detect, respond and recover from information and cyber security incidents. We continue to invest in enhancements to cyber security capabilities and engage in industry and government forums to promote advancements to the broader financial services cyber security ecosystem.

See *“A major information or cyber security incident or an increase in fraudulent activity could lead to reputational damage to our brand and material legal, regulatory and financial exposure, and could reduce the use and acceptance of our cards”* under “Risk Factors” for additional information.

INFORMATION TECHNOLOGY

We define information technology risk as the risk that events or circumstances could compromise the processing, stability, capacity, performance, or resilience of information technology and cause financial, reputational, and/or regulatory impacts.

We manage information technology risk through our policies, procedures, governance structure, and control framework to preserve the confidentiality, integrity, and availability of systems and processes across the Company.

See *“The uninterrupted operation of our information systems is critical to our success and a significant disruption could have a material adverse effect on our business and results of operations”* under “Risk Factors” for additional information.

PRIVACY

We define privacy risk as the risk of financial loss, reputational damage, or regulatory or legal action resulting from decisions related to the violation of applicable laws, rules, regulations, contractual obligations, or the non-adherence to privacy policies, disclosures, or standards that apply to the processing of personal data.

The Global Privacy Policy establishes the privacy framework and defines the American Express Data Protection & Privacy Principles, which governs the way we collect, use, store, share, transmit, delete or otherwise process our customer and colleague personal data globally. Chaired by the Chief Privacy Officer, the Privacy Risk Management Committee, a sub-committee of the ORMC, provides oversight and governance for our privacy program.

DATA MANAGEMENT AND GOVERNANCE

We define data management and governance risk as the risk of inadequate data governance and/or data management practices adversely impacting the accuracy, completeness, timeliness, comprehensiveness or usability of data within or throughout its lifecycle.

Our Enterprise Data Governance Policy establishes the framework and requirements for defining in-scope critical data and outlining the elements for managing data as a critical corporate asset. This policy is approved by the ERM C.

Chaired by the Chief Data Officer, our Enterprise Data Committee, a sub-committee of the ERM C, provides governance and oversight for our enterprise-wide data governance and management activities. The committee is responsible for overseeing the standards and procedures, governance structure and oversight framework, which includes independent assessments and validations, monitoring and reporting of data governance and management-related issues and concerns.

COMPLIANCE RISK MANAGEMENT PROCESS

We define compliance risk as the risk of legal or reputational harm, fines, monetary penalties and payment of damages or other forms of sanction as a result of non-compliance with applicable laws and/or regulations, internal policies and procedures and related practices, or ethical standards.

We view our ability to effectively mitigate compliance risk as an important aspect of our business model. Our Global Compliance and Ethics organization is responsible for establishing and maintaining our corporate-wide Compliance Risk Management Program. Pursuant to this program, we seek to manage and mitigate compliance risk by assessing, controlling, monitoring, measuring and reporting the legal and regulatory risks to which we are exposed. The Compliance Risk Management Committee (CRMC), chaired by the Chief Compliance and Ethics Officer, is responsible for identifying, evaluating, managing, and escalating compliance risks. The CRMC has a dual reporting relationship directly to both the ERM C and the Audit and Compliance Committee.

We have a comprehensive Anti-Money Laundering program that monitors and reports suspicious activity to the appropriate government authorities. As part of that program, the Global Risk Oversight team provides independent risk assessment of the rules used by the Anti-Money Laundering team. In addition, the Internal Audit Group reviews the processes for practices consistent with regulatory guidance.

REPUTATIONAL RISK MANAGEMENT PROCESS

We define reputational risk as the risk that negative stakeholder reaction to our products, services, client and partner relationships, business activities and policies, management and workplace culture, or our response to unexpected events, could cause sustained critical media coverage, a decline in revenue or investment, talent attrition, litigation, or government or regulatory scrutiny.

We view protecting our reputation for excellent customer service, trust, security and high integrity as core to our vision of providing the world's best customer experience and fundamental to our long-term success.

Our business leaders are responsible for considering the reputational risk implications of business activities and strategies and ensuring the relevant subject matter experts are engaged as needed. The ERM is responsible for ensuring reputational risk considerations are included in the scope of appropriate subordinate risk policies and committees and properly reflected in all decisions escalated to the ERM.

MARKET RISK MANAGEMENT PROCESS

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

Our risk policies establish the framework that guides and governs market risk management, including quantitative limits and escalation triggers. These policies are approved by the ERM, Asset Liability Committee or Market Risk Management Committee.

Market risk is managed by the Market Risk Management Committee. The Market Risk Oversight Officer provides an independent risk assessment and oversight over the policies and exposure management for market risk and Asset Liability Management activities, as well as overseeing compliance with associated regulatory requirements. Market risk management is also guided and governed by policies covering the use of derivative financial instruments, funding, liquidity and investments.

Interest Rate Risk

We analyze a variety of interest rate scenarios to inform us of the potential impacts from interest rate changes on earnings and the value of assets, liabilities and the economic value of equity. Our interest rate exposure can vary over time as a result of, among other things, the proportion of our total funding provided by variable and fixed-rate debt and deposits compared to our Card Member loans and receivables. Interest rate swaps are used from time to time to effectively convert debt issuances to variable-rate from fixed-rate, or vice versa. Refer to Note 13 to the "Consolidated Financial Statements" for further discussion of our derivative financial instruments.

In 2020, the composition of our balance sheet shifted substantially. There was a substantial net reduction in total fixed-rate assets within Card Member loans and Card Member receivables and an increase in certain floating-rate assets such as Cash and cash equivalents. As of December 31, 2020, a hypothetical immediate 100 basis point increase in market interest rates would have a detrimental impact of approximately \$113 million on our annual net interest income. A hypothetical immediate 100 basis point decrease in market interest rates, which are assumed to remain at or above zero percent, would have a smaller but still detrimental impact on our annual net interest income. This measure first projects net interest income over the following twelve-month time horizon considering forecasted business growth and anticipated future market interest rates. The detrimental impact from rate changes is then measured by instantaneously increasing or decreasing the anticipated future interest rates by 100 basis points. Our estimated repricing risk assumes that our interest-rate sensitive assets and liabilities that reprice within the twelve-month horizon generally reprice by the same magnitude as benchmark rate changes. It is further assumed that, within our interest-rate sensitive liabilities, certain deposits reprice at lower magnitudes than benchmark rate movements, and the magnitude of this repricing in turn depends on, among other factors, the direction of rate movements. These assumptions are consistent with historical deposit repricing experience in the industry and within our own portfolio. Actual changes in our net interest income will depend on many factors, and therefore may differ from our estimated risk to changes in market interest rates.

LIBOR Transition

Due to uncertainty surrounding the suitability and sustainability of LIBOR, central banks and global regulators have called for financial market participants to prepare for the discontinuance of LIBOR and the establishment of alternative reference rates.

We have financial instruments and commercial agreements that will be impacted by the discontinuance of LIBOR, including floating rate debt and equity instruments, derivatives, borrowings and other contracts. We have established an enterprise-wide, cross-functional initiative to identify, assess and monitor risks associated with LIBOR, engage with the industry participants and regulators and to transition to new alternative reference rates. As part of this initiative, we are updating our operational processes, IT systems and models for a timely transition.

See “*The discontinuance of LIBOR may negatively impact our access to funding and the value of our financial instruments and commercial agreements*” under “Risk Factors” for additional information.

Foreign Exchange Risk

Foreign exchange exposures arise in four principal ways: (1) Card Member spending in currencies that are not the billing currency, (2) cross-currency transactions and balances from our funding activities, (3) cross-currency investing activities, such as in the equity of foreign subsidiaries, and (4) revenues generated and expenses incurred in foreign currencies, which impact earnings.

These foreign exchange risks are managed primarily by entering into foreign exchange spot transactions or hedged with foreign exchange forward contracts when the hedge costs are economically justified and in notional amounts designed to offset pretax impacts from currency movements in the period in which they occur. As of December 31, 2020, foreign currency derivative instruments with total notional amounts of approximately \$26 billion were outstanding.

With respect to Card Member spending and cross-currency transactions, including related foreign exchange forward contracts outstanding, the impact of a hypothetical 10 percent strengthening of the U.S. dollar would have been immaterial to projected earnings as of December 31, 2020. With respect to translation exposure of foreign subsidiary equity balances, including related foreign exchange forward contracts outstanding, a hypothetical 10 percent strengthening of the U.S. dollar would result in an immaterial reduction in other comprehensive income and equity as of December 31, 2020. With respect to anticipated earnings denominated in foreign currencies for the next twelve months, the adverse impact on pretax income of a hypothetical 10 percent strengthening of the U.S. dollar would be approximately \$33 million as of December 31, 2020.

To a much lesser extent, we are also subject to market risk arising from activities conducted by our Foreign Exchange International Payments business. We aim to minimize market risk from these activities through hedging, where appropriate, and the establishment of limits.

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, changes in the cost, volume and mix of our hedging activities and changes in the volume and mix of our businesses.

FUNDING & LIQUIDITY RISK MANAGEMENT PROCESS

Funding and liquidity risk is defined as our inability to meet our ongoing financial and business obligations as they become due at a reasonable cost.

Our Board-approved Liquidity Risk Policy establishes the framework that guides and governs liquidity risk management.

Funding and Liquidity risk is managed by the Funding and Liquidity Committee. In addition, the Market Risk Oversight Officer provides independent oversight of liquidity risk management. We manage liquidity risk by maintaining access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that we can continuously meet our business requirements and expected future financing obligations for at least a twelve-month period in the event we are unable to raise new funds under our regular funding programs during a substantial weakening in economic conditions. We consider 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.

Funding and Liquidity risk is managed at an aggregate consolidated level as well as at certain subsidiaries in order to ensure that sufficient and accessible liquidity resources are maintained. The Funding and Liquidity Committee reviews forecasts of our aggregate and subsidiary cash positions and financing requirements, approves funding plans designed to satisfy those requirements under normal and stressed conditions, establishes guidelines to identify the amount of liquidity resources required and monitors positions and determines any actions to be taken.

MODEL RISK MANAGEMENT PROCESS

We define model risk as the risk of adverse consequences, such as financial loss, poor business and strategic decision making, or damage to our reputation, from decisions based on incorrect or misused model outputs and reports.

We manage model risk through a comprehensive model governance framework, including policies and procedures for model development, independent model validation and change management capabilities that seek to minimize erroneous model methodology, outputs and misuse. We also assess model performance on an ongoing basis.

We utilize artificial intelligence and machine Learning (AI/ML) approaches for a variety of business use cases. We perform extensive reviews and testing to reduce the risk that these AI/ML techniques do not perform as intended.

STRATEGIC AND BUSINESS RISK MANAGEMENT PROCESS

Strategic and business risk is the risk related to our inability to achieve our business objectives due to poor strategic decisions, including decisions related to mergers, acquisitions, and divestitures, poor implementation of strategic decisions or declining demand for our products and services.

Strategic decisions are reviewed and approved by business leaders and various committees and must be aligned with company policies. We seek to manage strategic and business risks through risk controls embedded in these processes as well as overall risk management oversight over business goals. Existing product performance is reviewed periodically by committees and business leaders. Mergers, acquisitions and divestitures can only be approved following Executive Committee due diligence, a comprehensive risk assessment by operational, market, credit and oversight leaders provided to the Chief Risk Officer and approval by either the Chief Risk Officer or appropriate risk committees. All new products and material changes in business processes are reviewed and approved by the New Products Committee and appropriate credit or risk committees.

COUNTRY RISK MANAGEMENT PROCESS

Country risk is defined as the risk that economic, social, and/or political conditions and events in a country might adversely impact us, primarily as a result of greater credit losses, increased operational or market risk or the inability to repatriate capital.

We manage country risk as part of the normal course of business. Policies and procedures establish country risk escalation thresholds to control and limit exposure, driven by processes that enable the monitoring of conditions in countries where we have exposure.

CRITICAL ACCOUNTING ESTIMATES

Refer to Note 1 to the “Consolidated Financial Statements” for a summary of our significant accounting policies. Certain of our accounting policies requiring significant management assumptions and judgments are as follows:

RESERVES FOR CARD MEMBER CREDIT LOSSES

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

In estimating expected credit losses, we use a combination of statistically based models and analysis of the results produced by these models to determine the quantitative and qualitative components of our total balance sheet reserves for credit losses. These quantitative and qualitative components entail a significant amount of judgment. The primary areas of judgment used in measuring the quantitative components of our reserves relate to the determination of the appropriate R&S Period, the modeling of the probability of and exposure at default, and the methodology to incorporate current and future economic conditions. We use these models and assumptions, combined with historical loss experience, to determine the reserve rates that are applied to the outstanding loan or receivable balances to produce our reserves for expected credit losses for the R&S Period. The qualitative component is intended to capture expected losses that may not have been fully captured in the quantitative component. Through an established governance structure, we consider certain external and internal factors, including emerging portfolio characteristics and trends, which consequentially may increase or decrease the reserves for Card Member credit losses.

The R&S Period, which is approximately three years, represents the maximum time-period beyond the balance sheet date over which we can reasonably estimate expected credit losses, using all available portfolio information, current economic conditions and forecasts of future economic conditions. Card Member loan products do not have a contractual term and balances can revolve if minimum required payments are made, causing some balances to remain outstanding beyond the R&S Period. To determine expected credit losses beyond the R&S Period, we immediately revert to long-term average loss rates. Card Member receivable products are contractually required to be paid in full; therefore, we have assumed the balances will be either paid or written-off within the R&S Period.

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

CECL requires that the R&S Period include an assumption about current and future economic conditions. We incorporate multiple macroeconomic scenarios obtained from an independent third party. The estimated credit losses calculated from each macroeconomic scenario are reviewed and weighted to reflect management's judgment about uncertainty around the scenarios. These macroeconomic scenarios contain certain variables, including unemployment rates and real GDP, that are significant to our models.

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Macroeconomic Sensitivity

To demonstrate the sensitivity of estimated credit losses to the macroeconomic scenarios, we compared our modeled estimates under a baseline scenario to that under a pessimistic downside scenario. For every 10 percentage points change in weighting from the baseline scenario to the pessimistic downside scenario, the estimated credit losses increased by approximately \$200 million.

The modeled estimates under these scenarios were influenced by the duration, severity and timing of changes in economic variables within each scenario and these macroeconomic scenarios, under different conditions or using different assumptions, could result in significantly different estimated credit losses. It is difficult to estimate how potential changes in specific factors might affect the estimated credit losses, and current results may not be indicative of the potential future impact of macroeconomic forecast changes.

In addition, this sensitivity analysis relates only to the modeled credit loss estimates under two scenarios without considering management's judgment on the relative weighting for those and other scenarios, including the weight that has been placed on downside scenarios at the balance sheet date, or any potential changes in other adjustments to the quantitative reserve component or the impact of management judgment for the qualitative reserve component, which may have a positive or negative effect on the results. Thus, the results of this sensitivity analysis are hypothetical and are not intended to estimate or reflect our expectations of any changes in the overall reserves for credit losses due to changes in the macroeconomic environment.

The following table reflects the range of key variables in the macroeconomic scenarios utilized for the computation of Reserves for Card Member credit losses as of December 31, 2020:

	December 31, 2020
U.S. Unemployment Rate	
Fourth quarter of 2020	7%
First quarter of 2021	7% - 8%
Fourth quarter of 2021	7% - 11%
Fourth quarter of 2022	6% - 12%
U.S. GDP Growth (Contraction) ^(a)	
Fourth quarter of 2020	3%
First quarter of 2021	4% - (5%)
Fourth quarter of 2021	6% - (2%)
Fourth quarter of 2022	4% - 3%

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

Refer to "Business Environment" and Table 3 in MD&A and Note 1 and Note 3 to the "Consolidated Financial Statements" for a further description of the impact of CECL, both at implementation and for the year ended December 31, 2020.

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

LIABILITY FOR MEMBERSHIP REWARDS

The Membership Rewards program is our largest card-based rewards program. Card Members can earn points for purchases charged on their enrolled card products. A significant portion of our cards, by their terms, allow Card Members to earn bonus points for purchases at merchants in particular industry categories. Membership Rewards points are redeemable for a broad variety of rewards, including travel, shopping, gift cards, and covering eligible charges. Points typically do not expire, and there is no limit on the number of points a Card Member may earn. Membership Rewards expense is driven by charge volume on enrolled cards, customer participation in the program and contractual arrangements with redemption partners.

We record a Membership Rewards liability that represents the estimated cost of points earned that are expected to be redeemed by Card Members in the future. The Membership Rewards liability is impacted over time by enrollment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. We estimate the Membership Rewards liability by determining the URR and the WAC per point, which are applied to the points of current enrollees. Refer to Note 9 to the “Consolidated Financial Statements” for additional information.

The URR assumption is used to estimate the number of points earned by current enrollees that will ultimately be redeemed in future periods. We use statistical and actuarial models to estimate the URR of points earned to date by current Card Members based on redemption trends, card product type, enrollment tenure, card spend levels and credit attributes. The WAC per point assumption is used to estimate future redemption costs and is primarily based on redemption choices made by Card Members, reward offerings by partners, and Membership Rewards program changes. The WAC per point assumption is derived from 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations and expected developments in redemption patterns.

We periodically evaluate our liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

The process of estimating the Membership Rewards liability includes a high degree of judgment. Actual redemptions and associated redemption costs could differ significantly from our estimates, resulting in either higher or lower Membership Rewards expense.

Changes in the Membership Rewards URR and WAC per point have the effect of either increasing or decreasing the liability through the current period Membership Rewards 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, 2020, an increase in the estimated URR of current enrollees of 25 basis points would increase the Membership Rewards liability and corresponding rewards expense by approximately \$128 million. Similarly, an increase in the WAC per point of 1 basis point would increase the Membership Rewards liability and corresponding rewards expense by approximately \$141 million.

GOODWILL RECOVERABILITY

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. 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. Our methodology for conducting this goodwill impairment testing contains both a qualitative and quantitative assessment.

We have the option to initially perform an assessment of qualitative factors in order to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other company and reporting unit-specific events. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we then perform the impairment evaluation using a more detailed quantitative assessment. We could also directly perform this quantitative assessment for any reporting unit, bypassing the qualitative assessment.

Our methodology for conducting the quantitative goodwill impairment testing is fundamentally based on the measurement of fair value for our reporting units, which inherently entails the use of significant management judgment. For valuation, we use a combination of the income approach (discounted cash flows) and market approach (market multiples) in estimating the fair value of our reporting units.

When preparing discounted cash flow models under the income approach, we estimate future cash flows using the reporting unit's internal multi-year forecast, and a terminal value calculated using a growth rate that we believe is appropriate in light of current and expected future economic conditions. To discount these cash flows we use our expected cost of equity, determined using a capital asset pricing model. When using the market method under the market approach, we apply comparable publicly traded companies' multiples (e.g., earnings, revenues) to our reporting units' actual results. The judgment in estimating forecasted cash flows, discount rates and market comparables is significant, and imprecision could materially affect the fair value of our reporting units.

We could be exposed to an increased risk of further goodwill impairment if future operating results or macroeconomic conditions differ significantly from management's current assumptions.

INCOME TAXES

We are subject to the income tax laws of the United States, its states and municipalities and those of the foreign jurisdictions in which we operate. 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, we must make judgments about the application of inherently complex tax laws.

Unrecognized Tax Benefits

We establish 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 we believe is more likely than not to be realized on ultimate settlement. As new information becomes available, we evaluate our tax positions and adjust our 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, we analyze and estimate 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.

OTHER MATTERS

RECENTLY ISSUED ACCOUNTING STANDARDS

Refer to the Recently Issued and Adopted Accounting Standards section of Note 1 to the “Consolidated Financial Statements.”

GLOSSARY OF SELECTED TERMINOLOGY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to rebuild growth momentum and improve our financial performance to pre-pandemic levels, which will depend in part on a recovery in consumer travel and therefore on how soon lockdowns ease, travel restrictions lift and the general public begins to feel comfortable traveling again; discount revenue recovering broadly in-line with billed business; credit performance and reserve levels; identifying attractive investment opportunities that help rebuild growth momentum, product innovation and the pace at which we wind down our value injection efforts; our ability to control operating expenses and generate operating expense leverage; the effective tax rate remaining consistent with current expectations; and our ability to resume our share repurchase program; any of which could be impacted by, among other things, the factors identified in the subsequent paragraphs;
- our ability to grow billed business, revenues and EPS, which could be impacted by, among other things, uncertainty regarding the continued spread of COVID-19 (including new variants) and severity of the pandemic and the availability, distribution and use of effective treatments and vaccines; a further deterioration in global economic and business conditions; consumer and business spending not growing in line with expectations, including T&E spending not rebounding to 2019 levels by the end of 2021; an inability or unwillingness of Card Members to pay amounts owed to us; insufficient governmental stimulus and relief programs to address the ongoing impact of the pandemic; prolonged measures to contain the spread of COVID-19 (including travel restrictions) or premature easing of such containment measures, both of which could further exacerbate the effects on business activity and our Card Members, partners and merchants; health concerns associated with the pandemic continuing to affect consumer behavior, spending levels and preferences, and travel patterns and demand even after government restrictions are lifted and economies reopen; our inability to effectively manage risk in an uncertain environment; market volatility, changes in capital and credit market conditions and the availability and cost of capital; issues impacting brand perceptions and our reputation; the amount and efficacy of investments in share, scale and relevance; an inability of business partners to meet their obligations to us and our customers due to slowdowns or disruptions in their businesses, bankruptcy or liquidation, or otherwise; the impact of any future contingencies, including, but not limited to, restructurings, impairments, changes in reserves, legal costs, the imposition of fines or civil money penalties and increases in Card Member reimbursements; and the impact of regulation and litigation, which could affect the profitability of our business activities, limit our ability to pursue business opportunities, require changes to business practices or alter our relationships with partners, merchants and Card Members;
- future credit performance and the amount and timing of future credit reserve builds and releases, which will depend in part on changes in consumer behavior that affect loan and receivable balances (such as paydown and revolve rates) and delinquency and write-off rates; macroeconomic factors such as unemployment rates, GDP and the volume of bankruptcies; the impact of the CECL methodology; collections capabilities and recoveries of previously written-off loans and receivables; the enrollment in, and effectiveness of, hardship programs and troubled debt restructurings; the availability of government stimulus programs for borrowers; and governmental actions that provide forms of relief with respect to certain loans and fees, such as limiting debt collections efforts and encouraging or requiring extensions, modifications or forbearance;
- net interest income and the growth rate of loans outstanding being higher or lower than current expectations, which will depend on the behavior of Card Members and their actual spending and borrowing patterns; our ability to effectively manage risk and enhance Card Member value propositions; changes in interest rates and our cost of funds; credit actions, including line size and other adjustments to credit availability; and the effectiveness of our strategies to capture a greater share of existing Card Members’ spending and borrowings, reduce Card Member attrition and attract new customers;
- the actual amount we spend on marketing in the future, which will be based in part on continued changes in macroeconomic conditions and business performance; management’s identification and assessment of attractive investment opportunities and the receptivity of Card Members and prospective customers to advertising and customer acquisition initiatives; the pace at which we wind down our value injections efforts; our ability to balance expense control and investments in the business; and management’s ability to realize efficiencies and optimize investment spending;
- the actual amount to be spent on Card Member rewards and services and business development, and the relationship of these variable customer engagement costs to revenues, which could be impacted by continued changes in macroeconomic conditions and Card Member behavior as it relates to their spending patterns (including the level of spend in bonus categories) and the redemption of rewards and offers (including travel redemptions); the costs related to reward point

redemptions; Card Members' interest in the value propositions we offer; further enhancements to product benefits to make them attractive to Card Members, potentially in a manner that is not cost-effective; and new and renegotiated contractual obligations with business partners;

- our ability to control our operating expenses and the actual amount we spend on operating expenses in the future, which could be impacted by, among other things, management's decision to increase or decrease spending in such areas as technology, business and product development, sales force, premium servicing and digital capabilities depending on overall business performance; our ability to innovate efficient channels of customer interactions, such as chat supported by artificial intelligence; restructuring activity; fraud costs; information security or compliance expenses or consulting, legal and other professional services fees, including as a result of litigation or internal and regulatory reviews; the level of M&A activity and related expenses; the payment of civil money penalties, disgorgement, restitution, non-income tax assessments and litigation-related settlements; impairments of goodwill or other assets; the impact of changes in foreign currency exchange rates on costs; and higher-than-expected inflation;
- net card fees not growing consistent with current expectations, which could be impacted by, among other things, the further deterioration in macroeconomic conditions impacting the ability and desire of Card Members to pay card fees; higher Card Member attrition rates; Card Members continuing to be attracted to our premium card products and the pace of Card Member acquisition activity; and our inability to address competitive pressures and implement our strategies and business initiatives, including introducing new and enhanced benefits and services that are designed for the current environment;
- a further decline of the average discount rate, including as a result of further changes in the mix of spending by location and industry (including the pace of recovery in T&E spending), merchant negotiations (including merchant incentives, concessions and volume-related pricing discounts), competition, pricing regulation (including regulation of competitors' interchange rates) and other factors;
- our tax rate not remaining consistent with current expectations, which could be impacted by, among other things, our geographic mix of income, further changes in tax laws and regulation, unfavorable tax audits and other unanticipated tax items;
- changes in the substantial and increasing worldwide competition in the payments industry, including competitive pressure that may materially impact the prices charged to merchants that accept American Express cards, competition for new and existing cobrand relationships, competition from new and non-traditional competitors and the success of marketing, promotion and rewards programs;
- changes affecting our plans regarding the return of capital to shareholders, including resuming our share repurchases in the first quarter of 2021, which will depend on factors such as capital levels and regulatory capital ratios; changes in the stress testing and capital planning process; our results of operations and financial condition; our credit ratings and rating agency considerations; and the economic environment and market conditions in any given period;
- our ability to increase Card Member acquisition activities, provide additional value to Card Members and refresh our premium products, which will be impacted in part by competition, brand perceptions and reputation, and our ability to develop and market value propositions that appeal to Card Members and new customers and offer attractive services and rewards programs, which will depend in part on ongoing investments in Card Member acquisition efforts, addressing changing customer behaviors, new product innovation and development, and enrollment processes, including through digital channels, and infrastructure to support new products, services and benefits;
- our ability to grow commercial payments, including through cash flow and supplier payment solutions, which will depend in part on competition, the willingness and ability of companies to use such solutions for procurement and other business expenditures, our ability to offer attractive value propositions to potential customers, our ability to enhance and expand our payment and lending solutions, and our ability to integrate Kabbage and re-launch its suite of products;
- our ability to innovate and strengthen our global network, which will depend in part on our ability to update our systems and platforms, the amount we invests in the network and our ability to make funds available for such investments, and technological developments, including capabilities that allow greater digital integration;
- the possibility that we will not execute on our plans to expand merchant coverage and improve perceptions of coverage, which will depend in part on the success of the company, OptBlue merchant acquirers and GNS partners in signing merchants to accept American Express, which could be impacted by our value propositions offered to merchants and merchant acquirers for card acceptance, as well as the awareness and willingness of Card Members to use American Express cards at merchants and whether Card Members experience welcome acceptance for American Express cards;
- our ability to introduce new and expanded digital capabilities, which will depend on our success in evolving our products and processes for the digital environment, developing new features in the Amex app and enhancing our digital channels, building partnerships and executing programs with other companies, effectively utilizing artificial intelligence to address servicing and other customer needs, and supporting the use of our products as a means of payment through online and mobile channels, all of which will be impacted by investment levels, new product innovation and development and infrastructure to support new products, services and benefits;
- a failure in or breach of our operational or security systems, processes or infrastructure, or those of third parties, including as a result of cyberattacks, which could compromise the confidentiality, integrity, privacy and/or security of data, disrupt

our operations, reduce the use and acceptance of American Express cards and lead to regulatory scrutiny, litigation, remediation and response costs, and reputational harm;

- changes in capital and credit market conditions, which may significantly affect our ability to meet our liquidity needs and expectations regarding capital ratios; our access to capital and funding costs; the valuation of our assets; and our credit ratings or those of our subsidiaries;
- our deposit rates increasing faster or slower than current expectations and changes affecting our ability to grow retail direct deposits, including due to market demand, changes in benchmark interest rates, competition or regulatory restrictions on our ability to obtain deposit funding or offer competitive interest rates, which could affect our net interest yield and ability to fund our businesses;
- our funding plan 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 we offer, regulatory changes, ability to securitize and sell receivables and the performance of receivables previously sold in securitization transactions;
- legal and regulatory developments, which could affect the profitability of our business activities; limit our ability to pursue business opportunities; require changes to business practices or alter our relationships with Card Members, partners, merchants and other third parties, including our ability to continue certain cobrand and agent relationships in the EU; exert further pressure on the average discount rate and GNS volumes; result in increased costs related to regulatory oversight, litigation-related settlements, judgments or expenses, restitution to Card Members or the imposition of fines or civil money penalties; materially affect capital or liquidity requirements, results of operations or ability to pay dividends; or result in harm to the American Express brand;
- changes in the financial condition and creditworthiness of our business partners, such as bankruptcies, restructurings or consolidations, including of cobrand partners and merchants that represent a significant portion of our business, such as the airline industry, or partners in GNS or financial institutions that we rely on for routine funding and liquidity, which could materially affect our financial condition or results of operations; and
- factors beyond our control such as resurgences of COVID-19 cases, whether and when populations achieve herd immunity, severe weather conditions, natural disasters, power loss, disruptions in telecommunications, terrorism and other catastrophic events, any of which could significantly affect demand for and spending on American Express cards, delinquency rates, loan and receivable balances and other aspects of our business and results of operations or disrupt our global network systems and ability to process transactions.

A further description of these uncertainties and other risks can be found in “Risk Factors” above and our other reports filed with the SEC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to “Risk Management” under “MD&A” for quantitative and qualitative disclosures about market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting.

Our 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 accounting principles generally accepted in the United States of America (GAAP), and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our 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.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control —Integrated Framework (2013).

Based on management’s assessment and those criteria, we conclude that, as of December 31, 2020, our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has issued an audit report appearing on the following page on the effectiveness of our internal control over financial reporting as of December 31, 2020.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMERICAN EXPRESS COMPANY

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Express Company and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of income, of comprehensive income, of shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for credit losses on certain financial instruments in 2020.

Basis for Opinions

The Company’s management is responsible for these consolidated 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 the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Reserves for Credit Losses on Card Member Loans

As described in Note 3 to the consolidated financial statements, reserves for credit losses on Card Member loans represent management's estimate of the expected credit losses in the Company's outstanding portfolio of Card Member loans as of the balance sheet date. The reserves for credit losses on Card Member loans was \$5.3 billion as of December 31, 2020. Management estimates lifetime expected credit losses by incorporating historical loss experience, as well as current and future economic conditions over a reasonable and supportable period (R&S Period) beyond the balance sheet date. In estimating expected credit losses, management uses a combination of statistically-based models that entail a significant amount of judgment. The primary areas of judgment used in measuring the quantitative components of the Company's reserves relate to the determination of the appropriate R&S Period, the modeling of the probability of and exposure at default, and the methodology to incorporate current and future economic conditions. Management uses these models and assumptions, combined with historical loss experience, to determine the reserve rates that are applied to the outstanding loan balances to produce its reserves for expected credit losses. Within the R&S Period, the Company's models use past loss experience and current and future economic conditions to estimate the probability of default, exposure at default and expected recoveries to estimate net losses at default. Beyond the R&S Period, expected credit losses are estimated by immediately reverting to long-term average loss rates. Management also estimates the likelihood and magnitude of recovery of previously written off loans considering how long ago the loan was written off and future economic conditions. Additionally, management evaluates whether to include qualitative reserves to cover losses that are expected but may not be adequately represented in the quantitative methods or the economic assumptions. The qualitative reserves address possible limitations within the models or factors not included within the models, such as external conditions, emerging portfolio trends, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due accounts, or management risk actions.

The principal considerations for our determination that performing procedures relating to the reserves for credit losses on Card Member loans is a critical audit matter are (i) the estimate of the reserves for credit losses on Card Member loans involved significant judgment by management, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the models, significant inputs, qualitative reserves, and significant assumptions, including the R&S Period and the loss rates used to estimate expected credit losses beyond the R&S Period and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the reserves for credit losses on Card Member loans. These procedures also included, among others, testing management's process for estimating the reserves for credit losses on Card Member loans through (i) evaluating the appropriateness of management's methodology, (ii) testing the completeness and accuracy of significant inputs and (iii) evaluating the reasonableness of certain qualitative reserves and significant assumptions used to estimate the reserves. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of management's methodology and the reasonableness of certain qualitative reserves and certain significant assumptions, including the R&S Period and the loss rates used to estimate expected credit losses beyond the R&S Period.

Membership Rewards Liability

As described in Note 9 to the consolidated financial statements, the Membership Rewards liability represents management's estimate of the cost of Membership Rewards points earned that are expected to be redeemed in the future. The Membership Rewards liability was \$9.8 billion as of December 31, 2020. The weighted average cost (WAC) per point and the Ultimate Redemption Rate (URR) are key assumptions used to estimate the liability. The URR assumption is used by management to estimate the number of points earned that will ultimately be redeemed in future periods. Management uses statistical and actuarial models to estimate the URR based on redemption trends, card product type, enrollment tenure, card spend levels and credit attributes. The WAC per point assumption is derived from the previous 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations and expected developments in redemption patterns.

The principal considerations for our determination that performing procedures relating to the Membership Rewards liability is a critical audit matter are (i) the estimate of the URR involved significant judgment by management, which in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the models, significant inputs and assumptions used by management, (ii) the audit effort involved the use of professionals with specialized skill and knowledge and (iii) the estimate of the WAC involved significant judgment by management, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating the methodology.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the estimate of the Membership Rewards liability, including the URR and WAC assumptions. These procedures also included, among others, (i) testing the completeness and accuracy of significant inputs to the statistical and actuarial models used to estimate the URR assumption, including redemption trends, card product type, enrollment tenure, and card spend levels, (ii) the involvement of professionals with specialized skill and knowledge to assist in developing an independent estimate of the URR assumption and comparing the independent estimate to management's assumption to evaluate its reasonableness, (iii) evaluating management's methodology for determining the WAC assumption and (iv) comparing our independently calculated Membership Rewards liability to management's estimate.

/s/ PricewaterhouseCoopers LLP

New York, New York

February 12, 2021

We have served as the Company's auditor since 2005.

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CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31 (Millions, except per share amounts)	2020	2019	2018
Revenues			
Non-interest revenues			
Discount revenue	\$ 20,401	\$ 26,167	\$ 24,721
Net card fees	4,664	4,042	3,441
Other fees and commissions	2,163	3,297	3,153
Other	874	1,430	1,360
Total non-interest revenues	28,102	34,936	32,675
Interest income			
Interest on loans	9,779	11,308	9,941
Interest and dividends on investment securities	127	188	118
Deposits with banks and other	177	588	547
Total interest income	10,083	12,084	10,606
Interest expense			
Deposits	943	1,559	1,287
Long-term debt and other	1,155	1,905	1,656
Total interest expense	2,098	3,464	2,943
Net interest income	7,985	8,620	7,663
Total revenues net of interest expense	36,087	43,556	40,338
Provisions for credit losses			
Card Member receivables	1,015	963	937
Card Member loans	3,453	2,462	2,266
Other	262	148	149
Total provisions for credit losses	4,730	3,573	3,352
Total revenues net of interest expense after provisions for credit losses	31,357	39,983	36,986
Expenses			
Marketing and business development	6,747	7,125	6,477
Card Member rewards	8,041	10,439	9,696
Card Member services	1,230	2,223	1,777
Salaries and employee benefits	5,718	5,911	5,250
Other, net	5,325	5,856	5,664
Total expenses	27,061	31,554	28,864
Pretax income	4,296	8,429	8,122
Income tax provision	1,161	1,670	1,201
Net income	\$ 3,135	\$ 6,759	\$ 6,921
Earnings per Common Share — (Note 21)^(a)			
Basic	\$ 3.77	\$ 8.00	\$ 7.93
Diluted	\$ 3.77	\$ 7.99	\$ 7.91
Average common shares outstanding for earnings per common share:			
Basic	805	828	856
Diluted	806	830	859

(a) Represents net income less (i) earnings allocated to participating share awards of \$20 million, \$47 million and \$54 million for the years ended December 31, 2020, 2019 and 2018, respectively, and (ii) dividends on preferred shares of \$79 million, \$81 million and \$80 million for the years ended December 31, 2020, 2019 and 2018, respectively.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31 (<i>Millions</i>)	2020	2019	2018
Net income	\$ 3,135	\$ 6,759	\$ 6,921
Other comprehensive (loss) income:			
Net unrealized securities gains (losses), net of tax	32	41	(8)
Foreign currency translation adjustments, net of tax	(40)	(56)	(172)
Net unrealized pension and other postretirement benefits, net of tax	(150)	(125)	11
Other comprehensive (loss) income	(158)	(140)	(169)
Comprehensive income	\$ 2,977	\$ 6,619	\$ 6,752

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

December 31 (<i>Millions, except share data</i>)	2020	2019
Assets		
Cash and cash equivalents		
Cash and due from banks	\$ 2,984	\$ 3,613
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2020, \$92; 2019, \$87)	29,824	20,610
Short-term investment securities (includes restricted cash of consolidated variable interest entities: 2020 \$47; 2019, \$85)	157	223
Total cash and cash equivalents	32,965	24,446
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2020, \$4,296; 2019, \$8,284), less reserves for credit losses: 2020, \$267; 2019, \$619	43,434	56,794
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2020, \$25,908; 2019, \$32,230), less reserves for credit losses: 2020, \$5,344; 2019, \$2,383	68,029	84,998
Other loans, less reserves for credit losses: 2020, \$238; 2019, \$152	2,614	4,626
Investment securities	21,631	8,406
Premises and equipment, less accumulated depreciation and amortization: 2020, \$7,540; 2019, \$6,562	5,015	4,834
Other assets, less reserves for credit losses: 2020, \$85; 2019, \$27	17,679	14,217
Total assets	\$ 191,367	\$ 198,321
Liabilities and Shareholders' Equity		
Liabilities		
Customer deposits	\$ 86,875	\$ 73,287
Accounts payable	9,444	12,738
Short-term borrowings	1,878	6,442
Long-term debt (includes debt issued by consolidated variable interest entities: 2020, \$12,760; 2019, \$19,668)	42,952	57,835
Other liabilities	27,234	24,948
Total liabilities	\$ 168,383	\$ 175,250
Contingencies and Commitments (Note 12)		
Shareholders' Equity		
Preferred shares, \$1.66 ^{2/3} par value, authorized 20 million shares; issued and outstanding 1,600 shares as of December 31, 2020 and 2019 (Note 16)	—	—
Common shares, \$0.20 par value, authorized 3.6 billion shares; issued and outstanding 805 million shares as of December 31, 2020 and 810 million shares as of December 31, 2019	161	163
Additional paid-in capital	11,881	11,774
Retained earnings	13,837	13,871
Accumulated other comprehensive loss		
Net unrealized debt securities gains, net of tax of: 2020, \$20; 2019, \$11	65	33
Foreign currency translation adjustments, net of tax of: 2020, \$(381); 2019, \$(319)	(2,229)	(2,189)
Net unrealized pension and other postretirement benefits, net of tax of: 2020, \$(236); 2019, \$(208)	(731)	(581)
Total accumulated other comprehensive loss	(2,895)	(2,737)
Total shareholders' equity	22,984	23,071
Total liabilities and shareholders' equity	\$ 191,367	\$ 198,321

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 (<i>Millions</i>)	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 3,135	\$ 6,759	\$ 6,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for credit losses	4,730	3,573	3,352
Depreciation and amortization	1,543	1,188	1,293
Deferred taxes and other	(256)	426	455
Stock-based compensation	249	283	283
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Other assets	(1,785)	(368)	991
Accounts payable & other liabilities	(2,025)	1,771	(4,365)
Net cash provided by operating activities	5,591	13,632	8,930
Cash Flows from Investing Activities			
Sale of investment securities	69	22	4
Maturities and redemptions of investment securities	7,159	7,329	3,499
Purchase of investments	(20,562)	(11,166)	(5,434)
Net decrease (increase) in Card Member loans and receivables, and other loans	26,906	(11,047)	(15,854)
Purchase of premises and equipment, net of sales: 2020, \$1; 2019, \$43; 2018, \$1	(1,478)	(1,645)	(1,310)
Acquisitions/dispositions, net of cash acquired	(597)	(352)	(520)
Other investing activities	135	152	—
Net cash provided by (used in) investing activities	11,632	(16,707)	(19,615)
Cash Flows from Financing Activities			
Net increase in customer deposits	13,542	3,330	5,542
Net (decrease) increase in short-term borrowings	(4,627)	3,316	(148)
Proceeds from long-term debt	69	12,706	21,524
Payments of long-term debt	(15,593)	(13,850)	(18,895)
Issuance of American Express common shares	44	86	87
Repurchase of American Express common shares and other	(1,029)	(4,685)	(1,685)
Dividends paid	(1,474)	(1,422)	(1,324)
Net cash (used in) provided by financing activities	(9,068)	(519)	5,101
Effect of foreign currency exchange rates on cash and cash equivalents	364	232	129
Net increase (decrease) in cash and cash equivalents	8,519	(3,362)	(5,455)
Cash and cash equivalents at beginning of year	24,446	27,808	33,263
Cash and cash equivalents at end of year	\$ 32,965	\$ 24,446	\$ 27,808

Supplemental cash flow information

Cash, cash equivalents and restricted cash reconciliation	Dec-20	Dec-19	Dec-18
Cash and cash equivalents per Consolidated Balance Sheets	\$ 32,965	\$ 24,446	\$ 27,808
Restricted cash included in Cash and cash equivalents	606	514	363
Total Cash and cash equivalents, excluding restricted cash	\$ 32,359	\$ 23,932	\$ 27,445

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(Millions, except per share amounts)</i>	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances as of December 31, 2017	\$ 18,261	\$ —	\$ 172	\$ 12,210	\$ (2,428)	\$ 8,307
Net income	6,921	—	—	—	—	6,921
Other comprehensive loss	(169)	—	—	—	(169)	—
Repurchase of common shares	(1,570)	—	(3)	(216)	—	(1,351)
Other changes, primarily employee plans	200	—	1	224	—	(25)
Cash dividends declared preferred Series B, \$52.00 per share	(39)	—	—	—	—	(39)
Cash dividends declared preferred Series C, \$49.00 per share	(41)	—	—	—	—	(41)
Cash dividends declared common, \$1.48 per share	(1,273)	—	—	—	—	(1,273)
Balances as of December 31, 2018	22,290	—	170	12,218	(2,597)	12,499
Net income	6,759	—	—	—	—	6,759
Other comprehensive loss	(140)	—	—	—	(140)	—
Repurchase of common shares	(4,585)	—	(8)	(671)	—	(3,906)
Other changes, primarily employee plans	186	—	1	227	—	(42)
Cash dividends declared preferred Series B, \$52.00 per share	(39)	—	—	—	—	(39)
Cash dividends declared preferred Series C, \$49.00 per share	(42)	—	—	—	—	(42)
Cash dividends declared common, \$1.64 per share	(1,358)	—	—	—	—	(1,358)
Balances as of December 31, 2019	23,071	—	163	11,774	(2,737)	13,871
Cumulative effect of change in accounting principle - Reserve for Credit Losses ^(a)	(882)	—	—	—	—	(882)
Net income	3,135	—	—	—	—	3,135
Other comprehensive loss	(158)	—	—	—	(158)	—
Repurchase of common shares	(875)	—	(2)	(105)	—	(768)
Other changes, primarily employee plans	164	—	—	212	—	(48)
Cash dividends declared preferred Series B, \$45.81 per share	(34)	—	—	—	—	(34)
Cash dividends declared preferred Series C, \$52.93 per share	(45)	—	—	—	—	(45)
Cash dividends declared common, \$1.72 per share	(1,392)	—	—	—	—	(1,392)
Balances as of December 31, 2020	\$ 22,984	\$ —	\$ 161	\$ 11,881	\$ (2,895)	\$ 13,837

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

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

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

Refer to Note 24 for additional discussion of the products and services that comprise each segment. Corporate functions and certain other businesses and operations are included in Corporate & Other.

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Significant intercompany transactions are eliminated.

We consolidate entities in which we hold a “controlling financial interest.” For voting interest entities, we are considered to hold a controlling financial interest when we are able to exercise control over the investees’ operating and financial decisions. For variable interest entities (VIEs), the determination of which is based on the amount and characteristics of the entity’s equity, we are considered to hold a controlling financial interest when we are determined to be the primary beneficiary. A primary beneficiary is the party that has both: (1) the power to direct the activities that most significantly impact that VIE’s economic performance, and (2) the obligation to absorb the losses of, or the right to receive the benefits from, the VIE that could potentially be significant to that VIE.

Entities in which our voting interest in common equity does not provide it with control, but allows us to exert significant influence over operating and financial decisions, are accounted for under the equity method. We also have investments in equity securities where our voting interest is below the level of significant influence, including investments that we make in non-public companies in the ordinary course of business. Such investments are initially recorded at cost and adjusted to fair value through earnings for observable price changes in orderly transactions for identical or similar transactions of the same company or if they are determined to be impaired. See Note 4 for the accounting policy for our marketable equity securities.

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon exchange rates prevailing at the end of the reporting period; non-monetary assets and liabilities are translated at the historic exchange rate at the date of the transaction; revenues and expenses are translated at the average month-end exchange rates during the year. Resulting translation adjustments, along with any related qualifying hedge and tax effects, are included in accumulated other comprehensive income (loss) (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. Gains and losses related to transactions in a currency other than the functional currency are reported in Other, net expenses in the Consolidated Statements of Income.

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 Card Member credit losses on loans and receivables, Membership Rewards liability, goodwill and income taxes. These accounting estimates reflect the best judgment of management, but actual results could differ.

INCOME STATEMENT

Discount Revenue

Discount revenue primarily represents the amount we earn on transactions occurring at merchants that have entered into a card acceptance agreement with us, or a Global Network Services (GNS) partner or other third-party merchant acquirer, for facilitating transactions between the merchants and Card Members. The amount of fees charged for accepting our cards as payment for goods or services, or merchant discount, varies with, among other factors, the industry in which the merchant conducts business, the merchant's overall American Express-related transaction volume, the method of payment, the settlement terms with the merchant, the method of submission of transactions and, in certain instances, the geographic scope of the card acceptance agreement between the merchant and us (e.g., local or global) and the transaction amount. The merchant discount is generally deducted from the payment to the merchant and recorded as discount revenue at the time the Card Member transaction occurs.

The card acceptance agreements, which include the agreed-upon terms for charging the merchant discount fee, vary in duration. Our contracts with small- and medium-sized merchants generally have no fixed contractual duration, while those with large merchants are generally for fixed periods, which typically range from three to seven years in duration. Our fixed-period agreements may include auto-renewal features, which may allow the existing terms to continue beyond the stated expiration date until a new agreement is reached. We satisfy our obligations under these agreements over the contract term, often on a daily basis, including through the processing of Card Member transactions and the availability of our payment network.

In cases where the merchant acquirer is a third party (which is the case, for example, under our OptBlue program, or with certain of our GNS partners), we receive a network rate fee in our settlement with the merchant acquirer, which is individually negotiated between us and that merchant acquirer and is recorded as discount revenue at the time the Card Member transaction occurs. In our role as the operator of the American Express network, we also settle with merchants on behalf of our GNS card issuing partners, who in turn receive an issuer rate that is individually negotiated between that issuer and us and is recorded as expense in Marketing and business development (see below) or as contra-revenue in Other revenue.

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

Net Card Fees

Net card fees represent revenue earned from annual card membership fees, which vary based on the type of card and the number of cards for each account. These fees, net of acquisition costs and a reserve for projected refunds for Card Member cancellations, are deferred and recognized on a straight-line basis over the twelve-month card membership period as Net card fees in the Consolidated Statements of Income. The unamortized net card fee balance is reported in Other liabilities on the Consolidated Balance Sheets (refer to Note 9).

Other Fees and Commissions

Other fees and commissions includes certain fees charged to Card Members, including delinquency fees and foreign currency conversion fees, which are primarily recognized in the period in which they are charged to the Card Member. Other fees and commissions also includes Membership Rewards program fees, which are deferred and recognized over the period covered by the fee, typically one year, the unamortized portion of which is included in Other liabilities on the Consolidated Balance Sheets. In addition, Other fees and commissions includes loyalty coalition-related fees, travel commissions and fees and service fees earned from merchants, that are recognized when the service is performed, which is generally in the period the fee is charged. Refer to Note 18 for additional information.

Contra-revenue

Payments made pursuant to contractual arrangements with our merchants, GNS partners, and other customers are classified as contra-revenue, except where we receive goods, services or other benefits for which the fair value is determinable and measurable, in which case they are recorded as expense.

Interest Income

Interest on Card Member loans is assessed using the average daily balance method. 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 relate to our performing fixed-income securities. Interest income is recognized 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 securities are in default or when it becomes likely that future interest payments will not be made as scheduled.

Interest 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.

Interest Expense

Interest expense includes interest incurred primarily to fund Card Member loans and 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) debt, which primarily relates to interest expense on our long-term debt and short-term borrowings, as well as the realized impact of derivatives used to hedge interest rate risk on our long-term debt.

Marketing and Business Development

Marketing and business development expense includes costs incurred in the development and initial placement of advertising, which are expensed in the year in which the advertising first takes place. Also included in Marketing and business development expense are payments to our cobrand partners, Card Member statement credits for qualifying charges on eligible card accounts, corporate incentive payments earned on achievement of pre-set targets, and certain payments to GNS card issuing partners. These costs are generally expensed as incurred.

Card Member Rewards

We issue charge and credit cards that allow Card Members to participate in various rewards programs (e.g., Membership Rewards, cobrand and cash back). Rewards expense is recognized in the period Card Members earn rewards, generally by spending on their enrolled card products. We record a Card Member rewards liability that represents the estimated cost of points earned that are expected to be redeemed. Pursuant to cobrand agreements, we make payments to our cobrand partners based primarily on the amount of Card Member spending and corresponding rewards earned on such spending. The partner is then liable for providing rewards to the Card Member under the cobrand partner's own loyalty program. Card Member rewards liabilities are impacted over time by enrollment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. Changes in the Card Member rewards liabilities during the period are taken as an increase or decrease to the Card Member rewards expense in the Consolidated Statements of Income.

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, restricted cash, and other highly liquid investments with original maturities of 90 days or less. Restricted cash primarily represents amounts related to Card Member credit balances as well as upcoming debt maturities of consolidated VIEs.

Goodwill

Goodwill represents the excess of the acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. We allocate goodwill to our 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.

We evaluate goodwill for impairment annually as of June 30, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of our reporting units below its carrying value. Prior to

completing the assessment of goodwill for impairment, we also perform a recoverability test of certain long-lived assets. We have the option to perform a qualitative assessment of goodwill impairment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. Alternatively, we can perform a more detailed quantitative assessment of goodwill impairment.

This qualitative assessment entails the evaluation of factors such as economic conditions, industry and market considerations, cost factors, overall financial performance of the reporting unit and other company and reporting unit-specific events. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we then perform the impairment evaluation using the quantitative assessment.

Under the quantitative assessment, the first step identifies whether there is a potential impairment by comparing the fair value of a reporting unit to the carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds the fair value, then a test is performed to determine the implied fair value of goodwill. An impairment loss is recognized based on the amount that the carrying amount of goodwill exceeds the implied fair value.

When measuring the fair value of our reporting units in the quantitative assessment, we use widely accepted valuation techniques, applying a combination of the income approach (discounted cash flows) and market approach (market multiples). When preparing discounted cash flow models under the income approach, we use internal forecasts to estimate future cash flows expected to be generated by the reporting units. To discount these cash flows, we use the expected cost of equity, determined by using a capital asset pricing model. We believe the discount rates used appropriately reflect the risks and uncertainties in the financial markets generally and specifically in our internally-developed forecasts. When using market multiples under the market approach, we apply comparable publicly traded companies' multiples (e.g., earnings or revenues) to our reporting units' actual results.

For the years ended December 31, 2020 and 2019, we performed a qualitative assessment in connection with our annual goodwill impairment evaluation and determined that it was more likely than not that the fair values of each of our reporting units exceeded their carrying values.

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 the assets, which range from 3 to 10 years for equipment, furniture and building improvements, and from 40 to 50 years for premises, which are depreciated based upon their estimated useful life at the acquisition date.

Certain costs associated with the acquisition or development of internal-use software are also capitalized and recorded in Premises and equipment. 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. We review these assets for impairment using the same impairment methodology used for our intangible assets.

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, and range from 5 to 10 years. We recognize lease restoration obligations at the fair value of the restoration liabilities when incurred and amortize the restoration assets over the lease term.

Leases

We have operating leases worldwide for facilities and equipment, which, for those leases with terms greater than 12 months, are recorded as lease-related assets and liabilities. We do not separate lease and non-lease components. Lease-related assets, or right-of-use assets, are recognized at the lease commencement date at amounts equal to the respective lease liabilities, adjusted for prepaid lease payments, initial direct costs and lease incentives. Lease liabilities are recognized at the present value of the contractual fixed lease payments, discounted using our incremental borrowing rate as of the lease commencement date or upon modification of the lease. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

The following table identifies our other significant accounting policies, along with the related Note.

Significant Accounting Policy	Note Number	Note Title
Loans and Card Member Receivables	Note 2	Loans and Card Member Receivables
Reserves for Credit Losses	Note 3	Reserves for Credit Losses
Investment Securities	Note 4	Investment Securities
Asset Securitizations	Note 5	Asset Securitizations
Legal Contingencies	Note 12	Contingencies and Commitments
Derivative Financial Instruments and Hedging Activities	Note 13	Derivatives and Hedging Activities
Fair Value Measurements	Note 14	Fair Values
Guarantees	Note 15	Guarantees
Income Taxes	Note 20	Income Taxes

CLASSIFICATION OF VARIOUS ITEMS

Certain reclassifications of prior period amounts have been made to conform to the current period presentation, including reclassification of restricted cash from Other assets to Cash and cash equivalents on the Consolidated Balance Sheets.

RECENTLY ISSUED AND ADOPTED ACCOUNTING STANDARDS

In March 2020, the Financial Accounting Standards Board issued new accounting guidance related to the effects of reference rate reform on financial reporting. The guidance, effective for reporting periods through December 31, 2022, provides accounting relief for contract modifications that replace an interest rate impacted by reference rate reform (e.g., LIBOR) with a new alternative reference rate. The guidance is applicable to investment securities, receivables, loans, debt, leases, derivatives and hedge accounting elections and other contractual arrangements. We adopted the guidance as of March 31, 2020, with no material impact on our financial position, results of operations and cash flows. There were no significant changes to our accounting policies, business processes or internal controls as a result of adopting the new guidance.

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

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

NOTE 2**LOANS AND CARD MEMBER RECEIVABLES**

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

CARD MEMBER AND OTHER LOANS

Card Member loans are recorded at the time a Card Member enters into a point-of-sale transaction with a merchant and represent revolving amounts due on lending card products, as well as amounts due from charge Card Members who utilize the Pay Over Time features on their account and revolve a portion of the outstanding balance by entering into a revolving payment arrangement with us. 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 Card Members, and in accordance with applicable regulations and the respective product's terms and conditions. Card Members holding revolving loans are typically required to make monthly payments based on pre-established amounts and the amounts that Card Members choose to revolve are subject to finance charges.

Card Member loans are presented on the Consolidated Balance Sheets net of reserves for credit losses (refer to Note 3), and include principal and any related accrued interest and fees. Our policy generally is to cease accruing interest on a Card Member loan at the time the account is written off, and establish reserves for interest that we believe will not be collected.

Other loans are recorded at the time any extension of credit is provided to consumer and commercial customers for non-card financing products. These loans have a range of fixed terms such as interest rates, fees and repayment periods. Borrowers are typically required to make pre-established monthly payments over the term of the loan. Non-card financing products are not associated with a Card Member agreement, and instead are governed by a separate borrowing relationship. Other loans are presented on the Consolidated Balance Sheets net of reserves for credit losses, and include principal and any related accrued interest and fees.

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

<i>(Millions)</i>	2020	2019
Global Consumer Services Group ^(a)	\$ 60,084	\$ 73,266
Global Commercial Services	13,289	14,115
Card Member loans	73,373	87,381
Less: Reserve for credit losses	5,344	2,383
Card Member loans, net	\$ 68,029	\$ 84,998
Other loans, net ^(b)	\$ 2,614	\$ 4,626

- (a) Includes approximately \$25.9 billion and \$32.2 billion of gross Card Member loans available to settle obligations of a consolidated VIE as of December 31, 2020 and 2019, respectively.
- (b) Other loans represent consumer and commercial non-card financing products, and Small Business Administration Paycheck Protection Program (PPP) loans. There were \$0.6 billion of gross PPP loans outstanding as of December 31, 2020. Other loans are presented net of reserves for credit losses of \$238 million and \$152 million as of December 31, 2020 and 2019, respectively.

CARD MEMBER RECEIVABLES

Card Member receivables are also recorded at the time a Card Member enters into a point-of-sale transaction with a merchant and represent amounts due on charge card products. Each charge card transaction is authorized based on its likely economics, a Card Member's most recent credit information and spend patterns.

Charge Card Members generally must pay the full amount billed each month. Card Member receivable balances are presented on the Consolidated Balance Sheets net of reserves for credit losses (refer to Note 3), and include principal and any related accrued fees.

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

<i>(Millions)</i>	2020	2019
Global Consumer Services Group ^(a)	\$ 18,685	\$ 22,844
Global Commercial Services ^(b)	25,016	34,569
Card Member receivables	43,701	57,413
Less: Reserve for credit losses	267	619
Card Member receivables, net	\$ 43,434	\$ 56,794

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

(b) Includes \$4.3 billion and nil of gross Card Member receivables available to settle obligations of a consolidated VIE as of December 31, 2020 and 2019, respectively.

CARD MEMBER LOANS AND RECEIVABLES AGING

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

2020 (millions)	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
Global Consumer Services Group	\$ 59,442	\$ 177	\$ 148	\$ 317	\$ 60,084
Global Commercial Services					
Global Small Business Services	13,132	27	20	47	13,226
Global Corporate Payments ^(a)	(b)	(b)	(b)	—	63
Card Member Receivables:					
Global Consumer Services Group	18,570	33	26	56	18,685
Global Commercial Services					
Global Small Business Services	\$ 14,023	\$ 37	\$ 21	\$ 38	\$ 14,119
Global Corporate Payments ^(a)	(b)	(b)	(b)	\$ 60	\$ 10,897

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

- (a) Global Corporate Payments (GCP) reflects global, large and middle market corporate accounts. Delinquency data is tracked based on days past billing status rather than days past due. A Card Member account is considered 90 days past billing if payment has not been received within 90 days of the Card Member's billing statement date. In addition, if we initiate collection procedures on an account prior to the account becoming 90 days past billing, the associated Card Member loan or receivable balance is classified as 90 days past billing. These amounts are shown above as 90+ Days Past Due for presentation purposes. See also (b).
- (b) Delinquency data for periods other than 90+ days past billing is not available due to system constraints. Therefore, such data has not been utilized for risk management purposes. The balances that are current to 89 days past due can be derived as the difference between the Total and the 90+ Days Past Due balances.

CREDIT QUALITY INDICATORS FOR CARD MEMBER LOANS AND RECEIVABLES

The following tables present the key credit quality indicators as of or for the years ended December 31:

	2020			2019		
	Net Write-Off Rate		30+ Days Past Due as a % of Total	Net Write-Off Rate		30+ Days Past Due as a % of Total
	Principal Only ^(a)	Principal, Interest, & Fees ^(a)		Principal Only ^(a)	Principal, Interest, & Fees ^(a)	
Card Member Loans:						
Global Consumer Services Group	2.5 %	3.0 %	1.1 %	2.3 %	2.8 %	1.6 %
Global Small Business Services	2.1 %	2.4 %	0.7 %	1.9 %	2.2 %	1.3 %
Card Member Receivables:						
Global Consumer Services Group	1.7 %	1.9 %	0.6 %	1.7 %	1.9 %	1.2 %
Global Small Business Services	2.1 %	2.3 %	0.7 %	1.9 %	2.1 %	1.7 %
Global Corporate Payments	(b)	1.9 %	(c)	(b)	(d)	(c)

(a) We present a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because we consider uncollectible interest and/or fees in estimating our reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

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

(c) For GCP Card Member receivables, delinquency data is tracked based on days past billing status rather than days past due. Delinquency data for periods other than 90+ days past billing is not available due to system constraints. 90+ Days Past Billing as a % of total was 0.6% and 0.8% for the years ended December 31, 2020 and 2019, respectively.

(d) Net loss ratio was the credit quality indicator for GCP Card Member receivables for prior periods and represents the ratio of GCP Card Member receivables write-offs, consisting of principal (resulting from authorized transactions) and fee components, less recoveries, on Card Member receivables expressed as a percentage of gross amounts billed to corporate Card Members. The net loss ratio for the year ended December 31, 2019 was 0.08%.

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

IMPAIRED LOANS AND RECEIVABLES

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

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

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

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

In response to the COVID-19 pandemic, the United States enacted legislation that provided the option to temporarily suspend (i) certain requirements under U.S. GAAP for loan modifications related to the COVID-19 pandemic that would otherwise be treated as TDRs and (ii) any determination that a loan modified as a result of the COVID-19 pandemic is a TDR (including impairment for accounting purposes). Based on the nature of our programs, we have not elected the accounting and reporting relief afforded by this legislation and continue to report modifications as TDRs.

In the first quarter of 2020, we created a Customer Pandemic Relief (CPR) program for customers who have been impacted by the COVID-19 pandemic to provide a concession in the form of payment deferrals and waivers of certain fees and interest. We assessed the CPR program and determined that eligible loan modifications were temporary in nature, for example, less than three months, and not considered TDRs. Our short-term CPR programs are no longer widely available with immaterial balances remaining in the program as of December 31, 2020.

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The following tables provide additional information with respect to our impaired loans and receivables as of December 31, 2020, 2019 and 2018.

(Millions)	As of December 31, 2020					
	Over 90 days Past Due & Accruing Interest ^(a)	Non-Accruals ^(b)	Accounts Classified as a TDR ^(c)		Total Impaired Balance	Reserve for Credit Losses - TDRs
			In Program ^(d)	Out of Program ^(e)		
Card Member Loans:						
Global Consumer Services Group	\$ 203	\$ 146	\$ 1,586	\$ 248	\$ 2,183	\$ 782
Global Commercial Services	21	29	478	67	595	285
Card Member Receivables:						
Global Consumer Services Group	—	—	240	34	274	60
Global Commercial Services	—	—	534	75	609	139
Other Loans^(f)	2	1	248	6	257	80
Total	\$ 226	\$ 176	\$ 3,086	\$ 430	\$ 3,918	\$ 1,346

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

(Millions)	As of December 31, 2018					
	Over 90 days Past Due & Accruing Interest ^(a)	Non-Accruals ^(b)	Accounts Classified as a TDR ^(c)		Total Impaired Balance	Reserve for Credit Losses - TDRs
			In Program ^(d)	Out of Program ^(e)		
Card Member Loans:						
Global Consumer Services Group	\$ 344	\$ 236	\$ 313	\$ 131	\$ 1,024	\$ 80
Global Commercial Services	43	43	59	29	174	14
Card Member Receivables:						
Global Consumer Services Group	—	—	29	13	42	2
Global Commercial Services	—	—	61	25	86	5
Total	\$ 387	\$ 279	\$ 462	\$ 198	\$ 1,326	\$ 101

- (a) Our policy is generally to accrue interest through the date of write-off (typically 180 days past due). We establish reserves for interest that we believe will not be collected. Amounts presented exclude loans classified as a TDR.
- (b) Non-accrual loans not in modification programs primarily include certain loans placed with outside collection agencies for which we have ceased accruing interest. Amounts presented exclude loans classified as TDRs.
- (c) Accounts classified as a TDR include \$32 million, \$26 million and \$17 million that are over 90 days past due and accruing interest and \$11 million, \$10 million and \$6 million that are non-accruals as of December 31, 2020, 2019 and 2018, respectively.
- (d) In Program TDRs include accounts that are currently enrolled in a modification program.
- (e) Out of Program TDRs include \$316 million, \$188 million and \$148 million of accounts that have successfully completed a modification program and \$114 million, \$72 million and \$50 million of accounts that were not in compliance with the terms of the modification programs as of December 31, 2020, 2019 and 2018, respectively.
- (f) Other loans primarily represent consumer and commercial non-card financing products. Prior period balances were not significant.

LOANS AND RECEIVABLES MODIFIED AS TDRs

The following table provides additional information with respect to loans and receivables modified as TDRs for the years ended December 31:

2020	Number of Accounts (thousands)	Outstanding Balances (millions) ^(a)	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
Troubled Debt Restructurings:				
Card Member Loans	272	\$ 2,347	14	(b)
Card Member Receivables	47	1,202	(c)	19
Other Loans ^(d)	9	\$ 345	3	16
Total	328	\$ 3,894		

2019	Number of Accounts (thousands)	Outstanding Balances (millions) ^(a)	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
Troubled Debt Restructurings:				
Card Member Loans	78	\$ 602	13	(b)
Card Member Receivables	9	210	(c)	26
Total	87	\$ 812		

2018	Number of Accounts (thousands)	Outstanding Balances (millions) ^(a)	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
Troubled Debt Restructurings:				
Card Member Loans	51	\$ 377	12	(b)
Card Member Receivables	6	110	(c)	28
Total	57	\$ 487		

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

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

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

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

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The following table provides information with respect to loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification for the years ended December 31, 2020, 2019 and 2018. A customer can miss up to three payments before being considered in default, depending on the terms of the modification program. For all customers that defaulted from a modification program, the probability of default is factored into the reserves for loans and receivables.

	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default ^(a) (millions)
2020		
Troubled Debt Restructurings That Subsequently Defaulted:		
Card Member Loans	17	\$ 127
Card Member Receivables	3	55
Other Loans ^(b)	3	6
Total	23	\$ 188

	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default ^(a) (millions)
2019		
Troubled Debt Restructurings That Subsequently Defaulted:		
Card Member Loans	12	\$ 86
Card Member Receivables	4	20
Total	16	\$ 106

	Number of Accounts (thousands)	Aggregated Outstanding Balances Upon Default ^(a) (millions)
2018		
Troubled Debt Restructurings That Subsequently Defaulted:		
Card Member Loans	8	\$ 46
Card Member Receivables	4	11
Total	12	\$ 57

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

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

NOTE 3

RESERVES FOR CREDIT LOSSES

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

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

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

We also estimate the likelihood and magnitude of recovery of previously written off accounts considering how long ago the account was written off and future economic conditions. Our models are developed using historical loss experience covering the economic cycle and consider the impact of account characteristics on expected losses.

Future economic conditions that are incorporated over the R&S Period include multiple macroeconomic scenarios provided to us by an independent third party. Management reviews these economic scenarios and applies judgment to weight them in order to reflect the uncertainty surrounding these scenarios. These macroeconomic scenarios contain certain variables, including unemployment rates and real gross domestic product, that are significant to our models.

We also evaluate whether to include qualitative reserves to cover losses that are expected but, in our assessment, may not be adequately represented in the quantitative methods or the economic assumptions. We consider whether to adjust the quantitative reserves (higher or lower) to address possible limitations within the models or factors not included within the models, such as external conditions, emerging portfolio trends, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due accounts, or management risk actions.

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

Loans and receivable balances are written off when we consider amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days past due for pay in full or revolving loans and 120 days past due for term loans. Loans and receivables in bankruptcy or owed by deceased individuals are generally written off upon notification.

Results for reporting periods beginning January 1, 2020 are presented using the CECL methodology while comparative information continues to be reported in accordance with the incurred loss methodology in effect for prior years. Reserves for credit losses under the incurred loss methodology were primarily based upon statistical and analytical models that analyzed portfolio performance and reflected management's judgments regarding the quantitative components of the reserve. The models considered several factors, including delinquency-based loss migration rates, loss emergence periods and average losses and recoveries over an appropriate historical period. Similar to the CECL methodology, we considered whether to adjust the quantitative reserves for certain external and internal qualitative factors, which may increase or decrease the reserves for credit losses.

CHANGES IN CARD MEMBER LOANS RESERVE FOR CREDIT LOSSES

Card Member loans reserve for credit losses increased for the year ended December 31, 2020, primarily driven by deterioration of the global macroeconomic outlook, including unemployment and GDP, partially offset by improved credit performance and a decline in outstanding balances.

The following table presents changes in the Card Member loans reserve for credit losses for the years ended December 31:

<i>(Millions)</i>	2020	2019	2018
Beginning Balance ^(a)	\$ 4,027	\$ 2,134	\$ 1,706
Provisions ^(b)	3,453	2,462	2,266
Net write-offs ^(c)			
Principal	(1,795)	(1,860)	(1,539)
Interest and fees	(375)	(375)	(304)
Other ^(d)	34	22	5
Ending Balance	\$ 5,344	\$ 2,383	\$ 2,134

- (a) For the year ended December 31, 2020, beginning balance includes an increase of \$1,643 million as of January 1, 2020, related to the adoption of the CECL methodology.
- (b) Provisions for principal, interest and fee reserve components. Provisions for credit losses includes reserve build (release) and replenishment for net write-offs.
- (c) Principal write-offs are presented less recoveries of \$568 million, \$525 million and \$444 million for the years ended December 31, 2020, 2019 and 2018, respectively. Recoveries of interest and fees were not significant. Amounts include net (write-offs) recoveries from TDRs of \$(134) million, \$(79) million and \$(33) million for the years ended December 31, 2020, 2019 and 2018, respectively.
- (d) Primarily includes foreign currency translation adjustments of \$35 million, \$4 million and \$(11) million for the years ended December 31, 2020, 2019 and 2018, respectively.

CHANGES IN CARD MEMBER RECEIVABLES RESERVE FOR CREDIT LOSSES

Card Member receivables reserve for credit losses increased for the year ended December 31, 2020, primarily driven by deterioration of the global macroeconomic outlook, including unemployment and GDP, partially offset by improved credit performance and a decline in outstanding balances.

The following table presents changes in the Card Member receivables reserve for credit losses for the years ended December 31:

<i>(Millions)</i>	2020	2019	2018
Beginning Balance ^(a)	\$ 126	\$ 573	\$ 521
Provisions ^(b)	1,015	963	937
Net write-offs ^(c)	(881)	(900)	(859)
Other ^(d)	7	(17)	(26)
Ending Balance	\$ 267	\$ 619	\$ 573

- (a) For the year ended December 31, 2020, beginning balance includes a decrease of \$493 million as of January 1, 2020, related to the adoption of the CECL methodology.
- (b) Provisions for principal and fee reserve components. Provisions for credit losses includes reserve build (release) and replenishment for net write-offs.
- (c) Net write-offs are presented less recoveries of \$386 million, \$374 million and \$367 million for the years ended December 31, 2020, 2019 and 2018, respectively. Amounts include net recoveries (write-offs) from TDRs of \$(47) million, \$(16) million and nil, for the years ended December 31, 2020, 2019 and 2018, respectively.
- (d) Primarily includes foreign currency translation adjustments of \$5 million, nil and \$(6) million for the years ended December 31, 2020, 2019 and 2018, respectively.

NOTE 4
INVESTMENT SECURITIES

Investment securities principally include available-for-sale debt securities carried at fair value on the Consolidated Balance Sheets. The CECL methodology, which became effective January 1, 2020, requires us to estimate lifetime expected credit losses for all available-for-sale debt securities in an unrealized loss position. Comparative information continues to be reported in accordance with the methodology in effect for prior periods. When estimating a security's probability of default and the recovery rate, we assess the security's credit indicators, including credit ratings. If our assessment indicates that an expected credit loss exists, we determine the portion of the unrealized loss attributable to credit deterioration and record a reserve for the expected credit loss through the Consolidated Statements of Income in Other loans Provision for credit losses. Unrealized gains and any portion of a security's unrealized loss attributable to non-credit losses are recorded in the Consolidated Statements of Comprehensive Income, net of tax. We had accrued interest on our available-for-sale debt securities totaling \$26 million and \$20 million, as of December 31, 2020 and 2019, respectively, presented as Other assets on the Consolidated Balance Sheets.

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

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

Refer to Note 14 for a description of our methodology for determining the fair value of investment securities.

The following is a summary of investment securities as of December 31:

Description of Securities (Millions)	2020				2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale debt securities:								
State and municipal obligations	\$ 172	\$ 7	\$ —	\$ 179	\$ 236	\$ 8	\$ (1)	\$ 243
U.S. Government agency obligations	7	—	—	7	9	—	—	9
U.S. Government treasury obligations	20,655	76	—	20,731	7,395	35	(1)	7,429
Corporate debt securities	22	—	—	22	27	—	—	27
Mortgage-backed securities ^(a)	28	2	—	30	39	2	—	41
Foreign government bonds and obligations	581	—	—	581	578	1	—	579
Equity securities ^(b)	56	27	(2)	81	55	25	(2)	78
Total	\$ 21,521	\$ 112	\$ (2)	\$ 21,631	\$ 8,339	\$ 71	\$ (4)	\$ 8,406

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

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

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

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

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

Ratio of Fair Value to Amortized Cost (<i>Dollars in millions</i>)	Less than 12 months			12 months or more			Total		
	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
2019:									
90%–100%	2	\$ 18	\$ (1)	3	\$ 324	\$ (1)	5	\$ 342	\$ (2)
Total as of December 31, 2019	2	\$ 18	\$ (1)	3	\$ 324	\$ (1)	5	\$ 342	\$ (2)

Weighted average yields and contractual maturities for investment securities with stated maturities as of December 31, 2020 were as follows:

(<i>Millions</i>)	Due within 1 year	Due after 1 year but within 5 years	Due after 5 years but within 10 years	Due after 10 years	Total
State and municipal obligations ^(a)	\$ 15	\$ 21	\$ 49	\$ 94	\$ 179
U.S. Government agency obligations ^(a)	—	—	—	7	7
U.S. Government treasury obligations	19,097	1,621	13	—	20,731
Corporate debt securities	11	11	—	—	22
Mortgage-backed securities ^(a)	—	—	—	30	30
Foreign government bonds and obligations	580	1	—	—	581
Total Estimated Fair Value	\$ 19,703	\$ 1,654	\$ 62	\$ 131	\$ 21,550
Total Cost	\$ 19,685	\$ 1,598	\$ 55	\$ 127	\$ 21,465
Weighted average yields ^(b)	0.31 %	1.87 %	5.53 %	4.06 %	0.46 %

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

(b) Average yields for investment securities have been calculated using the effective yield on the date of purchase. Yields on tax-exempt investment securities have been computed on a tax-equivalent basis using the U.S. federal statutory tax rate of 21 percent.

NOTE 5

ASSET SECURITIZATIONS

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

The Trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue debt securities that are collateralized by the underlying Card Member loans and receivables. Refer to Note 1 for further details on the principles of consolidation. We perform the servicing and key decision making for the Trusts, and therefore have the power to direct the activities that most significantly impact the Trusts' economic performance, which are the collection of the underlying Card Member loans and receivables. In addition, we hold all of the variable interests in both Trusts, with the exception of the debt securities issued to third-party investors. As of December 31, 2020 and 2019, our ownership of variable interests was \$13.4 billion and \$12.9 billion, respectively, for the Lending Trust and \$4.3 billion and \$8.3 billion, respectively, for the Charge Trust. These variable interests held by us provide us with the right to receive benefits and the obligation to absorb losses, which could be significant to both the Lending Trust and the Charge Trust. Based on these considerations, we are the primary beneficiary of the Trusts and therefore consolidate the Trusts.

The debt securities issued by the Trusts are non-recourse to us. The securitized Card Member loans and receivables held by the Lending Trust and the Charge Trust, respectively, are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions (refer to Note 2). The long-term debt of each Trust is payable only out of collections on their respective underlying securitized assets (refer to Note 8).

Restricted cash held by the Lending Trust and Charge Trust was \$47 million and nil, respectively, as of December 31, 2020 and \$85 million and nil, respectively, as of December 31, 2019. These amounts relate to collections of Card Member loans and receivables to be used by the Trusts to fund future expenses and obligations, including interest on debt securities, credit losses and upcoming debt maturities.

Under the respective terms of the Lending Trust and the Charge Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each Trust could result in payment of trust expenses, establishment of reserve funds, or, in a worst-case scenario, early amortization of debt securities. During the years ended December 31, 2020 and 2019, no such triggering events occurred.

NOTE 6

OTHER ASSETS

The following is a summary of Other assets as of December 31:

<i>(Millions)</i>	2020	2019
Goodwill	\$ 3,852	\$ 3,315
Other intangible assets, at amortized cost	265	267
Other ^(a)	13,562	10,635
Total	\$ 17,679	\$ 14,217

(a) Primarily includes prepaid assets, net deferred tax assets, other receivables net of reserves, investments in non-consolidated entities, tax credit investments and right-of-use lease assets.

GOODWILL

The changes in the carrying amount of goodwill reported in our reportable operating segments were as follows:

<i>(Millions)</i>	GCSG		GCS		GMNS		Total
Balance as of December 31, 2018	\$ 707	\$	1,718	\$	647	\$	3,072
Acquisitions	189		66		—		255
Dispositions	—		—		—		—
Other ^(a)	(7)		(3)		(2)		(12)
Balance as of December 31, 2019	\$ 889	\$	1,781	\$	645	\$	3,315
Acquisitions	—		442		52		494
Dispositions	—		—		—		—
Other ^(a)	25		11		7		43
Balance as of December 31, 2020	\$ 914	\$	2,234	\$	704	\$	3,852

(a) Primarily includes foreign currency translation.

Accumulated impairment losses were \$221 million as of both December 31, 2020 and 2019.

OTHER INTANGIBLE ASSETS

Intangible assets are amortized on a straight-line basis over their estimated useful lives of 1 to 22 years. We review long-lived assets and asset groups, including intangible assets, for impairment whenever events and circumstances indicate their carrying amounts may not be recoverable. An impairment is recognized if the carrying amount is not recoverable and exceeds the asset or asset group's fair value.

The gross carrying amount for other intangible assets as of December 31, 2020 and 2019 was \$759 million and \$704 million, respectively, with accumulated amortization of \$494 million and \$437 million, respectively.

Amortization expense, which is recorded within Other expense in the Consolidated Statements of Income, was \$54 million, \$49 million and \$212 million for the years ended December 31, 2020, 2019 and 2018, respectively.

TAX CREDIT INVESTMENTS

We account for our tax credit investments, including Qualified Affordable Housing (QAH) investments, using the equity method of accounting. As of December 31, 2020 and 2019, we had \$1,147 million and \$1,154 million in tax credit investments, respectively, included in Other assets on the Consolidated Balance Sheets, of which \$1,095 million and \$1,109 million, respectively, related to QAH investments. Included in QAH investments as of December 31, 2020 and 2019, we had \$1,028 million and \$1,032 million, respectively, related to investments in unconsolidated VIEs for which we do not have a controlling financial interest.

As of December 31, 2020, we committed to provide funding related to certain of these QAH investments, which is expected to be paid between 2021 and 2035, resulting in \$208 million in unfunded commitments reported in Other liabilities, of which \$189 million specifically related to unconsolidated VIEs.

In addition, as of December 31, 2020 we had contractual off-balance sheet obligations, which were not deemed probable of being drawn, to provide additional funding up to \$106 million for these QAH investments, fully related to unconsolidated VIEs.

During the years ended December 31, 2020, 2019 and 2018 we recognized equity method losses related to our QAH investments of \$128 million, \$101 million and \$126 million, respectively, which were recognized in Other, net expenses; and associated tax credits of \$129 million, \$119 million and \$97 million, respectively, recognized in Income tax provision.

NOTE 7
CUSTOMER DEPOSITS

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

<i>(Millions)</i>	2020	2019
U.S.:		
Interest-bearing	\$ 85,583	\$ 72,445
Non-interest-bearing (includes Card Member credit balances of: 2020, \$576 million; 2019, \$389 million)	599	415
Non-U.S.:		
Interest-bearing	19	23
Non-interest-bearing (includes Card Member credit balances of: 2020, \$671 million; 2019, \$401 million)	674	404
Total customer deposits	\$ 86,875	\$ 73,287

Customer deposits by deposit type as of December 31 were as follows:

<i>(Millions)</i>	2020	2019
U.S. retail deposits:		
Savings accounts — Direct	\$ 63,512	\$ 46,394
Certificates of deposit:		
Direct	2,440	1,854
Third-party (brokered)	5,561	8,076
Sweep accounts —Third-party (brokered)	14,070	16,121
Other deposits:		
U.S. non-interest-bearing deposits	23	26
Non-U.S. deposits	22	26
Card Member credit balances — U.S. and non-U.S.	1,247	790
Total customer deposits	\$ 86,875	\$ 73,287

The scheduled maturities of certificates of deposit as of December 31, 2020 were as follows:

<i>(Millions)</i>	U.S.	Non-U.S.	Total
2021	\$ 3,820	\$ 8	\$ 3,828
2022	3,053	—	3,053
2023	645	—	645
2024	276	—	276
2025	207	—	207
After 5 years	—	—	—
Total	\$ 8,001	\$ 8	\$ 8,009

As of December 31, certificates of deposit in denominations of \$250,000 or more, in the aggregate, were as follows:

<i>(Millions)</i>	2020	2019
U.S.	\$ 930	\$ 622
Non-U.S.	1	4
Total	\$ 931	\$ 626

NOTE 8**DEBT****SHORT-TERM BORROWINGS**

Our short-term borrowings outstanding, defined as borrowings with original contractual maturity dates of less than one year, as of December 31 were as follows:

<i>(Millions, except percentages)</i>	2020		2019	
	Outstanding Balance	Year-End Stated Interest Rate on Debt ^(a)	Outstanding Balance	Year-End Stated Interest Rate on Debt ^(a)
Commercial paper ^(b)	\$ —	— %	\$ 3,001	1.94 %
Other short-term borrowings ^(c)	1,878	0.61	3,441	1.28
Total	\$ 1,878	0.61 %	\$ 6,442	1.59 %

(a) For floating-rate issuances, the stated interest rates are weighted based on the outstanding principal balances and interest rates in effect as of December 31, 2020 and 2019.

(b) Average commercial paper outstanding was \$628 million and \$299 million in 2020 and 2019, respectively.

(c) Includes borrowings from banks and book overdrafts with banks due to timing differences arising in the ordinary course of business.

We maintained a 3-year committed, revolving, secured borrowing facility that gives us 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, 2022. The facility was undrawn as of both December 31, 2020 and 2019. Additionally, certain of our subsidiaries maintained total committed lines of credit of \$148 million and \$214 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, nil and \$58 million were drawn on these committed lines, respectively.

We paid \$7.7 million in fees to maintain the secured borrowing facility in both 2020 and 2019. The committed facility does not contain a material adverse change clause, which might otherwise preclude borrowing under the facility, nor is it dependent on our credit rating.

LONG-TERM DEBT

Our long-term debt outstanding, defined as debt with original contractual maturity dates of one year or greater, as of December 31 was as follows:

	Original Contractual Maturity Dates	2020			2019		
		Outstanding Balance ^(a)	Year-End Interest Rate on Debt ^(b)	Year-End Interest Rate with Swaps ^{(b)(c)}	Outstanding Balance ^(a)	Year-End Interest Rate on Debt ^(b)	Year-End Interest Rate with Swaps ^{(b)(c)}
<i>(Millions, except percentages)</i>							
American Express Company (Parent Company only)							
Fixed Rate Senior Notes	2021 - 2042	\$ 18,251	3.25 %	2.09 %	\$ 19,326	3.17 %	2.86 %
Floating Rate Senior Notes	2021 - 2023	4,000	0.84	—	4,500	2.49	—
Fixed Rate Subordinated Notes	2024	599	3.63	1.43	598	3.63	2.99
American Express Credit Corporation							
Fixed Rate Senior Notes	2021 - 2027	6,746	2.38	1.67	11,839	2.40	2.53
Floating Rate Senior Notes	2022	300	0.93	—	1,650	2.64	—
Lending Trust							
Fixed Rate Senior Notes	2021 - 2023	8,325	2.74	2.55	15,074	2.42	2.43
Floating Rate Senior Notes	2021 - 2023	4,125	0.51	—	4,125	2.09	—
Fixed Rate Subordinated Notes	2021 - 2022	246	2.80	—	420	2.53	—
Floating Rate Subordinated Notes	2022 - 2023	79	0.73	—	79	2.31	—
Other							
Finance Leases	2024 - 2033	17	5.54	—	25	5.65	—
Floating Rate Borrowings	2021 - 2023	328	0.42	— %	311	0.40	— %
Unamortized Underwriting Fees		(64)			(112)		
Total Long-Term Debt		\$ 42,952	2.49 %		\$ 57,835	2.66 %	

- (a) The outstanding balances include (i) unamortized discount, (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. Refer to Note 13 for more details on our treatment of fair value hedges.
- (b) For floating-rate issuances, the stated interest rate on debt is weighted based on the outstanding principal balances and interest rates in effect as of December 31, 2020 and 2019.
- (c) Interest rates with swaps are only presented when swaps are in place to hedge the underlying debt. The interest rates with swaps are weighted based on the outstanding principal balances and the interest rates on the floating leg of the swaps in effect as of December 31, 2020 and 2019.

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Aggregate annual maturities on long-term debt obligations (based on contractual maturity or anticipated redemption dates) as of December 31, 2020 were as follows:

<i>(Millions)</i>	2021	2022	2023	2024	2025	Thereafter	Total
American Express Company (Parent Company only)	\$ 5,000	\$ 5,675	\$ 4,350	\$ 5,000	\$ 750	\$ 2,122	\$ 22,897
American Express Credit Corporation	2,975	2,050	—	—	—	2,000	7,025
Lending Trust	3,709	6,381	2,685	—	—	—	12,775
Other	145	86	97	7	—	10	345
	\$ 11,829	\$ 14,192	\$ 7,132	\$ 5,007	\$ 750	\$ 4,132	\$ 43,042
Unamortized Underwriting Fees							(64)
Unamortized Discount and Premium							(648)
Impacts due to Fair Value Hedge Accounting							622
Total Long-Term Debt							\$ 42,952

We maintained a committed syndicated bank credit facility of \$3.5 billion as of December 31, 2020 and 2019, all of which was undrawn as of the respective dates. The availability of the credit line is subject to compliance with certain covenants by American Express Credit Corporation (Credco), principally the maintenance by Credco of a 1.25 ratio of its combined earnings, certain capital contributions and fixed charges, to fixed charges. As of December 31, 2020 and 2019, Credco was not in violation of any of these covenants.

Additionally, we maintained a three-year committed, revolving, secured borrowing facility that gives us 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, 2022. No amounts were drawn on this facility as of December 31, 2020 and 2019.

We paid \$14.2 million and \$16.5 million in fees to maintain these lines in 2020 and 2019, 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 our credit rating.

We paid total interest, primarily related to short- and long-term debt, corresponding interest rate swaps and customer deposits, of \$2.0 billion, \$3.4 billion and \$2.7 billion in 2020, 2019 and 2018, respectively.

NOTE 9
OTHER LIABILITIES

The following is a summary of Other liabilities as of December 31:

<i>(Millions)</i>	2020	2019
Membership Rewards liability	\$ 9,750	\$ 8,892
Employee-related liabilities ^(a)	2,336	2,429
Card Member rebate and reward accruals ^(b)	1,367	1,790
Income tax liability ^(c)	943	1,122
Other ^(d)	12,838	10,715
Total	\$ 27,234	\$ 24,948

(a) Includes employee benefit plan obligations and incentive compensation.

(b) Card Member rebate and reward accruals include payments to third-party reward partners and cash-back rewards.

(c) Includes repatriation tax liability of \$1,012 million as of both December 31, 2020 and 2019, which represents our remaining obligation under the Tax Cuts and Jobs Act enacted on December 22, 2017 (Tax Act) to pay a one-time transition tax on unrepatriated earnings and profits of certain foreign subsidiaries, the net position for current federal, state and non-U.S. income tax liabilities, and deferred tax liabilities for foreign jurisdictions.

(d) Primarily includes book overdraft balances, net deferred card and other fees, Travelers Cheques and other prepaid products, lease liabilities, derivative and hedge liabilities, dividends payable, client incentives and restructuring and reengineering reserves.

MEMBERSHIP REWARDS

The Membership Rewards program allows enrolled Card Members to earn points that can be redeemed for a broad variety of rewards including travel, shopping, gift cards, and covering eligible charges. We record a Membership Rewards liability that represents management's best estimate of the cost of points earned that are expected to be redeemed by Card Members in the future. The weighted average cost (WAC) per point and the Ultimate Redemption Rate (URR) are key assumptions used to estimate the liability. We use statistical and actuarial models to estimate the URR based on redemption trends, card product type, enrollment tenure, card spend levels and credit attributes. The WAC per point assumption is derived from 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations and expected developments in redemption patterns.

The expense for Membership Rewards points is included in Card Member rewards expense. We periodically evaluate our liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

DEFERRED CARD AND OTHER FEES, NET

The carrying amount of deferred card and other fees, net of deferred direct acquisition costs and reserves for membership cancellations as of December 31, was as follows:

<i>(Millions)</i>	2020	2019
Deferred card and other fees ^(a)	\$ 2,639	\$ 2,532
Deferred direct acquisition costs	(166)	(270)
Reserves for membership cancellations	(191)	(200)
Deferred card and other fees, net	\$ 2,282	\$ 2,062

(a) Includes deferred fees for Membership Rewards program participants.

NOTE 10

STOCK PLANS

STOCK OPTION AND AWARD PROGRAMS

Under our 2016 Incentive Compensation Plan (amended and restated effective May 5, 2020) and previously under our 2007 Incentive Compensation Plan (collectively, Incentive Compensation Plans), awards may be granted to employees and other key individuals who perform services for us and our participating subsidiaries. These awards may be in the form of stock options, restricted stock units or awards (collectively referred to as RSUs), portfolio grants (PGs) or other incentives or similar awards designed to meet the requirements of non-U.S. jurisdictions.

For our Incentive Compensation Plans, there were a total of 14 million, 9 million and 12 million common shares unissued and available for grant as of December 31, 2020, 2019, and 2018, respectively, as authorized by our Board of Directors and shareholders. We generally issue new common shares upon exercise of options and vesting of RSUs.

Stock-based compensation expense recognized in Salaries and employee benefits in the Consolidated Statements of Income was \$247 million, \$280 million and \$288 million in 2020, 2019, and 2018, respectively, with corresponding income tax benefits of \$59 million, \$67 million and \$69 million in those respective periods.

A summary of stock option and RSU activity as of December 31, 2020, and corresponding changes during the year, are as follows:

	Stock Options		Service-Based RSUs		Service and Performance-Based RSUs	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Price	Shares	Weighted-Average Grant Price
<i>(Shares in thousands)</i>						
Outstanding as of December 31, 2019	4,172	\$ 72.70	2,412	\$ 91.42	3,392	\$ 88.25
Granted	422	131.68	816	127.56	1,089	122.15
Exercised/vested	(822)	53.50	(1,042)	82.77	(1,193)	78.52
Forfeited	(21)	65.43	(108)	105.32	(142)	101.38
Expired	—	—	—	—	—	—
Outstanding as of December 31, 2020	3,751	83.59	2,078	\$ 109.23	3,146	\$ 103.08
Options vested and expected to vest as of December 31, 2020	3,751	83.59				
Options exercisable as of December 31, 2020	2,706	\$ 72.26				

Stock-based compensation expense is generally recognized ratably based on the grant-date fair value of the awards, net of expected forfeitures, over the vesting period. The vesting period is the shorter of the vesting schedule as defined in each award agreement or the date an individual will become eligible to retire. Retirement eligibility is dependent upon age and/or years of service.

STOCK OPTIONS

Each stock option has an exercise price equal to the market price of our common stock on the date of grant. Stock options generally vest on the third anniversary of the grant date and have a contractual term of 10 years from the date of grant.

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of our stock price exceeds the exercise price of the option) of the stock options outstanding, exercisable, and vested and expected to vest as of December 31, 2020, were as follows:

	Outstanding	Exercisable	Vested and Expected to Vest
Weighted-average remaining contractual life <i>(in years)</i>	5.3	4.2	5.3
Aggregate intrinsic value <i>(millions)</i>	\$ 145	\$ 132	\$ 145

As of December 31, 2020, there was \$4 million of total unrecognized compensation cost related to unvested options, which will be recognized ratably over the weighted-average remaining vesting period of 1.5 years.

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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 options granted in 2020, 2019 and 2018:

	2020	2019	2018
Dividend yield	1.4 %	1.5 %	1.4 %
Expected volatility ^(a)	20 %	24 %	22 %
Risk-free interest rate	1.6 %	2.6 %	2.7 %
Expected life of stock option <i>(in years)</i> ^(b)	7.1	7.1	7.1
Weighted-average fair value per option	\$ 25.83	\$ 23.38	\$ 23.17

- (a) The expected volatility is based on both weighted historical and implied volatilities of our common stock price.
(b) The expected life of stock options was determined using both historical data and expectations of option exercise behavior.

For stock options that were exercised during 2020, 2019 and 2018, the intrinsic value, based upon the fair value of our stock price at the date the options were exercised, was \$47 million, \$104 million and \$104 million, respectively; cash received from the exercise of stock options was \$44 million, \$84 million and \$87 million during those respective periods. The income tax benefit recognized in the Consolidated Statements of Income related to stock option exercises was \$7 million, \$18 million and \$18 million in 2020, 2019 and 2018, respectively.

RESTRICTED STOCK UNITS/AWARDS

We grant RSUs that contain either a) service conditions or b) both service and performance conditions. RSUs containing only service conditions generally vest 25 percent per year beginning with the first anniversary of the grant date. RSUs containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares earned depends on the achievement of predetermined Company metrics. All RSU holders receive non-forfeitable dividends or dividend equivalents.

Beginning in 2019, a relative total shareholder return (r-TSR) modifier was added to the performance-based RSUs, so that our actual shareholder return relative to a competitive peer group is one of the performance conditions that determines the number of shares ultimately granted upon vesting.

The fair value of RSUs that do not include the r-TSR modifier, including those that contain only service conditions, is measured using our stock price on the grant date. The fair value of service and performance-based RSUs that include the r-TSR modifier is determined using a Monte Carlo valuation model with the following weighted-average assumptions for December 31:

	2020	2019
Expected volatility ^(a)	19 %	20 %
Risk-free interest rate	1.4 %	2.5 %
Remaining performance period <i>(in years)</i>	2.9	2.9

- (a) The expected volatility is based on historical volatility of our common stock price.

As of December 31, 2020, there was \$204 million of total unrecognized compensation cost related to non-vested RSUs, which will be recognized ratably over the weighted-average remaining vesting period of 2.0 years.

The weighted-average grant date fair value of RSUs granted in 2020, 2019 and 2018 was \$124.47, \$96.24 and \$98.20, respectively.

For RSUs vested during 2020, 2019 and 2018, the total fair value, based upon our stock price at the date the RSUs vested, was \$291 million, \$286 million and \$239 million, respectively.

LIABILITY-BASED AWARDS

In 2018, certain employees were awarded PGs and other incentive awards that can be settled with cash or equity shares at our discretion and final Compensation and Benefits Committee payout approval; beginning in 2019, we discontinued granting PGs. These awards earn value based on performance, market and/or service conditions, and vest over a period of three years.

PGs and other incentive awards are generally settled with cash and thus are classified as liabilities; 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 2020, 2019 and 2018 was \$81 million, \$81 million and \$56 million, respectively.

NOTE 11

RETIREMENT PLANS

DEFINED CONTRIBUTION RETIREMENT PLANS

We sponsor 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 the Employee Retirement Income Security Act of 1974 and covers most employees in the United States. The total expense for all defined contribution retirement plans globally was \$267 million, \$278 million and \$272 million in 2020, 2019 and 2018, respectively.

DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Our primary defined benefit pension plans that cover certain employees in the United States and United Kingdom are closed to new entrants and existing participants do not accrue any additional benefits. 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. We comply with minimum funding requirements in all countries. We also sponsor unfunded other postretirement benefit plans that provide health care and life insurance to certain retired U.S. employees. For these plans, the total net benefit was \$8 million, \$8 million and \$0.4 million in 2020, 2019 and 2018, respectively.

We recognize the funded status of our defined benefit pension plans and other postretirement benefit plans, measured as the difference between the fair value of the plan assets and the projected benefit obligation, on the Consolidated Balance Sheets. As of December 31, 2020 and 2019, the unfunded status related to the defined benefit pension plans and other postretirement benefit plans was \$706 million and \$640 million, respectively, and is recorded in Other liabilities.

NOTE 12

CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

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

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

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

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

On January 29, 2019, we were named in a putative class action brought in the United States District Court for the Eastern District of New York, captioned Anthony Oliver, et al. v. American Express Company and American Express Travel Related Services Company Inc., in which the plaintiffs are holders of MasterCard, Visa and/or Discover credit cards (but not American Express cards) and allege they paid higher prices as a result of our anti-steering and non-discrimination provisions in violation of federal antitrust law and the antitrust and consumer laws of various states. Plaintiffs seek unspecified damages and other forms of relief. The court dismissed plaintiffs' federal antitrust claim, numerous state antitrust and consumer protection claims and their unjust enrichment claim. The remaining claims in plaintiffs' complaint arise under the antitrust laws of 11 states and the consumer protection laws of six states.

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

On March 8, 2016, plaintiffs B&R Supermarket, Inc. d/b/a Milam's Market and Grove Liquors LLC, on behalf of themselves and others, filed a suit, captioned B&R Supermarket, Inc. d/b/a Milam's Market, et al. v. Visa Inc., et al., for violations of the Sherman Antitrust Act, the Clayton Antitrust Act, California's Cartwright Act and unjust enrichment in the United States District Court for the Northern District of California, against American Express Company, other credit and charge card networks, other issuing banks and EMVCo, LLC. Plaintiffs allege that the defendants, through EMVCo, conspired to shift liability for fraudulent, faulty and otherwise rejected consumer credit card transactions from themselves to merchants after the implementation of EMV chip payment terminals. Plaintiffs seek damages and injunctive relief. An amended complaint was filed on July 15, 2016. On September 30, 2016, the court denied our motion to dismiss as to claims brought by merchants who do not accept American Express cards, and on May 4, 2017, the California court transferred the case to the United States District Court for the Eastern District of New York. On August 28, 2020, the court granted plaintiffs' motion for class certification.

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

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

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

For those disclosed material legal proceedings where a loss is reasonably possible in future periods, whether in excess of a recorded accrual for legal or tax contingencies, or where there is no such accrual, and for which we are able to estimate a range of possible loss, the current estimated range is zero to \$210 million in excess of any accruals related to those matters. This range represents management's estimate based on currently available information and does not represent our maximum loss exposure; actual results may vary significantly. As such legal proceedings evolve, we may need to increase our range of possible loss or recorded accruals. In addition, it is possible that significantly increased merchant steering or other actions impairing the Card Member experience as a result of an adverse resolution in one or any combination of the disclosed merchant cases could have a material adverse effect on our business and results of operations.

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

- Return Protection — refunds the price of qualifying purchases made with eligible cards, where the merchant will not accept the return, for up to 90 days from the date of purchase; and
- Merchant Protection — protects Card Members primarily against non-delivery of goods and services, usually in the event of the bankruptcy or liquidation of a merchant. When this occurs, the Card Member may dispute the transaction for which we will generally credit the Card Member's account. If we are unable to collect the amount from the merchant, we may bear the loss for the amount credited to the Card Member. The largest component of the exposure relates to Card Member transactions associated with travel-related merchants, primarily through business arrangements where we have remitted payment to such merchants for a Card Member travel purchase that has not yet been used or "flown."

We have an accrual of \$58 million related to these exposures as of December 31, 2020. To date, we have not experienced significant losses related to these exposures; however, our historical experience may not be representative in the current environment given the economic and financial disruptions caused by the COVID-19 pandemic and resulting containment measures. A reasonably possible loss related to these exposures in excess of the recorded accrual cannot be quantified as the Card Member purchases that may include or result in claims are not sufficiently estimable, although we believe our risk of loss has increased as a result of the COVID-19 pandemic.

COMMITMENTS

Total lease expense includes rent expenses, adjustments for rent concessions, rent escalations and leasehold improvement allowances and is recognized on a straight-line basis over the lease term. Total lease expense for the years ended December 31, 2020, 2019 and 2018 was \$177 million, \$151 million and \$142 million, respectively.

Lease liabilities are recognized at the present value of the contractual fixed lease payments, discounted using our incremental borrowing rate as of the lease commencement date or upon modification of the lease. For lease liabilities outstanding as of December 31, 2020, the weighted average remaining lease term was 19 years and the weighted average rate used to discount lease commitments was 3 percent.

The following represents the maturities of our outstanding lease commitments as of December 31, 2020:

<i>(Millions)</i>	
2021	\$ 141
2022	140
2023	133
2024	125
2025	107
Thereafter	1,024
Total Outstanding Fixed Lease Payments	\$ 1,670
Less: Amount representing interest	\$ (566)
Lease Liabilities	\$ 1,104

As of December 31, 2020, we had approximately \$4 billion in financial commitments outstanding related to agreements with certain cobrand partners under which we are required to make a certain level of minimum payments over the life of the agreement, generally ranging from five to ten years. Such commitments are designed to be satisfied by the payment we make to such cobrand partners primarily based on Card Members' spending and earning rewards on their cobrand cards and as we acquire new Card Members. In the event these payments do not fully satisfy the commitment, we generally pay the cobrand partner up to the amount of the commitment in exchange for an equivalent value of reward points. As of December 31, 2020, we also had certain cobrand arrangements that include commitments based on variables, the values of which are not yet determinable and thus the amount is not quantifiable.

NOTE 13

DERIVATIVES AND HEDGING ACTIVITIES

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

Market risk is the risk to earnings or asset and liability values resulting from movements in market prices. Our market risk exposures include:

- Interest rate risk due to changes in the relationship between interest rates on our assets (such as loans, receivables and investment securities) and interest rates on our liabilities (such as debt and deposits); and
- Foreign exchange risk related to earnings, funding, transactions and investments in currencies other than the U.S. dollar.

We centrally monitor market risks using market risk limits and escalation triggers as defined in our Asset/Liability Management Policy. Our market exposures are in large part by-products of the delivery of our products and services.

Interest rate risk primarily arises through the funding of Card Member 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, LIBOR and the overnight indexed swap rate. Interest rate exposure within our 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. We 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 Card Member cross-currency spend, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. Our 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 economical, through various means, including the use of derivatives such as foreign exchange forwards.

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. We manage 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 future exposure 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 us and rated as investment grade, and counterparty risk exposures are centrally monitored.

A majority of our derivative assets and liabilities as of December 31, 2020 and 2019 are subject to master netting agreements with our derivative counterparties. Accordingly, where appropriate, we have elected to present derivative assets and liabilities with the same counterparty on a net basis in the Consolidated Balance Sheets. To further mitigate counterparty credit risk, we exercise our rights under executed credit support agreements with the respective derivative counterparties for our bilateral interest rate swaps and select foreign exchange contracts. 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. All derivative contracts cleared through a central clearinghouse are collateralized to the full amount of the fair value of the contracts.

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

Our 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 14 for a description of our methodology for determining the fair value of derivatives.

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

(Millions)	Other Assets Fair Value		Other Liabilities Fair Value	
	2020	2019	2020	2019
Derivatives designated as hedging instruments:				
Fair value hedges - Interest rate contracts ^(a)	\$ 500	\$ 185	\$ —	\$ —
Net investment hedges - Foreign exchange contracts	24	24	474	186
Total derivatives designated as hedging instruments	524	209	474	186
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	105	134	228	254
Total derivatives, gross	629	343	702	440
Derivative asset and derivative liability netting ^(b)	(98)	(90)	(98)	(90)
Cash collateral netting ^{(c) (d)}	(500)	(185)	(16)	(9)
Total derivatives, net	\$ 31	\$ 68	\$ 588	\$ 341

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

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

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

(d) We posted \$34 million and \$47 million as of December 31, 2020 and 2019, respectively, as initial margin on our centrally cleared interest rate swaps; such amounts are recorded within Other assets on the Consolidated Balance Sheets and are not netted against the derivative balances.

DERIVATIVE FINANCIAL INSTRUMENTS THAT QUALIFY FOR HEDGE ACCOUNTING

Derivatives executed for hedge accounting purposes are documented and designated as such when we enter into the contracts. In accordance with our risk management policies, we structure our hedges with terms similar to those of the item being hedged. We formally assess, 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, we will discontinue the application of hedge accounting.

FAIR VALUE HEDGES

A fair value hedge involves a derivative designated to hedge our 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

We are exposed to interest rate risk associated with our fixed-rate debt obligations. At the time of issuance, certain fixed-rate long-term debt obligations are designated in fair value hedging relationships, using interest rate swaps, to economically convert the fixed interest rate to a floating interest rate. We have \$15.8 billion and \$22.6 billion of fixed-rate debt obligations designated in fair value hedging relationships as of December 31, 2020 and 2019, respectively.

Gains or losses on the fair value hedging instrument principally offset the losses or gains on the hedged item attributable to the hedged risk. The changes in the fair value of the derivative and the changes in the hedged item may not fully offset due to differences between a debt obligation's interest rate and the benchmark rate, primarily due to credit spreads at inception of the hedging relationship that are not reflected in the fair value of the interest rate swap. Furthermore, the difference may be caused by changes in 1-month LIBOR, 3-month LIBOR and the overnight indexed swap rate, as spreads between these rates impact the fair value of the interest rate swap without an exact offsetting impact to the fair value of the hedged debt.

The following table presents the gains and losses recognized in Interest expense on the Consolidated Statements of Income associated with the fair value hedges of our fixed-rate long-term debt for the years ended December 31:

(Millions)	Gains (losses)			
	2020	2019	2018	
Fixed-rate long-term debt	\$ (405)	\$ (458)	\$ 59	
Derivatives designated as hedging instruments	409	462	(43)	
Total	\$ 4	\$ 4	\$ 16	

The carrying values of the hedged liabilities, recorded within Long-term debt on the Consolidated Balance Sheets, were \$16.4 billion and \$22.7 billion as of December 31, 2020 and 2019, respectively, including the cumulative amount of fair value hedging adjustments of \$622 million and \$217 million for the respective periods.

We recognized a net decrease of \$256 million and net increases of \$102 million and \$51 million in Interest expense on Long-term debt for the years ended December 31, 2020, 2019, and 2018, respectively, primarily related to the net settlements including interest accruals on our interest rate derivatives designated as fair value hedges.

NET INVESTMENT HEDGES

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. We primarily designate 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 our investments in non-U.S. subsidiaries. We had notional amounts of approximately \$10.5 billion and \$9.8 billion of foreign currency derivatives designated as net investment hedges as of December 31, 2020 and 2019, respectively. The gain or loss on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment, were losses of \$252 million and \$140 million and a gain of \$328 million for the years ended December 31, 2020, 2019 and 2018, respectively. Net investment hedge reclassifications out of AOCI into the Consolidated Statements of Income associated with the sale or liquidation of a business, net of taxes, were \$1 million, nil and \$1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

DERIVATIVES NOT DESIGNATED AS HEDGES

We have derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of designated currencies at an agreed upon rate for settlement on a specified date.

We also have 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.

The changes in the fair value of derivatives that are not designated as hedges are intended to offset the related foreign exchange gains or losses of the underlying foreign currency exposures. The changes in the fair value of the derivatives and the related underlying foreign currency exposures resulted in net gains of \$10 million, \$64 million and \$60 million for the years ended December 31, 2020, 2019, and 2018, respectively, that are recognized in Other, net expenses in the Consolidated Statements of Income. Changes in the fair value of an embedded derivative were nil for the year ended December 31, 2020. Included in the net gain of \$64 million for the year ended December 31, 2019, is a gain of \$3 million, related to a change in the fair value of an embedded derivative. The change in the fair value of the embedded derivative for the year ended December 31, 2018 resulted in a loss of \$11 million that is recognized in Card Member services expense in the Consolidated Statements of Income.

NOTE 14

FAIR VALUES

Fair value is defined as the price that would be required 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.

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

- Level 1 — Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in markets that are not active;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Inputs that are unobservable and reflect our own estimates about the estimates 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). We did not measure any financial instruments presented on the Consolidated Balance Sheets at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2020 and 2019, 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.

We monitor the market conditions and evaluate the fair value hierarchy levels at least quarterly. For the years ended December 31, 2020 and 2019, there were no Level 3 transfers.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

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

<i>(Millions)</i>	2020				2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Investment securities: ^(a)								
Equity securities	\$ 81	\$ 80	\$ 1	\$ —	\$ 78	\$ 77	\$ 1	\$ —
Debt securities	21,550	—	21,550	—	8,328	—	8,328	—
Derivatives, gross ^(a)	629	—	629	—	343	—	343	—
Total Assets	22,260	80	22,180	—	8,749	77	8,672	—
Liabilities:								
Derivatives, gross ^(a)	702	—	702	—	440	—	440	—
Total Liabilities	\$ 702	\$ —	\$ 702	\$ —	\$ 440	\$ —	\$ 440	\$ —

(a) Refer to Note 4 for the fair values of investment securities and to Note 13 for the fair values of derivative assets and liabilities, on a further disaggregated basis.

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), we apply the following valuation techniques:

Investment Securities

When available, quoted prices of identical investment securities in active markets are used to estimate 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 our investment securities are obtained primarily from pricing services engaged by us, and we receive 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, we did not apply any adjustments to prices received from the pricing services.

We reaffirm our understanding of the valuation techniques used by our pricing services at least annually. In addition, we corroborate the prices provided by our pricing services by comparing them to alternative pricing sources. In instances where price discrepancies are identified between different pricing sources, we evaluate such discrepancies to ensure that the prices used for our valuation represent the fair value of the underlying investment securities. Refer to Note 4 for additional fair value information.

Derivative Financial Instruments

The fair value of our derivative financial instruments is estimated internally by using third-party pricing models, where the inputs to those models are readily observable from active markets. The pricing models used are consistently applied and reflect the contractual terms of the derivatives as described below. We reaffirm our understanding of the valuation techniques at least annually and validate the valuation output on a quarterly basis. Our derivative instruments are classified within Level 2 of the fair value hierarchy.

The fair value of our 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 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 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 our credit quality or that of our counterparties. We consider the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 13 for additional fair value information.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

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

2020 (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 ^(a)	\$ 33	\$ 33	\$ 31	\$ 2	\$ —
Other financial assets ^(b)	46	46	—	46	—
Financial assets carried at other than fair value					
Card Member and Other loans, less reserves ^(c)	71	75	—	—	75
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value					
	101	101	—	101	—
Financial liabilities carried at other than fair value					
Certificates of deposit ^(d)	8	8	—	8	—
Long-term debt ^(c)	\$ 43	\$ 45	\$ —	\$ 45	\$ —

2019 (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 ^(a)	\$ 24	\$ 24	\$ 23	\$ 1	\$ —
Other financial assets ^(b)	60	60	—	60	—
Financial assets carried at other than fair value					
Card Member and Other loans, less reserves ^(c)	90	91	—	—	91
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value					
	92	92	—	92	—
Financial liabilities carried at other than fair value					
Certificates of deposit ^(d)	10	10	—	10	—
Long-term debt ^(c)	\$ 58	\$ 60	\$ —	\$ 60	\$ —

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

(b) Balances include Card Member receivables (including fair values of Card Member receivables of \$4.2 billion and \$8.2 billion held by a consolidated VIE as of December 31, 2020 and 2019, respectively), other receivables and other miscellaneous assets.

(c) Balances include amounts held by a consolidated VIE for which the fair values of Card Member loans were \$25.8 billion and \$32.0 billion as of December 31, 2020 and 2019, respectively, and the fair values of Long-term debt were \$13.0 billion and \$19.8 billion as of December 31, 2020 and 2019, respectively.

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

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

For the financial assets and liabilities that are not required to be carried at fair value on a recurring basis (categorized in the valuation hierarchy table), we apply 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, Card Member 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

Card Member and Other loans, less reserves

Card Member and Other loans are recorded at historical cost, less reserves, on the Consolidated Balance Sheets. In estimating the fair value for our loans, we use a discounted cash flow model. Due to the lack of a comparable whole loan sales market for similar loans and the lack of observable pricing inputs thereof, we use various inputs to estimate fair value. Such inputs include projected income, discount rates and forecasted write-offs. The valuation does not include economic value attributable to future receivables generated by the accounts associated with the loans.

Financial Liabilities For Which Carrying Values Equal Or Approximate Fair Value

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

Financial Liabilities Carried At Other Than Fair Value

Certificates of Deposit

Certificates of deposit (CDs) are recorded at their historical issuance cost on the Consolidated Balance Sheets. Fair value is estimated using a discounted cash flow methodology based on the future cash flows and the discount rate that reflects the current market 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 (i) unamortized discount and unamortized fees, (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. The fair value of our 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, we use market interest rates and adjust those rates for necessary risks, including our own credit risk. In determining an appropriate spread to reflect our credit standing, we consider credit default swap spreads, bond yields of other long-term debt offered by us, and interest rates currently offered to us for similar debt instruments of comparable maturities.

NONRECURRING FAIR VALUE MEASUREMENTS

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

NOTE 15**GUARANTEES**

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

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

NOTE 16**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:

<i>(Millions, except where indicated)</i>	2020	2019	2018
Common shares authorized (billions) ^(a)	3.6	3.6	3.6
Shares issued and outstanding at beginning of year	810	847	859
Repurchases of common shares	(7)	(40)	(15)
Other, primarily stock option exercises and restricted stock awards granted	2	3	3
Shares issued and outstanding as of December 31	805	810	847

(a) Of the common shares authorized but unissued as of December 31, 2020, approximately 23 million shares are reserved for issuance under employee stock and employee benefit plans.

On September 23, 2019, the Board of Directors authorized the repurchase of up to 120 million common shares from time to time, subject to market conditions and in accordance with our capital plans. This authorization replaced the prior repurchase authorization and does not have an expiration date. During 2020, 2019 and 2018, we repurchased 7 million common shares with a cost basis of \$0.9 billion, 40 million common shares with a cost basis of \$4.6 billion, and 15 million common shares with a cost basis of \$1.6 billion, respectively. The cost basis includes commissions paid of \$1.0 million, \$6.2 million and \$2.2 million in 2020, 2019 and 2018, respectively. As of December 31, 2020, we had approximately 102 million common shares remaining under the Board share repurchase authorization.

Common shares are generally retired by us upon repurchase (except for 2.5 million, 2.6 million and 2.7 million shares held as treasury shares as of December 31, 2020, 2019 and 2018, 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 \$279 million, \$292 million and \$207 million as of December 31, 2020, 2019 and 2018, respectively, are included as a reduction to Additional paid-in capital in Shareholders' equity on the Consolidated Balance Sheets.

PREFERRED SHARES

The Board of Directors is authorized to permit us to issue up to 20 million Preferred Shares at a par value of \$1.66^{2/3} without further shareholder approval. We have the following perpetual Fixed Rate/Floating Rate Noncumulative Preferred Share series issued and outstanding as of December 31, 2020:

	Series B	Series C
Issuance date	November 10, 2014	March 2, 2015
Securities issued	750 Preferred Shares; represented by 750,000 depositary shares	850 Preferred Shares; represented by 850,000 depositary shares
Aggregate liquidation preference	\$750 million	\$850 million
Fixed dividend rate per annum	5.20%	4.90%
Semi-annual fixed dividend payment dates	Beginning May 15, 2015	Beginning September 15, 2015
Floating dividend rate per annum	3 month LIBOR+ 3.428%	3 month LIBOR+ 3.285%
Quarterly floating dividend payment dates	Beginning February 15, 2020	Beginning June 15, 2020
Fixed to floating rate conversion date ^(a)	November 15, 2019	March 15, 2020

(a) The date on which dividends convert from a fixed-rate calculation to a floating rate calculation.

In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, the preferred stock then outstanding takes precedence over our common stock for the payment of dividends and the distribution of assets out of funds legally available for distribution to shareholders. Each outstanding series of Preferred Shares has a liquidation price of \$1 million per Preferred Share, plus any accrued but unpaid dividends. We may redeem these Preferred Shares at \$1 million per Preferred Share (equivalent to \$1,000 per depositary share) plus any declared but unpaid dividends in whole or in part, from time to time, on any dividend payment date on or after the respective fixed to floating rate conversion date, or in whole, but not in part, within 90 days of certain bank regulatory changes.

There were no warrants issued and outstanding as of December 31, 2020, 2019 and 2018.

NOTE 17
CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

AOCI is a balance sheet item in Shareholders' equity on the 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 for the three years ended December 31 were as follows:

<i>(Millions)</i> , net of tax	Net Unrealized Gains (Losses) on Debt Securities	Foreign Currency Translation Adjustment Gains (Losses)	Net Unrealized Pension and Other Postretirement Benefit Gains (Losses)	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2017	\$ —	\$ (1,961)	\$ (467)	\$ (2,428)
Net unrealized losses	(10)	—	—	(10)
Net translation on investments in foreign operations	—	(500)	—	(500)
Net hedges of investments in foreign operations	—	328	—	328
Pension and other postretirement benefits	—	—	11	11
Other	2	—	—	2
Net change in accumulated other comprehensive (loss) income	(8)	(172)	11	(169)
Balances as of December 31, 2018	(8)	(2,133)	(456)	(2,597)
Net unrealized gains	41	—	—	41
Net translation on investments in foreign operations	—	84	—	84
Net hedges of investments in foreign operations	—	(140)	—	(140)
Pension and other postretirement benefits	—	—	(125)	(125)
Net change in accumulated other comprehensive (loss) income	41	(56)	(125)	(140)
Balances as of December 31, 2019	33	(2,189)	(581)	(2,737)
Net unrealized gains	32	—	—	32
Amounts reclassified into earnings	—	(3)	—	(3)
Net translation on investments in foreign operations	—	215	—	215
Net hedges of investments in foreign operations	—	(252)	—	(252)
Pension and other postretirement benefits	—	—	(150)	(150)
Net change in accumulated other comprehensive (loss) income	32	(40)	(150)	(158)
Balances as of December 31, 2020	\$ 65	\$ (2,229)	\$ (731)	\$ (2,895)

The following table shows the tax impact for the years ended December 31 for the changes in each component of AOCI presented above:

<i>(Millions)</i>	Tax expense (benefit)		
	2020	2019	2018
Net unrealized investment securities	\$ 9	\$ 12	\$ (2)
Net translation on investments in foreign operations	17	24	(44)
Net hedges of investments in foreign operations	(79)	(43)	107
Pension and other postretirement benefits	(28)	(38)	9
Total tax impact	\$ (81)	\$ (45)	\$ 70

The following table presents the effects of reclassifications out of AOCI and into the Consolidated Statements of Income associated with the sale or liquidation of a business, net of taxes for the years ended December 31:

<i>(Millions)</i>	Income Statement Line Item	Gains (losses) recognized in earnings		
		2020	2019	2018
Foreign currency translation adjustments				
Reclassification of translation adjustments and related hedges	Other expenses	\$ 3	\$ —	\$ 1
Related income tax	Income tax provision	—	—	(1)
Reclassification of foreign currency translation adjustments		\$ 3	\$ —	\$ —

NOTE 18**OTHER FEES AND COMMISSIONS AND OTHER EXPENSES**

The following is a detail of Other fees and commissions for the years ended December 31:

<i>(Millions)</i>	2020	2019	2018
Fees charged to Card Members:			
Delinquency fees	\$ 772	\$ 1,028	\$ 959
Foreign currency conversion fee revenue	433	982	921
Other customer fees:			
Loyalty coalition-related fees	435	456	461
Service fees and other ^(a)	421	407	417
Travel commissions and fees	102	424	395
Total Other fees and commissions	\$ 2,163	\$ 3,297	\$ 3,153

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

The following is a detail of Other expenses for the years ended December 31:

<i>(Millions)</i>	2020	2019	2018
Occupancy and equipment	\$ 2,334	\$ 2,168	\$ 2,033
Professional services	1,789	2,091	2,125
Other ^(a)	1,202	1,597	1,506
Total Other expenses	\$ 5,325	\$ 5,856	\$ 5,664

(a) Other expense primarily includes general operating expenses, communication expenses, non-income taxes, unrealized gains and losses on certain equity investments, Card Member and merchant-related fraud losses and litigation expenses. For the year ended December 31, 2018, Other expense also includes the loss on a transaction involving the operations of our prepaid reloadable and gift card business.

NOTE 19**RESTRUCTURING**

We periodically initiate restructuring programs to support new business strategies and to enhance our overall effectiveness and efficiency. In connection with these programs, we will typically incur severance and other exit costs.

We had \$197 million, \$135 million and \$69 million accrued in total restructuring reserves as of December 31, 2020, 2019 and 2018, respectively. New charges, including net revisions to existing restructuring reserves, which primarily relate to the redeployment of displaced colleagues to other positions, were \$125 million, \$125 million and \$(23) million, for the years ended December 31, 2020, 2019 and 2018, respectively. Cumulatively, we recognized \$383 million relating to the restructuring programs that were in progress during 2020 and initiated at various dates between 2016 and 2020, the majority of which has been reflected within Corporate & Other.

NOTE 20
INCOME TAXES

The components of income tax expense for the years ended December 31 included in the Consolidated Statements of Income were as follows:

<i>(Millions)</i>	2020	2019	2018
Current income tax expense:			
U.S. federal	\$ 1,122	\$ 1,108	\$ 70
U.S. state and local	339	276	150
Non-U.S.	639	437	681
Total current income tax expense	2,100	1,821	901
Deferred income tax (benefit) expense:			
U.S. federal	(931)	(58)	276
U.S. state and local	(119)	(31)	78
Non-U.S.	111	(62)	(54)
Total deferred income tax (benefit) expense	(939)	(151)	300
Total income tax expense	\$ 1,161	\$ 1,670	\$ 1,201

A reconciliation of the U.S. federal statutory rate of 21 percent as of December 31, 2020, 2019 and 2018, to our actual income tax rate was as follows:

	2020	2019	2018
U.S. statutory federal income tax rate	21.0 %	21.0 %	21.0 %
(Decrease) increase in taxes resulting from:			
Tax-exempt income	(4.1)	(1.9)	(1.7)
State and local income taxes, net of federal benefit	3.7	2.8	2.8
Non-U.S. subsidiaries' earnings	2.4	(0.5)	(1.0)
Tax settlements ^(a)	(0.3)	(0.3)	(1.9)
U.S. Tax Act and related adjustments ^(b)	—	—	(4.3)
Valuation allowances	4.0	(0.2)	0.5
Other	0.3	(1.1)	(0.6)
Actual tax rates	27.0 %	19.8 %	14.8 %

(a) 2018 primarily included a settlement of the IRS examination for tax years 2008-2014, as well as the resolution of certain tax matters in various jurisdictions.

(b) 2018 included changes to the tax method of accounting for certain expenses and adjustments to the 2017 provisional Tax Act charge.

We record 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.

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The significant components of deferred tax assets and liabilities as of December 31 are reflected in the following table:

<i>(Millions)</i>	2020	2019
Deferred tax assets:		
Reserves not yet deducted for tax purposes	\$ 3,905	\$ 2,633
Employee compensation and benefits	383	365
Net operating loss and tax credit carryforwards	399	119
Other	765	417
Gross deferred tax assets	5,452	3,534
Valuation allowance	(418)	(66)
Deferred tax assets after valuation allowance	5,034	3,468
Deferred tax liabilities:		
Intangibles and fixed assets	1,433	1,279
Deferred revenue	252	315
Deferred interest	148	162
Investment in joint ventures	135	122
Other	366	129
Gross deferred tax liabilities	2,334	2,007
Net deferred tax assets	\$ 2,700	\$ 1,461

The net operating loss and tax credit carryforward balance as of December 31, 2020, shown in the table above, is related to pre-tax U.S. federal and non-U.S. net operating loss (NOL) carryforwards of \$140 million and \$1.0 billion, respectively, and foreign tax credit (FTC) carryforwards of \$100 million. If not utilized, certain U.S. federal and non-U.S. NOL carryforwards will expire between 2021 and 2037, whereas others have an unlimited carryforward period. The FTC carryforwards will expire between 2029 and 2030.

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 for both periods presented above are associated with certain non-U.S. deferred tax assets. In addition, the valuation allowances as of December 31, 2020 are also associated with FTC carryforwards.

Accumulated earnings of certain non-U.S. subsidiaries, which totaled approximately \$1.0 billion as of December 31, 2020, are intended to be permanently reinvested outside the U.S. We do not provide for state income and foreign withholding taxes on foreign earnings intended to be permanently reinvested outside the U.S. Accordingly, state income and foreign withholding taxes, which would have aggregated to approximately \$0.1 billion as of December 31, 2020, have not been provided on those earnings.

Net income taxes paid by us during 2020, 2019 and 2018, were approximately \$2.2 billion, \$1.7 billion and \$2.0 billion, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

We are subject to the income tax laws of the United States, its states and municipalities and those of the foreign jurisdictions in which we operate. 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, we 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. We adjust the level of unrecognized tax benefits when there is new information available to assess the likelihood of the outcome.

We are under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which we have significant business operations. The tax years under examination and open for examination vary by jurisdiction. We are currently under examination by the IRS for the 2017 and 2018 tax years.

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The following table presents changes in unrecognized tax benefits:

<i>(Millions)</i>	2020	2019	2018
Balance, January 1	\$ 726	\$ 701	\$ 821
Increases:			
Current year tax positions	57	66	152
Tax positions related to prior years	105	78	47
Effects of foreign currency translations	—	10	—
Decreases:			
Tax positions related to prior years	(24)	(14)	(74)
Settlements with tax authorities ^(a)	(15)	(40)	(192)
Lapse of statute of limitations	(58)	(75)	(44)
Effects of foreign currency translations	(1)	—	(9)
Balance, December 31	\$ 790	\$ 726	\$ 701

(a) 2018 included a settlement of the IRS examination for tax years 2008-2014 and the resolution of certain tax matters in various jurisdictions.

Included in the unrecognized tax benefits of \$0.8 billion, \$0.7 billion and \$0.7 billion for December 31, 2020, 2019 and 2018, respectively, are approximately \$580 million, \$623 million and \$599 million, respectively, that, if recognized, would favorably affect the effective tax rate in a future period.

We believe it is reasonably possible that our unrecognized tax benefits could decrease within the next 12 months by as much as \$130 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 \$130 million of unrecognized tax benefits, approximately \$110 million relates to amounts that, if recognized, would impact the effective tax rate in a future period.

Interest and penalties relating to unrecognized tax benefits are reported in the income tax provision. For the year ended December 31, 2020 and 2019, we recognized approximately \$260 million and \$5 million, respectively, in expenses for interest and penalties. For the year ended December 31, 2018, we recognized benefits of approximately \$18 million, for interest and penalties.

We had approximately \$350 million and \$70 million accrued for the payment of interest and penalties as of December 31, 2020 and 2019, respectively.

NOTE 21

EARNINGS PER COMMON SHARE (EPS)

The computations of basic and diluted EPS for the years ended December 31 were as follows:

<i>(Millions, except per share amounts)</i>	2020	2019	2018
Numerator:			
Basic and diluted:			
Net income	\$ 3,135	\$ 6,759	\$ 6,921
Preferred dividends	(79)	(81)	(80)
Net income available to common shareholders	3,056	6,678	6,841
Earnings allocated to participating share awards ^(a)	(20)	(47)	(54)
Net income attributable to common shareholders	\$ 3,036	\$ 6,631	\$ 6,787
Denominator: ^(a)			
Basic: Weighted-average common stock	805	828	856
Add: Weighted-average stock options ^(b)	1	2	3
Diluted	806	830	859
Basic EPS	\$ 3.77	\$ 8.00	\$ 7.93
Diluted EPS	\$ 3.77	\$ 7.99	\$ 7.91

(a) Our unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) The dilutive effect of unexercised stock options excludes from the computation of EPS 0.5 million, 0.2 million and 0.7 million of options for the years ended December 31, 2020, 2019 and 2018, respectively, because inclusion of the options would have been anti-dilutive.

NOTE 22
REGULATORY MATTERS AND CAPITAL ADEQUACY

We are supervised and regulated by the Board of Governors of the Federal Reserve System (the Federal Reserve) and are subject to the Federal Reserve's requirements for risk-based capital and leverage ratios. Our U.S. bank subsidiary, American Express National Bank (AENB), is subject to supervision and regulation, including regulatory capital and leverage requirements, by the Office of the Comptroller of the Currency (OCC).

Under the risk-based capital guidelines of the Federal Reserve, we are required to maintain minimum ratios of CET1, Tier 1 and Total (Tier 1 plus Tier 2) capital to risk-weighted assets, as well as a minimum Tier 1 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 our operating activities.

As of December 31, 2020 and 2019, we met all capital requirements to which we were subject and maintained regulatory capital ratios in excess of those required to qualify as well capitalized.

The following table presents the regulatory capital ratios:

<i>(Millions, except percentages)</i>	CET 1 capital	Tier 1 capital	Total capital	CET 1 capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 leverage ratio
December 31, 2020:^(a)							
American Express Company	\$ 18,693	\$ 20,277	\$ 22,385	13.5 %	14.7 %	16.2 %	11.0 %
American Express National Bank	\$ 14,617	\$ 14,617	\$ 16,578	16.2 %	16.2 %	18.3 %	10.9 %
December 31, 2019:^(a)							
American Express Company	\$ 18,056	\$ 19,628	\$ 22,213	10.7 %	11.6 %	13.2 %	10.2 %
American Express National Bank	\$ 13,600	\$ 13,600	\$ 15,688	13.4 %	13.4 %	15.4 %	11.1 %
Well-capitalized ratios^(b)							
American Express Company				N/A	6.0 %	10.0 %	N/A
American Express National Bank				6.5 %	8.0 %	10.0 %	5.0 %
Effective Minimum^(c)							
American Express Company				7.0 %	8.5 %	10.5 %	4.0 %
American Express National Bank				7.0 %	8.5 %	10.5 %	4.0 %
Minimum capital ratios^(d)				4.5 %	6.0 %	8.0 %	4.0 %

(a) Capital ratios reported using Basel III capital definitions and risk-weighted assets using the Basel III standardized approach.

(b) Represents requirements for bank holding companies and banking subsidiaries to be considered "well capitalized" pursuant to regulations issued under the Federal Reserve Regulation Y and the Federal Deposit Insurance Corporation Improvement Act, respectively. There is no CET1 capital ratio or Tier 1 leverage ratio requirement for a bank holding company to be considered "well capitalized."

(c) Represents Basel III minimum capital requirement and applicable regulatory buffers as defined by the federal banking regulators, which includes the stress capital buffer for American Express Company and the capital conservation buffer for American Express National Bank.

(d) As defined by the regulations issued by the Federal Reserve and OCC.

RESTRICTED NET ASSETS OF SUBSIDIARIES

Certain of our 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 our 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, 2020, the aggregate amount of net assets of subsidiaries that are restricted to be transferred was approximately \$7.7 billion.

BANK HOLDING COMPANY DIVIDEND RESTRICTIONS

We are limited in our 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 preferred and 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 statute 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, we are required to develop and maintain a capital plan, which includes planned dividends over a two-year horizon. We may be subject to limitations and restrictions on our dividends, if, among other things, (i) our regulatory capital ratios do not satisfy applicable minimum requirements and buffers or (ii) we are required to resubmit our capital plan.

BANK DIVIDEND RESTRICTIONS

In the year ended December 31, 2020, AENB paid dividends from retained earnings to its parent of \$4.5 billion. AENB is limited in its ability to pay dividends by banking statutes, regulations and supervisory policy. In general, applicable federal and state banking laws prohibit, without first obtaining regulatory approval, insured depository institutions, such as AENB, from making dividend distributions if such distributions are not paid out of available retained earnings or would cause the institution to fail to meet capital adequacy standards. If AENB's risk-based capital ratios do not satisfy minimum regulatory requirements and applicable buffers, it will face graduated constraints on dividends and other capital distributions. As of December 31, 2020, AENB's retained earnings available for the payment of dividends was \$6.9 billion. In determining the dividends to pay its parent, AENB 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, AENB's banking regulators have authority to limit or prohibit the payment of a dividend by AENB 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 23**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. Our customers operate in diverse industries, economic sectors and geographic regions.

The following table details our maximum credit exposure of the on-balance sheet assets by category as of December 31:

<i>(Billions)</i>	2020	2019
Individuals ^(a)	\$ 108	\$ 131
Financial Services ^(b)	34	26
U.S. Government and agencies ^(c)	22	8
Institutions ^(d)	13	20
Total on-balance sheet	\$ 177	\$ 185

(a) Primarily reflects loans and receivables from global consumer and small business Card Members, which are governed by individual credit risk management.

(b) Represents banks, broker-dealers, insurance companies and savings and loan associations.

(c) Represent debt obligations of the U.S. Government and its agencies, states and municipalities and government-sponsored entities.

(d) Primarily reflects loans and receivables from global corporate Card Members, which are governed by institutional credit risk management.

As of December 31, 2020 and 2019, our most significant concentration of credit risk was with individuals, including Card Member loans and receivables. These amounts are generally advanced on an unsecured basis. However, we review each potential customer's credit application and evaluate the applicant's financial history and ability and willingness to repay. We also consider credit performance by customer tenure, industry and geographic location in managing credit exposure.

The following table details our Card Member loans and receivables exposure (including unused lines-of-credit available to Card Members as part of established lending product agreements) in the United States and outside the United States as of December 31:

<i>(Billions)</i>	2020	2019
On-balance sheet:		
U.S.	\$ 95	\$ 115
Non-U.S.	22	30
On-balance sheet	117	145
Unused lines-of-credit: ^(a)		
U.S.	251	245
Non-U.S.	63	61
Total unused lines-of-credit	\$ 314	\$ 306

(a) Total unused credit available to Card Members does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn. Our charge card products generally have no pre-set spending limit, and therefore are not reflected in unused credit available to Card Members.

NOTE 24

REPORTABLE OPERATING SEGMENTS AND GEOGRAPHIC OPERATIONS

REPORTABLE OPERATING SEGMENTS

We consider a combination of factors when evaluating the composition of our 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 outside the United States), and regulatory environment considerations.

The following is a brief description of the primary business activities of our three reportable operating segments:

- Global Consumer Services Group (GCSG) primarily issues a wide range of proprietary consumer cards globally. GCSG also provides services to consumers, including travel and lifestyle services and non-card financing products, and manages certain international joint ventures and our partnership agreements in China.
- Global Commercial Services (GCS) primarily issues a wide range of proprietary corporate and small business cards. In addition, GCS provides payment, expense management, and commercial financing products.
- Global Merchant and Network Services (GMNS) operates a global payments network that processes and settles card transactions, acquires merchants and provides multi-channel marketing programs and capabilities, services and data analytics, leveraging our global integrated network. GMNS manages our partnership relationships with third-party card issuers, merchant acquirers and a prepaid reloadable and gift card program manager, licensing the American Express brand and extending the reach of the global network. GMNS also manages loyalty coalition businesses.

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

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

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The following table presents certain selected financial information for our reportable operating segments and Corporate & Other as of or for the years ended December 31, 2020, 2019 and 2018:

<i>(Millions, except where indicated)</i>	GCSG	GCS	GMNS	Corporate & Other ^(a)	Consolidated
2020					
Total non-interest revenues	\$ 14,178	\$ 9,652	\$ 4,595	\$ (323)	\$ 28,102
Revenue from contracts with customers ^(b)	9,536	8,145	4,320	(27)	21,974
Interest income	8,199	1,586	18	280	10,083
Interest expense	1,051	619	(80)	508	2,098
Total revenues net of interest expense	21,326	10,619	4,693	(551)	36,087
Net income (loss)	2,701	736	954	(1,256)	3,135
Total assets <i>(billions)</i>	\$ 87	\$ 42	\$ 14	\$ 48	\$ 191
2019					
Total non-interest revenues	\$ 16,702	\$ 12,242	\$ 5,903	\$ 89	\$ 34,936
Revenue from contracts with customers ^(b)	12,097	10,633	5,424	5	28,159
Interest income	9,413	1,900	28	743	12,084
Interest expense	1,730	1,034	(303)	1,003	3,464
Total revenues net of interest expense	24,385	13,108	6,234	(171)	43,556
Net income (loss)	3,807	2,191	2,132	(1,371)	6,759
Total assets <i>(billions)</i>	\$ 106	\$ 53	\$ 18	\$ 21	\$ 198
2018					
Total non-interest revenues	\$ 15,357	\$ 11,481	\$ 5,790	\$ 47	\$ 32,675
Revenue from contracts with customers ^(b)	11,264	10,019	5,312	12	26,607
Interest income	8,323	1,621	30	632	10,606
Interest expense	1,448	898	(244)	841	2,943
Total revenues net of interest expense	22,232	12,204	6,064	(162)	40,338
Net income (loss)	3,615	2,012	1,910	(616)	6,921
Total assets <i>(billions)</i>	\$ 102	\$ 51	\$ 16	\$ 20	\$ 189

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

(b) Includes discount revenue, certain other fees and commissions and other revenues from customers.

Total Revenues Net of Interest Expense

We allocate discount revenue and certain other revenues among segments using a transfer pricing methodology. Within the GCSG and GCS segments, discount revenue generally reflects the issuer component of the overall discount revenue generated by each segment's Card Members; within the GMNS segment, discount revenue generally reflects the network and acquirer component of the overall discount revenue.

Net card fees and other fees and commissions are directly attributable to the segment in which they are reported.

Interest and fees on loans and certain investment income is directly attributable to the segment in which it is reported. Interest expense represents an allocated funding cost based on a combination of segment funding requirements and internal funding rates.

Provisions for Credit Losses

The provisions for credit losses are directly attributable to the segment in which they are reported.

Expenses

Marketing and business development expense is included in each segment based on the actual expenses incurred. Global brand advertising is primarily allocated to the segments based on the relative levels of revenue. Rewards and Card Member services expenses are included in each segment based on the actual expenses incurred.

Salaries and employee benefits and other operating expenses reflect both costs incurred directly within each segment, as well as allocated expenses. The allocated expenses include service costs allocated based on activities directly attributable to the segment, and overhead expenses allocated based on the relative levels of revenue and Card Member loans and receivables.

Income Taxes

An income tax provision (benefit) is allocated to each reportable operating segment based on the effective tax rates applicable to various businesses that comprise the segment.

GEOGRAPHIC OPERATIONS

The following table presents our total revenues net of interest expense and pretax income (loss) from continuing operations in different geographic regions based, in part, upon internal allocations, which necessarily involve management's judgment:

<i>(Millions)</i>	United States	EMEA ^(a)	APAC ^(a)	LACC ^(a)	Other Unallocated ^(b)	Consolidated
2020						
Total revenues net of interest expense	\$ 28,263	\$ 3,087	\$ 3,271	\$ 2,019	\$ (553)	\$ 36,087
Pretax income (loss) from continuing operations	4,418	398	665	452	(1,638)	4,296
2019						
Total revenues net of interest expense	\$ 32,629	\$ 4,388	\$ 3,934	\$ 2,776	\$ (171)	\$ 43,556
Pretax income (loss) from continuing operations	7,302	1,177	853	884	(1,787)	8,429
2018						
Total revenues net of interest expense	\$ 29,886	\$ 4,348	\$ 3,690	\$ 2,576	\$ (162)	\$ 40,338
Pretax income (loss) from continuing operations	6,686	1,163	792	787	(1,306)	8,122

- (a) EMEA represents Europe, the Middle East and Africa; APAC represents Asia Pacific, Australia and New Zealand; and LACC represents Latin America, Canada and the Caribbean.
- (b) Other Unallocated includes net costs which are not directly allocated to specific geographic regions, including costs related to the net negative interest spread on excess liquidity funding and executive office operations expenses.

NOTE 25**PARENT COMPANY****PARENT COMPANY – CONDENSED STATEMENTS OF INCOME**

Years Ended December 31 (<i>Millions</i>)	2020	2019	2018
Revenues			
Non-interest revenues			
Other	\$ 480	\$ 598	\$ 426
Total non-interest revenues	480	598	426
Interest income	228	692	422
Interest expense	630	902	615
Total revenues net of interest expense	78	388	233
Expenses			
Salaries and employee benefits	333	366	336
Other	562	816	607
Total expenses	895	1,182	943
Pretax loss	(817)	(794)	(710)
Income tax benefit	(236)	(282)	(179)
Net loss before equity in net income of subsidiaries and affiliates	(581)	(512)	(531)
Equity in net income of subsidiaries and affiliates	3,716	7,271	7,452
Net income	\$ 3,135	\$ 6,759	\$ 6,921

PARENT COMPANY – CONDENSED BALANCE SHEETS

As of December 31 (<i>Millions</i>)	2020	2019
Assets		
Cash and cash equivalents	\$ 10,968	\$ 4,430
Equity in net assets of subsidiaries and affiliates	23,306	23,165
Loans to subsidiaries and affiliates	15,887	22,350
Due from subsidiaries and affiliates	1,084	1,168
Other assets	164	223
Total assets	51,409	51,336
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and other liabilities	1,743	2,197
Due to subsidiaries and affiliates	1,100	609
Debt with subsidiaries and affiliates	2,772	1,091
Long-term debt	22,810	24,368
Total liabilities	28,425	28,265
Shareholders' Equity		
Total shareholders' equity	22,984	23,071
Total liabilities and shareholders' equity	\$ 51,409	\$ 51,336

PARENT COMPANY – CONDENSED STATEMENTS OF CASH FLOWS

Years Ended December 31 (<i>Millions</i>)	2020	2019	2018
Cash Flows from Operating Activities			
Net income	\$ 3,135	\$ 6,759	\$ 6,921
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in net income of subsidiaries and affiliates	(3,716)	(7,271)	(7,452)
Dividends received from subsidiaries and affiliates	2,679	6,370	3,222
Other operating activities, primarily with subsidiaries and affiliates	732	1,315	(257)
Net cash provided by operating activities	2,830	7,173	2,434
Cash Flows from Investing Activities			
Maturities and redemptions of investment securities	—	1	—
Decrease (increase) in loans to subsidiaries and affiliates	11,434	(4,405)	(6,281)
Investments in subsidiaries and affiliates	(52)	(15)	(30)
Other investing activities	74	82	—
Net cash provided by (used in) investing activities	11,456	(4,337)	(6,311)
Cash Flows from Financing Activities			
Proceeds from long-term debt	—	6,469	9,350
Payments of long-term debt	(2,000)	(641)	(3,850)
Net decrease in short-term debt from subsidiaries and affiliates	(3,289)	(1,500)	(140)
Issuance of American Express common shares	44	86	87
Repurchase of American Express common shares and other	(1,029)	(4,685)	(1,685)
Dividends paid	(1,474)	(1,422)	(1,324)
Net cash (used in) provided by financing activities	(7,748)	(1,693)	2,438
Net increase (decrease) in cash and cash equivalents	6,538	1,143	(1,439)
Cash and cash equivalents at beginning of year	4,430	3,287	4,726
Cash and cash equivalents at end of year	\$ 10,968	\$ 4,430	\$ 3,287

Supplemental cash flow information

Years Ended December 31 (<i>Millions</i>)	2020	2019	2018
Non-Cash Investing Activities			
Loans to subsidiaries and affiliates	\$ (4,971)	\$ —	\$ —
Non-Cash Financing Activities			
Short-term debts from subsidiaries and affiliates	\$ 4,971	\$ —	\$ —

NOTE 26

QUARTERLY FINANCIAL DATA (UNAUDITED)

<i>(Millions, except per share amounts)</i>	2020				2019			
	12/31	9/30	6/30	3/31	12/31	9/30	6/30	3/31
Quarters Ended								
Total revenues net of interest expense	\$ 9,351	\$ 8,751	\$ 7,675	\$ 10,310	\$ 11,365	\$ 10,989	\$ 10,838	\$ 10,364
Pretax income	1,858	1,364	622	452	1,986	2,266	2,219	1,958
Net income	1,438	1,073	257	367	1,693	1,755	1,761	1,550
Earnings Per Common Share — Basic:								
Net income attributable to common shareholders ^(a)	1.76	1.31	0.29	0.41	2.04	2.09	2.07	1.81
Earnings Per Common Share — Diluted:								
Net income attributable to common shareholders ^(a)	1.76	1.30	0.29	0.41	2.03	2.08	2.07	1.80
Cash dividends declared per common share	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.43	\$ 0.39	\$ 0.39

(a) Represents net income, less (i) earnings allocated to participating share awards of \$9 million, \$7 million, \$2 million and \$2 million for the quarters ended December 31, September 30, June 30 and March 31, 2020, respectively, and \$12 million, \$11 million, \$13 million and \$11 million for the quarters ended December 31, September 30, June 30 and March 31, 2019, respectively, and (ii) dividends on preferred shares of \$14 million, \$16 million, \$17 million and \$32 million for the quarters ended December 31, September 30, June 30 and March 31, 2020, respectively, and \$20 million, \$21 million, \$19 million and \$21 million for the quarters ended December 31, September 30, June 30 and March 31, 2019, respectively.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

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

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our 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 our internal control over financial reporting as of December 31, 2020 are set forth in “Financial Statements and Supplementary Data.”

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 2021 (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 May 4, 2021, 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 — Our Corporate Governance Framework — Our Board’s Independence”
- Information included under the caption “Corporate Governance at American Express — Our Board Committees — Board Committee Responsibilities”
- Information included under the caption “Corporate Governance at American Express — Our Corporate Governance Framework — Director Attendance”
- Information included under the caption “Corporate Governance at American Express — Compensation of Directors”
- Information included under the caption “Stock Ownership Information”
- Information included under the caption “Corporate Governance at American Express — Item 1 — Election of Directors for a Term of One Year”
- Information included under the caption “Executive Compensation”
- Information under the caption “Corporate Governance at American Express — Certain Relationships and Transactions”

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

We have adopted a set of Corporate Governance Principles, which together with the charters of the four standing committees of the Board of Directors (Audit and Compliance; Compensation and Benefits; Nominating, Governance and Public Responsibility; and Risk), our Code of Conduct (which constitutes our code of ethics) and the Code of Business Conduct for the Members of the Board of Directors, provide the framework for our governance. 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 Controller, but also to all our other colleagues) 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 website at <http://ir.americanexpress.com>. We also intend to disclose any amendments to our Code of Conduct, or waivers of our Code of Conduct on behalf of our Chief Executive Officer, Chief Financial Officer or Controller, on our website. You may also access our Investor Relations website through our main website at www.americanexpress.com by clicking on the “Investor Relations” 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 Corporate Secretary at our headquarters.

ITEM 14. PRINCIPAL ACCOUNTANT 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 our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held May 4, 2021, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

(a)

1. *Financial Statements:*

See the “Index to Consolidated Financial Statements” under “Financial Statements and Supplementary Data.”

2. *Financial Statement Schedules:*

All schedules are omitted since the required information is either not applicable, not deemed material, or shown in the Consolidated Financial Statements.

3. *Exhibits:*

The following exhibits are filed as part of this 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 10.41 are management contracts or compensatory plans or arrangements.

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- 3.1 [Company's Amended and Restated Certificate of Incorporation as amended through February 27, 2015 \(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, 2015\).](#)
- 3.2 [Company's By-Laws, as amended through September 26, 2016 \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K \(Commission File No. 1-7657\), dated September 26, 2016\).](#)
- 4.1 The instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries are omitted pursuant to Section (b) (4)(iii)(A) of Item 601 of Regulation S-K. The Company hereby agrees to furnish copies of these instruments to the SEC upon request.
- *4.2 [Description of American Express Company's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.](#)
- 10.1 [American Express Company Deferred Compensation Plan for Directors and Advisors, as amended and restated effective April 1, 2018 \(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 March 31, 2018\).](#)
- 10.2 [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 \(filed November 22, 2006\)\).](#)
- 10.3 [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\).](#)
- 10.4 [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 \(filed November 23, 2005\)\).](#)
- 10.5 [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\).](#)
- 10.6 [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 \(Commission File No. 1-7657\), dated November 22, 2004 \(filed January 28, 2005\)\).](#)
- 10.7 [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\).](#)
- 10.8 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).
- 10.9 [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\).](#)
- 10.10 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).

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- 10.11 [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\).](#)
- 10.12 [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\).](#)
- 10.13 [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\).](#)
- 10.14 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).
- 10.15 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).
- 10.16 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).
- 10.17 [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\).](#)
- 10.18 [American Express Senior Executive Severance Plan, as amended and restated effective May 1, 2018 \(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, 2018\).](#)
- 10.19 [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\).](#)
- 10.20 [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\).](#)
- 10.21 [Third Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated March 29, 2012\) \(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\).](#)
- 10.22 [Fourth Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated October 24, 2012\) \(incorporated by reference to Exhibit 10.31 of the Company's Annual Report on Form 10-K \(Commission File No. 1-7657\) for the year ended December 31, 2012\).](#)
- 10.23 [Fifth Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated May 1, 2013\) \(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, 2013\).](#)
- 10.24 [Sixth Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated August 16, 2013\) \(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, 2013\).](#)

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- 10.25 [Seventh Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated September 26, 2013\) \(incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q \(Commission File No. 1-7657\) for the quarter ended September 30, 2013\).](#)
- 10.26 [Eighth Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated December 1, 2013\) \(incorporated by reference to Exhibit 10.36 of the Company's Annual Report on Form 10-K \(Commission File No. 1-7657\) for the year ended December 31, 2013\).](#)
- 10.27 [Ninth Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated December 14, 2016\) \(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, 2016\).](#)
- 10.28 [Tenth Amendment to the American Express Retirement Restoration Plan \(f/k/a Supplemental Retirement Plan\) \(dated December 17, 2018\) \(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, 2018\).](#)
- 10.29 [American Express Company 2003 Share Equivalent Unit Plan for Directors, as amended and restated, effective January 1, 2015 \(incorporated by reference to Exhibit 10.38 of the Company's Annual Report on Form 10-K \(Commission File No. 1-7657\) for the year ended December 31, 2015\).](#)
- 10.30 [Description of Compensation Payable to Non-Management Directors effective January 1, 2015 \(incorporated by reference to Exhibit 10.39 of the Company's Annual Report on Form 10-K \(Commission File No. 1-7657\) for the year ended December 31, 2014\).](#)
- 10.31 [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 \(filed April 27, 2007\)\).](#)
- 10.32 [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\).](#)
- 10.33 [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 \(filed January 27, 2012\)\).](#)
- 10.34 [Form of nonqualified stock option award agreement for executive officers under the American Express Company 2007 Incentive Compensation Plan \(for awards made after January 26, 2016\) \(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, 2015\).](#)
- 10.35 [American Express Company 2016 Incentive Compensation Plan \(as amended and restated effective May 5, 2020\) \(incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K \(Commission File No. 1-7657\), dated May 5, 2020\).](#)
- 10.36 [Form of nonqualified stock option award agreement for executive officers under the American Express Company 2016 Incentive Compensation Plan \(for awards made after May 2, 2016\) \(incorporated by reference to Exhibit 10.41 of the Company's Annual Report on Form 10-K \(Commission File No. 1-7657\) for the year ended December 31, 2016\).](#)
- 10.37 [Form of restricted stock unit award agreement for executive officers under the American Express Company 2016 Incentive Compensation Plan \(for awards made after May 2, 2016\) \(incorporated by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-K \(Commission File No. 1-7657\) for the year ended December 31, 2016\).](#)
- 10.38 [Form of award agreement for executive officers in connection with Performance Grant awards \(a/k/a Executive Annual Incentive Awards\) under the American Express Company 2016 Incentive Compensation Plan \(for awards made after May 2, 2016\) \(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, 2016\).](#)

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10.39	Form of award agreement for executive officers in connection with Portfolio Grant awards under the American Express Company 2016 Incentive Compensation Plan (for awards made after May 2, 2016) (incorporated by reference to Exhibit 10.44 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2016).
10.40	Amendment to the Form of nonqualified stock option award agreement and Form of restricted stock unit award for executive officers under the American Express Company 2016 Incentive Compensation Plan (for awards made after January 29, 2020) (incorporated by reference to Exhibit 10.41 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2019).
10.41	Form of notice agreement in connection with Annual Incentive Awards under the American Express Company 2016 Incentive Compensation Plan (incorporated by reference to Exhibit 10.42 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2019).
10.42	Restated Letter Agreement, dated May 6, 2019, between American Express Company and Berkshire Hathaway Inc., on behalf of itself and its subsidiaries (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File No. 1-7657), dated May 6, 2019).
10.43	Time Sharing Agreement, dated February 13, 2018, by and between American Express Travel Related Services Company, Inc. and Stephen J. Squeri (incorporated by reference to Exhibit 10.48 of the Company's Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2017).
10.44	Amendment No. 1, dated March 29, 2019, to the Time Sharing Agreement, dated February 13, 2018, by and between American Express Travel Related Services Company, Inc. and Stephen J. Squeri (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, 2019).
10.45	Amendment No. 2, dated July 26, 2019, to the Time Sharing Agreement, dated February 13, 2018, by and between American Express Travel Related Services Company, Inc. and Stephen J. Squeri (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, 2019).
*10.46	Amendment No. 3, dated December 15, 2020, to the Time Sharing Agreement, dated February 13, 2018, by and between American Express Travel Related Services Company, Inc. and Stephen J. Squeri.
*21	Subsidiaries of the Company.
*23	Consent of PricewaterhouseCoopers LLP.
*31.1	Certification of Stephen J. Squeri, Chief Executive Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*31.2	Certification of Jeffrey C. Campbell, Chief Financial Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*32.1	Certification of Stephen J. Squeri, 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 Jeffrey C. Campbell, 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 – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document

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*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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/ JEFFREY C. CAMPBELL

Jeffrey C. Campbell
Chief Financial Officer

February 12, 2021

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/ STEPHEN J. SQUERI

Stephen J. Squeri
Chairman, Chief Executive Officer and Director

/s/ JEFFREY C. CAMPBELL

Jeffrey C. Campbell
Chief Financial Officer

/s/ JESSICA LIEBERMAN QUINN

Jessica Lieberman Quinn
Executive Vice President and Corporate Controller
(Principal Accounting Officer)

/s/ THOMAS J. BALTIMORE, JR.

Thomas J. Baltimore, Jr.
Director

/s/ CHARLENE BARSHEFSKY

Charlene Barshefsky
Director

/s/ JOHN J. BRENNAN

John J. Brennan
Director

/s/ PETER CHERNIN

Peter Chernin
Director

/s/ RALPH DE LA VEGA

Ralph de la Vega
Director

/s/ ANNE LAUVERGEON

Anne Lauvergeon
Director

/s/ MICHAEL O. LEAVITT

Michael O. Leavitt
Director

/s/ THEODORE J. LEONISIS

Theodore J. Leonisis
Director

/s/ KAREN L. PARKHILL

Karen L. Parkhill
Director

/s/ CHARLES E. PHILLIPS, JR.

Charles E. Phillips, Jr.
Director
Director

/s/ LYNN A. PIKE

Lynn A. Pike
Director

/s/ DANIEL L. VASELLA

Daniel L. Vasella
Director

/s/ RONALD A. WILLIAMS

Ronald A. Williams
Director

/s/ CHRISTOPHER D. YOUNG

Christopher D. Young
Director

February 12, 2021

STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES

The accompanying supplemental information should be read in conjunction with the “MD&A”, “Consolidated Financial Statements” and notes thereto.

Certain reclassifications of prior period amounts have been made to conform to the current period presentation. These reclassifications did not have a material impact on our 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 our 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 the United States and outside the United States based on the location of the office recording such items.

Years Ended December 31, (Millions, except percentages)	2020			2019			2018		
	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									
U.S.	\$ 31,446	\$ 100	0.3 %	\$ 22,169	\$ 517	2.3 %	\$ 24,570	\$ 485	2.0 %
Non-U.S.	2,367	51	2.2	2,085	48	2.3	1,830	33	1.8
Federal funds sold and securities purchased under agreements to resell									
U.S.	—	—	—	19	3	15.8	—	—	—
Non-U.S.	184	11	6.0	56	6	10.7	58	7	12.1
Short-term investment securities									
U.S.	658	7	1.1	409	11	2.7	434	6	1.4
Non-U.S.	97	1	1.0	93	1	1.1	149	1	0.7
Card Member loans ^(b)									
U.S.	65,559	8,196	12.5	72,422	9,452	13.1	66,620	8,387	12.6
Non-U.S.	9,018	1,196	13.3	10,362	1,400	13.5	9,136	1,206	13.2
Other loans ^(b)									
U.S.	4,078	342	8.4	4,101	413	10.1	3,110	312	10.0
Non-U.S.	139	45	32.4	170	43	25.3	145	36	24.8
Taxable investment securities ^(c)									
U.S.	14,002	100	0.7	6,335	147	2.3	3,025	68	2.2
Non-U.S.	612	21	3.4	589	27	4.6	562	23	4.1
Non-taxable investment securities ^(c)									
U.S.	128	5	5.1	237	11	5.9	855	25	3.7
Other assets ^(d)									
Primarily U.S.	38	8	n.m.	17	5	n.m.	1	17	n.m.
Total interest-earning assets (e)	\$ 128,326	\$ 10,083	7.9 %	\$ 119,064	\$ 12,084	10.2 %	\$ 110,495	\$ 10,606	9.6 %
U.S.	115,909	8,758		105,709	10,559		98,615	9,300	
Non-U.S.	12,417	1,325		13,355	1,525		11,880	1,306	

n.m. Denotes rates determined to not be meaningful.

- (a) Averages based on month-end balances.
- (b) Average non-accrual loans were included in the average Card Member loan balances in amounts of \$275 million, \$307 million and \$230 million in U.S. for 2020, 2019 and 2018, respectively. Average other loan balances for U.S. include average non-accrual loans of \$3 million, \$7 million and \$4 million for 2020, 2019 and 2018, respectively. Average non-accrual loans are considered to determine the average yield on loans.
- (c) Average yields for both taxable and non-taxable investment securities have been calculated using amortized cost balances and do not include changes in fair value recorded in other comprehensive loss. Average yield on non-taxable investment securities is calculated on a tax-equivalent basis using the U.S. federal statutory tax rate of 21 percent for 2020, 2019 and 2018.
- (d) Amounts include (i) average equity securities balances, which are included in investment securities on the Consolidated Balance Sheets, and (ii) the associated income.
- (e) The average yield on total interest-earning assets is adjusted for the impacts of the items mentioned in footnote (c).

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Years Ended December 31, (Millions, except percentages)	2020 Average Balance ^(a)	2019 Average Balance ^(a)	2018 Average Balance ^(a)
Non-interest-earning assets			
Cash and due from banks			
U.S.	\$ 2,205	\$ 2,842	\$ 2,793
Non-U.S.	823	732	527
Card Member receivables, net			
U.S.	27,414	27,724	26,435
Non-U.S.	16,009	28,040	27,100
Reserves for credit losses on Card Member and other loans			
U.S.	(4,682)	(2,057)	(1,740)
Non-U.S.	(526)	(258)	(217)
Other assets ^(b)			
U.S.	14,680	12,689	12,351
Non-U.S.	5,830	5,593	5,077
Total non-interest-earning assets			
U.S.	39,617	41,198	39,839
Non-U.S.	22,136	34,107	32,487
Total assets			
U.S.	\$ 190,079	\$ 194,369	\$ 182,821
Non-U.S.	155,526	146,908	138,454
	34,553	47,461	44,367
Percentage of total average assets attributable to non-U.S. activities			
	18.2 %	24.4 %	24.3 %

(a) Averages based on month-end balances.

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

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Years Ended December 31, (Millions, except percentages)	2020			2019			2018		
	Average Balance ^(a)	Interest Expense	Average Rate	Average Balance ^(a)	Interest Expense	Average Rate	Average Balance ^(a)	Interest Expense	Average Rate
Interest-bearing liabilities									
Customer deposits									
U.S.									
Savings	\$ 69,796	\$ 697	1.0 %	\$ 59,087	\$ 1,247	2.1 %	\$ 50,499	\$ 919	1.8 %
Time	9,898	237	2.4	12,179	298	2.4	15,975	357	2.2
Demand	752	5	0.7	447	9	2.0	285	6	2.1
Non-U.S.									
Other time and savings	11	1	9.1	16	1	6.3	21	1	4.8
Other demand	11	3	27.3	10	4	40.0	12	4	33.3
Short-term borrowings									
U.S.	769	18	2.3	407	22	5.4	274	14	5.1
Non-U.S.	2,017	11	0.5	2,621	15	0.6	2,106	19	0.9
Long-term debt and other ^(b)									
U.S.	48,690	1,123	2.3	57,936	1,859	3.2	54,631	1,613	3.0
Non-U.S.	336	3	0.9	325	9	2.8	390	10	2.6
Total interest-bearing liabilities	\$ 132,280	\$ 2,098	1.6 %	\$ 133,028	\$ 3,464	2.6 %	\$ 124,193	\$ 2,943	2.4 %
U.S.	129,905	2,080		130,056	3,435		121,664	2,909	
Non-U.S.	2,375	18		2,972	29		2,529	34	
Non-interest-bearing liabilities									
Accounts payable									
U.S.	4,642			7,116			7,120		
Non-U.S.	4,737			6,202			6,064		
Customer Deposits ^(c)									
U.S.	766			385			377		
Non-U.S.	682			387			370		
Other liabilities									
U.S.	18,954			18,360			18,619		
Non-U.S.	6,016			6,079			5,428		
Total non-interest-bearing liabilities	35,797			38,529			37,978		
U.S.	24,362			25,861			26,116		
Non-U.S.	11,435			12,668			11,862		
Total liabilities	168,077			171,557			162,171		
U.S.	154,267			155,917			147,780		
Non-U.S.	13,810			15,640			14,391		
Total shareholders' equity	22,002			22,812			20,650		
Total liabilities and shareholders' equity	\$ 190,079			\$ 194,369			\$ 182,821		
Percentage of total average liabilities									
attributable to non-U.S. activities	8.2 %			9.1 %			8.9 %		
Interest rate spread			6.3 %			7.6 %			7.2 %
Net interest income and net average yield on interest-earning assets^(d)		\$ 7,985	6.2 %		\$ 8,620	7.2 %		\$ 7,663	6.9 %

(a) Averages based on month-end balances.

(b) Interest expense primarily reflects interest on long-term financing and interest incurred on derivative instruments in qualifying hedging relationships on the hedged debt instruments.

(c) U.S. non-interest-bearing Customer deposits include average Card Member credit balances of \$742 million, \$353 million and \$342 million for 2020, 2019 and 2018, respectively. Non-U.S. non-interest-bearing Customer deposits include average Card Member credit balances of \$679 million, \$381 million and \$359 million for 2020, 2019 and 2018, respectively.

(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 footnote (c) from the table on A-1.

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 volume and average rate variances on a consistent basis based upon the respective percentage changes in average balances and average rates.

Years Ended December 31, (Millions)	2020 Versus 2019			2019 Versus 2018		
	Increase (Decrease) due to change in:		Net Change	Increase (Decrease) due to change in:		Net Change
	Average Volume	Average Rate		Average Volume	Average Rate	
Interest-earning assets						
Interest-bearing deposits in other banks						
U.S.	\$ 216	\$ (633)	\$ (417)	\$ (47)	\$ 79	\$ 32
Non-U.S.	6	(3)	3	5	10	15
Federal funds sold and securities purchased under agreements to resell						
U.S.	(3)	—	(3)	—	3	3
Non-U.S.	14	(9)	5	—	(1)	(1)
Short-term investment securities						
U.S.	7	(11)	(4)	—	5	5
Non-U.S.	—	—	—	—	—	—
Card Member loans						
U.S.	(896)	(360)	(1,256)	730	335	1,065
Non-U.S.	(182)	(22)	(204)	162	32	194
Other loans						
U.S.	(2)	(69)	(71)	99	2	101
Non-U.S.	(8)	10	2	6	1	7
Taxable investment securities						
U.S.	177	(224)	(47)	72	7	79
Non-U.S.	1	(7)	(6)	1	3	4
Non-taxable investment securities						
U.S.	(7)	1	(6)	(18)	4	(14)
Other assets						
Primarily U.S.	6	(3)	3	272	(284)	(12)
Change in interest income	(671)	(1,330)	(2,001)	1,282	196	1,478
Interest-bearing liabilities						
Customer deposits						
U.S.						
Savings	226	(776)	(550)	156	172	328
Time	(56)	(5)	(61)	(85)	26	(59)
Demand	6	(10)	(4)	3	—	3
Non-U.S.						
Other time and savings	—	—	—	—	—	—
Other demand	—	(1)	(1)	(1)	1	—
Short-term borrowings						
U.S.	20	(24)	(4)	7	1	8
Non-U.S.	(3)	(1)	(4)	5	(9)	(4)
Long-term debt and other						
U.S.	(297)	(439)	(736)	98	148	246
Non-U.S.	—	(6)	(6)	(2)	1	(1)
Change in interest expense	(104)	(1,262)	(1,366)	181	340	521
Change in net interest income	\$ (567)	\$ (68)	\$ (635)	\$ 1,101	\$ (144)	\$ 957

(a) Refer to footnotes from "Distribution of Assets, Liabilities and Shareholders' Equity" for additional information.

Maturities and Sensitivities to Changes in Interest Rates

The following table presents contractual maturities of loans and Card Member receivables by customer type, and segregated between U.S. and non-U.S. based on domicile of the 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)	2020				Total
	Within 1 year ^(a)	1-5 years ^{(b) (c)}	5-15 years ^(c)	After 15 years ^(c)	
Loans					
U.S. loans					
Card Member	\$ 63,662	\$ 482	\$ —	\$ —	\$ 64,144
Other	497	2,068	112	57	2,734
Non-U.S. loans					
Card Member	9,229	—	—	—	9,229
Other	92	26	—	—	118
Total loans	\$ 73,480	\$ 2,576	\$ 112	\$ 57	\$ 76,225
Loans due after one year at fixed interest rates					
Card Member		\$ 482	\$ —	\$ —	\$ 482
Other		2,070	—	57	2,127
Loans due after one year at variable interest rates					
Card Member		—	—	—	—
Other		24	112	—	136
Total loans		\$ 2,576	\$ 112	\$ 57	\$ 2,745
Card Member receivables					
U.S.	\$ 30,287	\$ 193	\$ —	\$ —	\$ 30,480
Non-U.S.	13,221	—	—	—	13,221
Total Card Member receivables	\$ 43,508	\$ 193	\$ —	\$ —	\$ 43,701

- (a) Card Member loans have no stated maturity and are therefore included in the due within one year category. However, many of our Card Members will revolve their balances, which may extend their repayment period beyond one year for balances outstanding as of December 31, 2020. Card member receivables are due upon receipt of Card Member statements and have no stated interest rate and are therefore included in the due within one year category.
- (b) Card Member loans and receivables due after one year represent Troubled Debt Restructurings (TDRs). Card Members experiencing financial difficulties are offered modification programs wherein a long-term concession (more than 12 months) has been granted to the borrower and are classified as TDRs.
- (c) Other loans due after one year primarily represents installment loans.

Credit Quality Indicators for Loans and Card Member Receivables

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

The following table summarizes the ratio of all loans and Card Member receivables categories.

Years Ended December 31, (Millions, except percentages and where indicated)	2020		2019	
Card Member loans				
Net write-offs — principal less recoveries	\$	1,795	\$	1,860
Net write-offs — interest and fees less recoveries	\$	375	\$	375
Average Card Member loans (billions) ^(a)	\$	74.6	\$	82.8
Principal only net write-offs / average Card Member loans outstanding ^(b)		2.4 %		2.2 %
Principal, interest and fees net write-offs / average Card Member loans outstanding ^(b)		2.9 %		2.7 %
Other loans				
Net write-offs	\$	111	\$	97
Average Other loans (billions) ^(a)	\$	4.2	\$	4.3
Net write-offs/average other loans outstanding ^(b)		2.6 %		2.3 %
Card Member receivables				
Net write-offs — principal and fees less recoveries	\$	881	\$	900
Average Card Member receivables (billions) ^(a)	\$	43.9	\$	56.4
Net write-offs / average Card Member receivables outstanding ^(b)		2.0 %		1.6 %
Reserve for credit losses	\$	5,849	\$	3,154
Non-accrual loans ^(c)	\$	176	\$	346
Reserve for credit losses to total loans and Card Member receivables ^(d)		4.9 %		2.1 %
Non-accrual loans to total loans ^(e)		0.2 %		0.4 %
Reserve for credit losses to non-accrual loans ^(f)		3171.4 %		732.8 %

(a) Averages are based on month-end balances for the periods presented.

(b) The net write-off rate presented is on a worldwide basis and is based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, as our practice is to include uncollectible interest and/or fees as part of our total provision for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

(c) Non-accrual loans not in modification programs primarily include certain loans placed with outside collection agencies for which we have ceased accruing interest. Amounts presented exclude loans classified as TDR. Lower non-accrual loans are primarily driven by higher enrollments under In House TDR programs and lower delinquencies.

(d) Represents the reserve for credit losses as a percentage of total loans and Card Member receivables. Refer to “Maturities and Sensitivities to Changes in Interest Rates” for total outstanding balance of loans and Card Member receivables.

(e) Represents percentage of non-accrual loans to total loans.

(f) Represents the total reserve for credit losses on Card Member loans and other loans as a percentage of total non-accrual loans. Refer to “Allocation of reserve for credit losses” for reserve related to Card Member loans and other loans.

Allocation of Reserve for Credit Losses

The following table shows the reserve for credit losses allocated to each of loans and Card Member receivables by customer type, and between U.S. and non-U.S. borrowers.

December 31, (Millions, except percentages) Reserve for credit losses at end of year applicable to	2020		2019	
	Amount	Percentage ^(a)	Amount	Percentage ^(a)
Loans				
U.S. loans				
Card Member	\$ 4,820	86 %	\$ 2,085	82 %
Other	228	4	150	6
Non-U.S. loans				
Card Member	524	10	298	12
Other	10	—	2	—
	\$ 5,582	100 %	\$ 2,535	100 %
Card Member receivables				
U.S.	\$ 216	81 %	\$ 406	66 %
Non-U.S.	51	19	213	34
	\$ 267	100 %	\$ 619	100 %

(a) Percentage of reserve for credit losses on loans and Card Member receivables in each category to the total reserve.

Uninsured Time Certificates of Deposit

The following table presents the amount of uninsured time certificates of deposit issued by us in our U.S. and Non U.S. offices, further segregated by time remaining until maturity. For any account holder with aggregate deposits in excess of insured limits, the uninsured deposits are calculated proportionately as a percentage of total deposits for each category of deposits held as of the reporting date.

<i>(Millions)</i>	By remaining maturity as of December 31, 2020				
	3 months or less	Over 3 months but within 6 months	Over 6 months but within 12 months	Over 12 months	Total
U.S. ^(a)	\$ 65	\$ 53	\$ 100	\$ 118	\$ 336
Non U.S. ^(b)	\$ 2	\$ 1	\$ 4	\$ —	\$ 7

(a) We offer deposits within our U.S. bank subsidiary, AENB. These funds are currently insured up to \$250,000 per account holder through the FDIC.

(b) Includes time deposits in certain of our Non-U.S. offices, that exceed the insurance limit as defined by the regulatory rules in individual markets.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following briefly summarizes certain of the material terms of the common shares, par value \$0.20 per share, of American Express Company, which is the only class of the registrant's securities registered under Section 12 of the Securities Exchange Act of 1934, as amended. The following description of the common shares does not purport to be complete and is subject to, and qualified in its entirety by reference to the applicable provisions of the New York Business Corporation Law, our amended and restated certificate of incorporation and our by-laws.

We are authorized to issue up to 3,600,000,000 common shares, par value \$0.20 per share.

Dividends. Subject to the prior rights of holders of any preferred shares, holders of common shares are entitled to receive dividends when, as and if declared by our Board of Directors out of funds legally available for that purpose.

Liquidation Rights. In the event of our liquidation, dissolution or winding up, after the satisfaction in full of the liquidation preferences of holders of any preferred shares, holders of common shares are entitled to ratable distribution of the remaining assets available for distribution to shareholders.

Voting Rights. Each common share is entitled to one vote on all matters submitted to a vote of shareholders. Holders of the common shares do not have cumulative voting rights.

No Redemption Provisions. The common shares are not subject to redemption by operation of a sinking fund or otherwise.

No Preemptive Rights. Holders of common shares are not entitled to preemptive rights.

No Assessment. The issued and outstanding common shares are fully paid and non-assessable.

Transfer Agent and Registrar. The transfer agent and registrar for the common shares is Computershare.

Certain provisions of our amended and restated certificate of incorporation and our by-laws as well as the New York Business Corporation Law may have the effect of encouraging persons considering unsolicited tender offers or unilateral takeover proposals for us to negotiate

with the Board of Directors and could thereby have an effect of delaying, deferring or preventing a change in control. These provisions include:

Authorized But Unissued Shares. The authorized but unissued common shares could be issued without stockholder approval in transactions that might prevent or render more difficult or costly the completion of a takeover transaction. In this regard, our amended and restated certificate of incorporation grants the Board of Directors broad corporate power to establish the rights and preferences of preferred stock, one or more classes or series of which could be issued which would entitle holders to exercise rights which could have the effect of impeding a takeover, including rights to convert or exchange the stock into common shares or other securities or to demand redemption of the stock at a specified price under prescribed circumstances related to a change of control.

Advance Notice By-law. Under our by-laws, written notice of any proposal to be presented by any shareholder or any person to be nominated by any shareholder for election as a director must be received by our corporate secretary at our principal executive offices not less than 90 nor more than 120 days prior to the anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is not within 25 days before or after such anniversary date, such notice must be received not later than 10 days following the day on which the date of the meeting is first disclosed to the shareholders or publicly, whichever occurs first.

Anti-Takeover Provisions under New York Law. We are subject to Section 912 of the New York Business Corporation Law. With specified exemptions, this statute prohibits a New York corporation listed on a national securities exchange from engaging in a business combination (as defined in Section 912(a)(5)) with an interested stockholder (generally, a person that, together with its affiliates and associates, owns 20 percent or more of the corporation's voting stock) for a period of five years after the date of the transaction in which the person became an interested stockholder.

**AMENDMENT NO. 3 TO THE
TIME SHARING AGREEMENT**

This Amendment No. 3 (including the Schedules A and B attached hereto, collectively hereinafter “Amendment No. 3”), dated as of December 15, 2020, to the Time Sharing Agreement will amend that certain Time Sharing Agreement, dated as of February 13, 2018, as amended, by and between American Express Travel Related Services Company, Inc., (“AETRSC”) and Stephen J. Squeri (“User”) (including any Schedules attached to the foregoing, collectively hereinafter “Time Sharing Agreement”).

W I T N E S S E T H:

WHEREAS, pursuant to Section 1 of the Time Sharing Agreement, AETRSC and User desire to amend the Time Sharing Agreement, as provided herein, to reflect the addition and removal of certain aircraft to and from 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. AETRSC 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. 3 and/or the Time Sharing Agreement shall be addressed to the parties as provided on the signature page of this Amendment No. 3.
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. 3, the Time Sharing Agreement remains in full force and effect, and this Amendment No. 3 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. 3, the provisions of this Amendment No. 3 shall prevail.
5. This Amendment No. 3 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. AMERICAN EXPRESS TRAVEL RELATED SERVICES 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, AMERICAN EXPRESS TRAVEL RELATED SERVICES 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 RESPONSIBLE 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 AMERICAN EXPRESS TRAVEL RELATED SERVICES 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. 3 to be duly executed on the day and year first above written. The persons signing below warrant their authority to sign.

**AMERICAN EXPRESS TRAVEL
RELATED SERVICES COMPANY, INC.**

By: /s/ Richard J. Walsh
Name: Richard J. Walsh
Title: Vice President

Address: American Express Travel
Related Services Company, Inc.
Attn: VP of Flight Operations
1 Express Dr.
Newburgh, NY 12550
Phone: [redacted]
Facsimile: [redacted]
E-mail: [redacted]@aexp.com

STEPHEN J. SQUERI

/s/ Stephen J. Squeri
Stephen J. Squeri

Address: Stephen J. Squeri
c/o American Express Company
200 Vesey St., [redacted]
New York, NY 10285
Phone: [redacted]
Facsimile: [redacted]
Email: [redacted]@aexp.com

**A legible copy of this Amendment No. 3
shall be kept in the Aircraft for all operations conducted hereunder.**

SCHEDULE A

[Schedule of aircraft subject to time-sharing agreement omitted pursuant to Item 601(a)(5) of Regulation S-K. Such schedules and exhibits will be furnished to the SEC upon request.]

SCHEDULE B

[Instructions for compliance with Federal Aviation Administration "truth-in-leasing" requirements omitted pursuant to Item 601(a)(5) of Regulation S-K. Such schedules and exhibits will be furnished to the SEC upon request.]

SUBSIDIARIES OF AMERICAN EXPRESS COMPANY
as of December 31, 2020

Unless otherwise indicated by an asterisk (*), all of the voting securities of these subsidiaries are directly or indirectly owned by the registrant. The indentation reflects the principal parent of each subsidiary.

Name	Country Name	Jurisdiction
American Express Company	United States	New York
56th Street AXP Campus LLC	United States	Arizona
American Express Bank LLC	Russian Federation	Russian Federation
American Express Banking Corp.	United States	New York
American Express Travel Related Services Company, Inc.	United States	New York
Accertify, Inc.	United States	Delaware
InAuth UK Ltd.	United Kingdom	England and Wales
American Express Bank (Mexico) S.A. Institucion de Banca Multiple	Mexico	Mexico
American Express Bank Services, S.A. de C.V.	Mexico	Mexico
American Express 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 Credit Mexico, LLC	United States	Delaware
Fideicomiso Empresarial Amex	Mexico	Mexico
American Express Overseas Credit Corporation Limited	Jersey	Jersey
AEOCC Funding Australia Limited	Jersey	Jersey
AEOCC Management Company Limited	Jersey	Jersey
American Express Overseas Credit Corporation N.V.	Netherlands Antilles	Netherlands Antilles
AE Hungary Holdings Limited Liability Company	Hungary	Hungary
American Express Netherlands B.V.	Netherlands	Netherlands
Credco Receivables Corp.	United States	Delaware
American Express International (NZ), Inc.	United States	Delaware
American Express Kabbage Inc.	United States	Delaware
Kabbage Payments, LLC	United States	Delaware
American Express Limited	United States	Delaware
American Express (Malaysia) SDN. BHD.	Malaysia	Malaysia
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

American Express Holdings G.K.	Japan	Japan
American Express International, Inc.	United States	Delaware
AE Exposure Management Limited	Jersey	Jersey
American Express (India) Private Limited	India	India
American Express Business Solutions (India) Private Limited	India	India
American Express (Thai) Company Limited	Thailand	Thailand
American Express Advanced Services Europe Limited	United Kingdom	England and Wales
American Express Asia Network Consulting (Beijing) Limited Company	China	China
American Express Continental, LLC	United States	Delaware
American Express Australia Limited	Australia	Victoria
Centurion Finance Limited	New Zealand	New Zealand
American Express Dutch Capital, LLC	United States	Delaware
American Express Holdings Limited	United Kingdom	England and Wales
American Express Services Europe Limited	United Kingdom	England and Wales
American Express de Espana, S.A. (Sociedad Unipersonal)	Spain	Spain
American Express Viajes, S.A. (Sociedad Unipersonal)	Spain	Spain
Amex Asesores de Seguros, S.A. (Sociedad Unipersonal)	Spain	Spain
American Express Europe, S.A.	Spain	Spain
American Express Italia S.r.l.	Italy	Italy
American Express Travel Holdings Netherlands B.V.	Netherlands	Netherlands
American Express, spol. s r.o.	Czech Republic	Czech Republic
Amex Funding Management (Europe) Limited	Jersey	Jersey
Loyalty Partner GmbH	Germany	Germany
Loyalty Partner Solutions GmbH	Germany	Germany
Payback GmbH	Germany	Germany
Loyalty Partner Polska Sp. z o.o.	Poland	Poland
PAYBACK Austria GmbH	Austria	Austria
Amex Funding Management Holdings Limited	Jersey	Jersey
Amex (Middle East) B.S.C. (closed)*	Bahrain	Bahrain
American Express Saudi Arabia (C) JSC*	Saudi Arabia	Saudi Arabia
Amex Al Omania LLC*	Oman	Oman
AMEX (Middle East) QFC LLC *	Qatar	Qatar
Amex Egypt Company Limited Liability Company*	Egypt	Egypt
Amex Global Holdings C.V.	Netherlands	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 Singapore Pte Ltd.	Singapore	Singapore
Loyalty Solutions & Research Pte Ltd.*	India	India
PAYBACK Italia S.r.l.	Italy	Italy
Loyalty Partner Services Mexico, S. de R.L. de C.V.	Mexico	Mexico
Payback Mexico S. de R.L. de C.V.	Mexico	Mexico
American Express Group Services Limited	United Kingdom	England and Wales
American Express Holdings 2 Limited	United Kingdom	England and Wales
American Express Europe LLC	United States	Delaware
American Express International (Taiwan), Inc.	China	Taiwan
American Express International Holdings, LLC	United States	Delaware
American Express Argentina S.A.	Argentina	Argentina
American Express Holdings (France) SAS	France	France
American Express France SAS	France	France
American Express Canada Holdings B.V.	Netherlands	Netherlands
American Express Holding AB	Sweden	Sweden
American Express Travel Holdings Netherlands Cooperatief U.A.	Netherlands	Netherlands
GBT JerseyCo Limited*	Jersey	Jersey
Amex Agenzia Assicurativa S.r.l.	Italy	Italy
Amex Canada Inc.	Canada	Ontario
American Express Carte France SA	France	France
American Express Japan Co., Ltd.	Japan	Japan
American Express Payment Services Limited	United Kingdom	England and Wales
American Express Payments Europe, S.L.U.	Spain	Spain
American Express Services India Private Limited	India	India
American Express Swiss Holdings GmbH	Switzerland	Switzerland
Swisscard AECS GmbH*	Switzerland	Switzerland
American Express TLS HK Limited	China	Hong Kong
Amex General Insurance Agency, Inc.	China	Taiwan
Amex Taiwan Trust	United States	Delaware
Pocket Concierge Inc.	Japan	Japan
American Express Netherlands Holdings B.V.	Netherlands	Netherlands
American Express Brasil Assessoria Empresarial Ltda.	Brazil	Brazil
PT American Express Indonesia	Indonesia	Indonesia
American Express Marketing & Development Corp.	United States	Delaware
American Express National Bank	United States	Utah
American Express Receivables Financing Corporation III LLC	United States	Delaware
American Express Prepaid Card Management Corporation	United States	Arizona
American Express Receivables Financing Corporation II	United States	Delaware
American Express Receivables Financing Corporation VIII LLC	United States	Delaware

American Express Ventures SBIC GP, LLC	United States	Delaware
American Express Ventures SBIC, L.P.	United States	New York
Amex Bank of Canada	Canada	Federal
Amex Services, Inc.	United States	Delaware
Angel Acquisition LLC	United States	Delaware
Asesorias e Inversiones American Express Chile Limitada	Chile	Chile
AXP Insurance Master Trust	United States	New York
Cavendish Holdings, Inc.	United States	Delaware
Express (Hangzhou) Technology Services Company Limited *	China	China
LoungeBuddy, Inc.	United States	California
Mez Mobile, Inc.	United States	Delaware
Resy Network, Inc.	United States	Delaware
Kviar Ventures SL	Spain	Spain
Resy Network Limited	United Kingdom	United Kingdom
Resy Network Pty Ltd	Australia	Australia
RM Merger Sub II LLC	United States	Delaware
Travellers Cheque Associates Limited	United Kingdom	England and Wales
AMEX Assurance Company	United States	Illinois
AAC Statutory Trust	United States	Delaware
Amexco Insurance Company	United States	Vermont
Rexport, Inc.	United States	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-53801, 333-142710, 333-211159, and 333-240077) and Form S-3 (Nos. 2-89469, 333-32525 and 333-223581) of American Express Company of our report dated February 12, 2021 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 12, 2021

CERTIFICATION

I, Stephen J. Squeri, 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 12, 2021

/s/ Stephen J. Squeri
Stephen J. Squeri
Chief Executive Officer

CERTIFICATION

I, Jeffrey C. Campbell, 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 12, 2021

/s/ Jeffrey C. Campbell
Jeffrey C. Campbell
Chief Financial Officer

**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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stephen J. Squeri, 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/ Stephen J. Squeri

Name: Stephen J. Squeri

Title: Chief Executive Officer

Date: February 12, 2021

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.

**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, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jeffrey C. Campbell, 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/ Jeffrey C. Campbell

Name: Jeffrey C. Campbell

Title: Chief Financial Officer

Date: February 12, 2021

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.