Notes to Consolidated Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Consolidated Financial Statements include the accounts of American Express Company and its subsidiaries (the company). All significant intercompany transactions are eliminated. Some amounts are based on estimates and assumptions, e.g., reserves for Cardmember Receivables and Loans, Deferred Acquisition Costs, and Insurance and Annuity Reserves. These reflect the best judgment of management and actual results could differ.

Certain amounts from prior years have been reclassified to conform to the current presentation.

Revenues

Cardmember Lending Net Finance Charge Revenue is presented net of interest expense of $1,039 million, $674 million and $653 million for the years ended December 31, 2000, 1999 and 1998, respectively. Interest and Dividends is presented net of interest expense related primarily to the company's international banking activities of $559 million, $453 million and $572 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Marketing and Promotion

The company expenses advertising costs in the year in which the advertising first takes place.

Cash and Cash Equivalents

At December 31, 2000 and 1999, cash and cash equivalents included $1.2 billion and $0.8 billion, respectively, segregated in special bank accounts for the benefit of customers. The company has defined cash equivalents to include time deposits with original maturities of 90 days or less.

Separate Account Assets and Liabilities

Separate account assets and liabilities are funds held for the exclusive benefit of variable annuity and variable life insurance contract holders. The company receives investment management fees, mortality and expense assurance fees, minimum death benefit guarantee fees and cost of insurance charges from the related accounts.

Note 2 INVESTMENTS

The following is a summary of investments included on the Consolidated Balance Sheets at December 31:

(Millions)	2000	1999
Held-to-Maturity, at amortized cost	$ 8,404	$ 9,221
Available-for-Sale, at fair value	31,052	29,570
Investment mortgage loans (fair value: 2000, $4,178; 1999, $3,901)	4,097	3,984
Trading	194	277
Total	**$ 43,747**	**$ 43,052**

Investments classified as Held-to-Maturity and Available-for-Sale at December 31 are distributed by type and maturity as presented below:

Held-to-Maturity

	2000				1999			
(Millions)	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	$ 5,304	$ 138	$ (130)	$ 5,312	$ 6,400	$ 111	$ (114)	$ 6,397
Mortgage-backed securities	1,785	12	—	1,797	1,393	5	(33)	1,365
State and municipal obligations	986	47	—	1,033	1,036	27	(3)	1,060
Foreign government bonds and obligations	83	10	—	93	98	9	—	107
U.S. Government and agencies obligations	50	4	—	54	64	1	(2)	63
Other	196	2	(1)	197	230	—	(4)	226
Total	**$ 8,404**	**$ 213**	**$ (131)**	**$ 8,486**	**$ 9,221**	**$ 153**	**$ (156)**	**$ 9,218**

Available-for-Sale

	2000				1999			
(Millions)	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Corporate debt securities	$ 12,714	$ 124	$ (908)	$ 11,930	$ 12,238	$ 53	$ (742)	$ 11,549
Mortgage-backed securities	9,259	126	(25)	9,360	8,898	14	(241)	8,671
State and municipal obligations	5,886	267	(15)	6,138	5,430	81	(160)	5,351
Foreign government bonds and obligations	993	13	(4)	1,002	985	9	(15)	979
U.S. Government and agencies obligations	48	3	—	51	47	—	—	47
Equity securities	510	197	(27)	680	611	525	(6)	1,130
Other	1,891	—	—	1,891	1,844	—	(1)	1,843
Total	**$ 31,301**	**$ 730**	**$ (979)**	**$ 31,052**	**$ 30,053**	**$ 682**	**$ (1,165)**	**$ 29,570**

	Held-to-Maturity		Available-for-Sale	
December 31, 2000 (Millions)	Cost	Fair Value	Cost	Fair Value
Due within 1 year	$ 962	$ 971	$ 2,120	$ 2,120
Due after 1 year through 5 years	3,365	3,353	5,606	5,502
Due after 5 years through 10 years	1,602	1,664	7,960	7,419
Due after 10 years	690	701	5,846	5,971
	6,619	6,689	21,532	21,012
Mortgage-backed securities	1,785	1,797	9,259	9,360
Equity securities	—	—	510	680
Total	**$ 8,404**	**$ 8,486**	**$ 31,301**	**$ 31,052**

Mortgage-backed securities primarily include GNMA, FNMA and FHLMC securities at December 31, 2000 and 1999.

The table below includes purchases, sales and maturities of investments classified as Held-to-Maturity and Available-for-Sale for the years ended December 31:

	2000		1999	
(Millions)	Held-to-Maturity	Available-for-Sale	Held-to-Maturity	Available-for-Sale
Purchases	$ 110	$ 8,465	$ 93	$ 11,557
Sales	$ 61	$ 2,998	$ 90	$ 2,941
Maturities	$ 848	$ 3,647	$ 1,313	$ 4,441

Investments classified as Held-to-Maturity were sold during 2000 and 1999 due to credit deterioration. Gross realized gains and losses on sales were negligible.

Gross realized gains and (losses) on sales of securities classified as Available-for-Sale, using the specific identification method, were $170 million and ($47 million), $64 million and ($23 million) and $130 million and ($42 million) for the years ended December 31, 2000, 1999 and 1998, respectively.

The increase in net unrealized gains on Trading securities, which is included in income, was $16 million, $30 million and $3 million for the years ended December 31, 2000, 1999 and 1998, respectively.

In connection with the spin-off of Lehman Brothers Holdings Inc. (Lehman) in 1994, the company acquired 928 shares and Nippon Life Insurance company (Nippon Life) acquired 72 shares of Lehman's redeemable voting preferred stock for a nominal dollar amount. This security entitles its holders to receive an aggregate annual dividend of 50 percent of Lehman's net income in excess of $400 million for each of eight years ending in May 2002, with a maximum dividend of $50 million in any one year. In each of the three years ended December 31, 2000, the company received a dividend of $46 million on these shares. In addition, the company and Nippon Life were entitled to receive 92.8 percent and 7.2 percent, respectively, of an earnings-related payout from Travelers Inc. (Travelers) that was assigned by Lehman to the company and Nippon Life in connection with the spin-off transaction. The earnings-related payout, which was 10 percent of after-tax profits of Smith Barney, a subsidiary of Travelers, in excess of $250 million per year, was for five years and ended in 1998. The amount recognized in relation to this payout was approximately $70 million in 1998.

The change in net unrealized securities gains recognized in Other Comprehensive (Loss)/Income includes two components: (1) unrealized gains (losses) that arose during the period from changes in market value of securities that were held during the period (Holding gains (losses)), and (2) gains (losses) that were previously unrealized, but have been recognized in current period Net Income due to sales of Available-for-Sale securities (Reclassification for realized gains). This reclassification has no effect on total Comprehensive Income or Shareholders' Equity.

The following table presents these components of other comprehensive (loss)/income, net of tax:

(Millions, net of tax)	2000	1999	1998
Holding gains (losses)	$ 231	$ (852)	$ 61
Reclassification for realized gains	(80)	(27)	(57)
Increase (decrease) in net unrealized securities gains recognized in other comprehensive (loss)/income	**$ 151**	**$ (879)**	**$ 4**

Note 3 LOANS

Loans at December 31 consisted of:

(Millions)	2000	1999
Cardmember and Consumer Loans	$ 22,486	$ 19,955
Commercial Loans:		
Commercial and industrial	1,879	1,898
Loans to banks and other institutions	1,591	1,612
Mortgage and real estate	159	142
Other, principally policyholders' loans	769	728
	26,884	**24,335**
Less: Reserves for credit losses	796	753
Total	**$ 26,088**	**$ 23,582**

Note: American Express Financial Advisors (AEFA) mortgage loans of $4.1 billion and $4.0 billion in 2000 and 1999, respectively, are included in Investment Mortgage Loans and are presented in Note 2.

The following table presents changes in Reserves for Credit Losses related to loans:

(Millions)	2000	1999
Balance, January 1	$ 753	$ 812
Provision for credit losses	924	832
Write-offs	(1,031)	(1,062)
Recoveries of amounts previously written-off	150	171
Balance, December 31	**$ 796**	**$ 753**

Note 4 SECURITIZED LOANS AND RECEIVABLES

The company securitizes loans and receivables and, in large part, subsequently sells the interests in those assets' cash flows to third party investors. The company continues to service the accounts and receives a fee for doing so; the fair value and carrying amount of these future servicing fees, net of related costs, are nil. Each new sale of securitized assets results in the removal of the sold assets from the balance sheet, a reduction in a previously established reserve for credit losses and the recognition of the present value of the future net cash flows (i.e., finance charge income less interest paid to investors, credit losses and servicing fees) related to the sold assets. This present value amount represents a retained interest known as an interest-only strip. In some instances, the company invests in subordinated interests issued by the securitization trust; these are recorded as Investments classified as Available-for-Sale.

The gain or loss recorded when assets are securitized is the difference between the proceeds of sale and the book basis of the assets sold. That book basis is determined by allocating the carrying amount of the assets, net of applicable reserve for losses, between the assets sold and the retained interests based on their relative fair values. Fair values are based on market prices at date of transfer for assets sold and on the estimated present value of future cash flows for retained interests.

The securitized loans and receivables sold as of December 31, 2000 are as follows:

(Billions)	Sold	Investments in subordinated interests	Net
U.S. Cardmember Loans	$ 11.3	$ 0.8	$ 10.5
Cardmember Receivables	3.1	0.2	2.9
Total	**$ 14.4**	**$ 1.0**	**$ 13.4**

U.S. Cardmember Loans

During 2000, 1999 and 1998, the company sold $4.0 billion, $4.0 billion and $1.0 billion, respectively, of U.S. Cardmember Loans, or $3.6 billion, $3.7 billion and $0.9 billion net of investments in subordinated interests. The pretax gains on these securitizations were $142 million, $154 million and $36 million, respectively. Cash flows from interest-only strips as well as servicing revenue, which is 2 percent of principal, are recorded in other revenues.

The value of retained interests is primarily subject to changes in credit risk, average loan life, and interest rates on the transferred financial assets. Key economic assumptions used in measuring the retained interests resulting from securitizations during 2000 were as follows (rates are per annum):

Average loan life (months)	Expected credit losses	Cash flows from retained interests discounted at	Returns to Investors	
			Variable	Fixed
8 – 12	4.46% – 5.12%	6.0% – 12.0%	Contractual spread over LIBOR ranging from .09% to .9%	5.6% – 7.4%

The following table presents quantitative information about delinquencies, net credit losses, and components of securitized U.S. Cardmember Loans at December 31, 2000:

(Billions)	Total Principal Amount of Loans	Principal Amount of Loans 30 Days or More Past due	Net Credit Losses During the Year 2000
Cardmember Loans managed	$ 28.7	$ 0.8	$ 1.1
Less: Securitized Loans sold	11.3		
Cardmember Loans on balance sheet	$ 17.4		

At December 31, 2000, retained interests, excluding subordinated interests, were $272 million compared with $236 million a year earlier. The key economic assumptions and the sensitivity of the current year's fair value to immediate 10 percent and 20 percent adverse changes in assumed economics are as follows:

(Millions, except rates per annum)	Average loan life (months)	Expected credit losses	Cash flows from retained interests discounted at	Interest Rates
Assumption	8.5	4.48%	12%	6.74%
Impact on fair value of 10% adverse change	$ 17.4	$ 17.7	$ 1.7	$ 9.6
Impact on fair value of 20% adverse change	$ 33.5	$ 35.3	$ 3.3	$ 19.1

These sensitivities are hypothetical and will be different from what actually occurs in the future. As the figures indicate, any change in fair value based on a 10 percent variation in assumptions cannot be extrapolated because the relationship of the change in assumption on the fair value of the retained interest is calculated independent from any change in another assumption; in reality, changes in one factor may result in changes in another, which magnify or counteract the sensitivities.

The table below summarizes cash flows received from securitization trusts in 2000:

(Millions)	
Proceeds from new securitizations during the period	$ 3,630
Proceeds from reinvestment of payments in Cardmember securitizations	$ 12,480
Servicing fees received	$ 191
Other cash flows received on retained interests	$ 667

Cardmember Receivables

Sales of securitized Charge Card receivables result in a reduction of interest expense and provisions for losses, and recognition of servicing revenues, which is offset by discount expense on the securitized receivables. An obligation to the securitization trust equal to the reserve for losses previously carried against the receivables is recorded in Other Liabilities. Charge Card receivables are collected generally within 30 days of billing and, as such, the book value approximates fair value; therefore, recorded amounts are not sensitive to the same factors as Cardmember Loans. At December 31, 2000, $2.9 billion in securitized Charge Card receivables had been sold.

Note 5 SHORT- AND LONG-TERM DEBT AND BORROWING AGREEMENTS

Short-term Debt

At December 31, 2000 and 1999, the company's total short-term debt outstanding was $36.0 billion and $30.6 billion, respectively, with weighted average interest rates of 6.5% and 5.6%, respectively. At December 31, 2000 and 1999, $9.7 billion and $8.2 billion, respectively, of short-term debt outstanding was covered by interest rate swaps. The year-end weighted average effective interest rates were 6.4% and 5.5% for 2000 and 1999, respectively. The company generally paid fixed rates of interest under the terms of interest rate swaps. Unused lines of credit to support commercial paper borrowings were approximately $9.7 billion at December 31, 2000.

Long-term Debt

December 31, (Dollars in millions)	2000					1999				
	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt(a,b)	Year-End Effective Interest Rate with Swaps(a,b)	Maturity of Swaps	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt(a,b)	Year-End Effective Interest Rate with Swaps(a,b)	Maturity of Swaps
Notes due November 1, 2005	$ 496	—	6.875%	—	—	—	—	—	—	—
Notes due June 23, 2004	500	—	6.75%	—	—	$ 499	—	6.75%	—	—
Notes due January 22, 2004	498	—	5.625%	—	—	497	—	5.625%	—	—
Notes due August 12, 2002	400	$ 400	6.50%	6.83%	2002	400	$ 400	6.50%	6.06%	2002
Notes due June 15, 2000	—	—	—	—	—	300	300	6.125%	6.29%	2000
Notes due November 15, 2001	300	—	6.125%	—	—	300	300	6.125%	6.46%	2001
Notes due August 15, 2001	300	—	8.50%	—	—	300	—	8.50%	—	—
Floating Rate Notes due May 1, 2002	400	400	6.81%	6.90%	2002	400	400	6.26%	6.00%	2002
Floating Rate Notes due December 31, 2001	300	—	6.66%	—	—	300	—	6.265%	—	—
Other Fixed Senior Notes due 2000–2022	538	410	7.35%	7.68%	2001–2012	1,271	865	6.66%	6.87%	2000–2012
Other Floating Senior Notes due 2000–2002	505	—	6.57%	—	—	1,243	50	5.16%	5.19%	2000
Other Floating Rate Notes due 2000–2004	267	165	7.56%	7.55%	2001–2004	251	150	6.97%	7.33%	2004
Other Fixed Rate Notes due 2000–2006	207	36	5.42%	5.53%	2003–2004	234	54	5.62%	5.32%	2001–2006
Total	$ 4,711	$ 1,411	6.73%			$ 5,995	$ 2,519	6.23%		

(a) For floating rate debt issuances, the stated and effective interest rates were based on the respective rates at December 31, 2000 and 1999; these rates are not an indication of future interest rates.

(b) Weighted average rates were determined where appropriate.

The above interest rate swaps generally require the company to pay a floating rate, with a predominant index of LIBOR (London Interbank Offered Rate).

The company paid interest (net of amounts capitalized) of $3.6 billion, $2.6 billion and $2.6 billion in 2000, 1999 and 1998, respectively.

Aggregate annual maturities of long-term debt for the five years ending December 31, 2005 are as follows (millions): 2001, $1,703; 2002, $932; 2003, $14; 2004, $1,220; and 2005, $615.

Note 6 CUMULATIVE QUARTERLY INCOME PREFERRED SHARES

In 1998, American Express Company Capital Trust I, a wholly-owned subsidiary of the company, established as a Delaware statutory business trust (the Trust), completed a public offering of 20 million shares (carrying value of $500 million) of 7.0% Cumulative Quarterly Income Preferred Shares Series I (QUIPS)(liquidation preference of $25 per share). Proceeds of the issue were invested in Junior Subordinated Debentures (the Debentures) issued by the company due 2028, which represent the sole assets of the Trust. The QUIPS are subject to mandatory redemption upon repayment of the Debentures at maturity or their earlier redemption. The company has the option to redeem the Debentures, in whole or in part, at any time on or after July 16, 2003, which will result in the redemption of a corresponding amount of QUIPS.

The company has unconditionally guaranteed all distributions required to be made by the Trust, but only to the extent the Trust has funds legally available for such distributions. The only source of funds for the Trust is the company's interest payments on the Debentures. The company has the right to defer such interest payments up to 20 consecutive quarters; as a consequence, quarterly dividend payments on the QUIPS can be deferred by the Trust during any such interest payment period. If the company defers any interest payments, the company may not, among other things, pay any dividends on its capital stock until all interest in arrears is paid to the Trust. Distributions on the QUIPS are reported as Interest Expense in the Consolidated Statements of Income.

Note 7 COMMON AND PREFERRED SHARES

In September 1998, the company's Board of Directors authorized the company to repurchase up to 120 million additional common shares over the subsequent two to three years, subject to market conditions. The company has repurchased approximately 343 million shares since 1994 pursuant to several authorizations, including 43 million under the current authorization. These plans are designed to allow the company to purchase shares, both to offset the issuance of new shares as part of employee compensation plans and to reduce shares outstanding.

Of the common shares authorized but unissued at December 31, 2000, 180 million shares were reserved for issuance for employee stock, employee benefit and dividend reinvestment plans, as well as stock purchase agreements.

During 2000, the company entered into an agreement under which a third party purchased 8 million company common shares at an average purchase price of approximately $55 per share. During the term of the agreement, the company will periodically issue shares to or receive shares from the third party so that the value of the shares held by the third party equals the original purchase price for the shares. At maturity in five years, the company is required to deliver to the third party an amount equal to such original purchase price. The company may elect to settle this amount (i) physically, by paying cash against delivery of the shares held by the third party or (ii) on a net cash or net share basis. The company may also prepay outstanding amounts at any time prior to the end of the five-year term. The foregoing is in addition to a similar agreement entered into during 1999, under which a third party purchased 21 million of the

company's common shares at an average purchase price of approximately $49 per share. During 2000, net settlements under these agreements resulted in the company receiving 2.4 million shares. These agreements, which partially offset the company's exposure from its stock option program, are separate from the company's previously authorized share repurchase program.

During 2000, the company's shareholders approved an increase in authorized shares to effectuate a three-for-one stock split for shareholders of record as of April 25, 2000. All of the information in this financial report reflects the effect of the stock split.

Common shares activity for each of the last three years ended December 31 was:

(Millions)	2000	1999	1998
Shares outstanding at beginning of year	1,341	1,351	1,399
Repurchases of common shares	(25)	(27)	(58)
Other, primarily employee plans	10	17	10
Shares outstanding at end of year	**1,326**	**1,341**	**1,351**

The Board of Directors is authorized to permit the company to issue up to 20 million preferred shares without further shareholder approval.

Note 8 DERIVATIVE AND OTHER OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The company uses derivative financial instruments for nontrading purposes to manage its exposure to interest and foreign exchange rates, financial indices and its funding costs. In addition, American Express Bank (AEB) enters into derivative contracts both to meet the needs of its clients and, to a limited extent, for proprietary trading purposes.

There are a number of risks associated with derivatives. Market risk is the possibility that the value of the derivative financial instrument will change. The company is not exposed to market risk related to derivatives held for nontrading purposes beyond that inherent in cash market transactions. AEB is generally not subject to market risk when it enters into a contract with a client, as it usually enters into an offsetting contract or uses the position to offset an existing exposure. AEB takes proprietary positions within approved limits. These positions are monitored daily at the local and headquarters levels against Value at Risk (VAR) limits. The company does not enter into derivative contracts with features that would leverage or multiply its market risk.

Credit risk related to derivatives and other off-balance sheet financial instruments is the possibility that the counterparty will not fulfill the terms of the contract. It is monitored through established approval procedures, including setting concentration limits by counterparty and country, reviewing credit ratings and requiring collateral where appropriate. For its trading activities with clients, AEB requires collateral when it is not willing to assume credit exposure to counterparties for either contract mark-to-market or delivery risk. A significant portion of the company's transactions are with counterparties rated A or better by nationally recognized credit rating agencies. The company also uses master netting agreements which allow the company to settle multiple contracts with a single counterparty in one net receipt or payment in the event of counterparty default. Credit risk approximates the fair value of contracts in a gain position (asset) and totaled $0.8 billion and $0.7 billion at December 31, 2000 and 1999, respectively. The fair value represents the replacement cost and is determined by market values, dealer quotes or pricing models.

The following tables detail information regarding the company's derivatives at December 31:

NONTRADING — **2000**

(Millions)	Notional Amount	Carrying Value Asset	Carrying Value Liability	Fair Value Asset	Fair Value Liability
Interest Rate Products:					
Interest rate swaps	$ 32,161	$ 105	$ 48	$ 152	$ 296
Interest rate caps and floors purchased	3,575	7	—	2	1
Forward rate agreements	1,399	—	—	—	—
Other	64	—	—	—	62
Total Interest Rate Products	**37,199**	**112**	**48**	**154**	**359**
Foreign currency forward and spot contracts	8,471	57	121	80	182
Other Products	2,532	97	31	189	14
Total	**$ 48,202**	**$ 266**	**$ 200**	**$ 423**	**$ 555**

NONTRADING — **1999**

(Millions)	Notional Amount	Carrying Value Asset	Carrying Value Liability	Fair Value Asset	Fair Value Liability
Interest Rate Products:					
Interest rate swaps	$ 20,971	$ 63	$ 64	$ 137	$ 225
Interest rate caps and floors purchased	3,625	10	—	15	2
Forward rate agreements	567	8	9	—	—
Other	63	—	—	—	63
Total Interest Rate Products	**25,226**	**81**	**73**	**152**	**290**
Foreign currency forward and spot contracts	6,910	62	53	76	114
Other Products	1,705	174	50	175	68
Total	**$ 33,841**	**$ 317**	**$ 176**	**$ 403**	**$ 472**

TRADING — **2000**

(Millions)	Notional Amount	Carrying/Fair Value Asset	Carrying/Fair Value Liability	Average Fair Value Asset	Average Fair Value Liability
Interest Rate Products:					
Interest rate swaps	$ 2,115	$ 41	$ 32	$ 45	$ 39
Futures options written	800	—	—	—	—
Futures options purchased	800	—	—	—	—
Other	1,612	1	2	1	2
Total Interest Rate Products	**5,327**	**42**	**34**	**46**	**41**
Foreign Currency Products:*					
Forward and spot contracts	16,112	315	288	260	209
Foreign currency options written	1,550	—	38	—	36
Foreign currency options purchased	1,642	42	—	38	—
Total Foreign Currency Products	**19,304**	**357**	**326**	**298**	**245**
Other Products	128	1	1	—	—
Total	**$ 24,759**	**$ 400**	**$ 361**	**$ 344**	**$ 286**

TRADING	1999				
		Carrying/Fair Value		Average Fair Value	
(Millions)	Notional Amount	Asset	Liability	Asset	Liability
Interest Rate Products:					
Interest rate swaps	$ 2,184	$ 54	$ 45	$ 54	$ 46
Other	446	1	2	1	4
Total Interest Rate Products	**2,630**	**55**	**47**	**55**	**50**
Foreign Currency Products:*					
Forward and spot contracts	13,183	204	142	211	169
Foreign currency options written	1,263	—	39	—	37
Foreign currency options purchased	1,272	45	—	37	—
Total Foreign Currency Products	**15,718**	**249**	**181**	**248**	**206**
Total	**$ 18,348**	**$ 304**	**$ 228**	**$ 303**	**$ 256**

* These are predominantly contracts with clients and the related hedges of those client contracts. The company's net trading foreign currency exposure was approximately $72 million and $93 million at December 31, 2000 and 1999, respectively.

The average aggregate fair values of derivative financial instruments held for trading purposes were computed based on monthly information. Net derivative trading gains of $96 million and $83 million for 2000 and 1999, respectively, were primarily due to trading in foreign currency forward contracts and are included in Other Commissions and Fees.

Interest Rate Products

The company uses interest rate products, principally swaps, primarily to manage funding costs related to Travel Related Services' (TRS) Charge Card and Cardmember lending businesses. For its Charge Card and fixed rate lending products, TRS uses interest rate swaps and, to a lesser extent, caps to achieve a mix of fixed and floating rate funding. For the majority of its Cardmember loans, which are linked to a floating rate base and generally reprice each month, TRS uses floating rate funding.

AEB uses interest rate products to manage its portfolio of loans, deposits, long-term debt and securities holdings. The termination dates of nontrading interest rate swaps are generally matched with the maturity dates of the underlying assets and liabilities.

For interest rate swaps that are used for nontrading purposes and meet the criteria for hedge accounting, interest is accrued and reported in Other Receivables and Interest and Dividends or Accounts Payable and Interest Expense, as appropriate. Products used for trading purposes are reported at fair value in Other Assets or Other Liabilities, as appropriate, with unrealized gains and losses recognized currently in Other Revenues.

AEFA uses interest rate caps, swaps and floors to protect the margin between the interest rates earned on investments and the interest rates credited to holders of investment certificates and fixed annuities. Interest rate caps, swaps and floors generally mature within five years. The costs of interest rate caps and floors are reported in Other Assets and amortized into Interest and Dividends on a straight-line basis over the term of the contract; benefits are recognized in income when earned.

See Note 5 for further information regarding the company's use of interest rate products related to short- and long-term debt obligations.

Foreign Currency Products

The company uses foreign currency products primarily to hedge net investments in foreign operations and to manage transactions denominated in foreign currencies. In addition, AEB enters into derivative contracts both to meet the needs of its clients and, to a limited extent, for trading purposes, including taking proprietary positions.

Foreign currency exposures are hedged, where practical and economical, through foreign currency contracts. Foreign currency contracts involve the purchase and sale of a designated currency at an agreed-upon rate for settlement on a specified date. Foreign currency forward contracts generally mature within one year, whereas foreign currency spot contracts generally settle within two days.

For foreign currency products used to hedge net investments in foreign operations, unrealized gains and losses as well as related premiums and discounts are reported in Shareholders' Equity. For foreign currency contracts related to transactions denominated in foreign currencies, unrealized gains and losses are reported in Other Assets and Other Commissions and Fees or Other Liabilities and Other Expenses, as appropriate. Related premiums and discounts are reported in Other Assets or Other Liabilities, as appropriate, and amortized into Interest Expense and Other Expenses over the term of the contract. Foreign currency products used for trading purposes are reported at fair value in Other Assets or Other Liabilities, as appropriate, with unrealized gains and losses recognized currently in Other Commissions and Fees.

The company also uses foreign currency forward contracts to hedge its firm commitments. In addition, for selected major overseas markets, the company uses foreign currency forward contracts to hedge future income, generally for periods not exceeding one year; unrealized gains and losses are recognized currently in income. In the latter part of 2000 and 1999, foreign currency forward contracts were both sold (with notional amounts of $386 million and $611 million, respectively) and purchased (with notional amounts of $92 million and $25 million, respectively) to manage a majority of anticipated future cash flows in major overseas markets. The impact of these activities was not material.

Other Products

Other Products also include written and purchased index options used by AEFA to manage the margin related to certain investment certificate and annuity products that pay interest based upon the relative change in a major stock market index between the beginning and end of the product's term. Purchased and written options used in conjunction with these products are reported in Other Assets and Other Liabilities, respectively. The amortization of the cost of purchased options and the proceeds of written options, along with changes in intrinsic value of the contracts, are included in Interest and Dividends. At December 31, 2000 and 1999, the notional value of these options was $2.1 billion and $1.6 billion, respectively.

Other Off-Balance Sheet Financial Instruments

The company's other off-balance sheet financial instruments principally relate to extending credit to satisfy the needs of its clients. The contractual amount of these instruments represents the maximum potential credit risk, assuming the contract amount is fully utilized, the counterparty defaults and collateral held is worthless. Management does not expect any material adverse consequence to the company's financial position to result from these contracts.

December 31, (Millions)	2000	1999
Unused credit available to Cardmembers	$ 91,667	$ 67,565
Loan commitments and other lines of credit	$ 1,312	$ 1,254
Standby letters of credit and guarantees	$ 1,100	$ 1,407
Commercial and other letters of credit	$ 500	$ 411

The company is committed to extend credit to certain Cardmembers as part of established lending product agreements. Many of these are not expected to be drawn; therefore, total unused credit available to Cardmembers does not represent future cash requirements. The company's Charge Card products have no preset spending limit and are not reflected in unused credit available to Cardmembers.

The company may require collateral to support its loan commitments based on the creditworthiness of the borrower.

Standby letters of credit and guarantees primarily represent conditional commitments to insure the performance of the company's customers to third parties. These commitments generally expire within one year.

The company issues commercial and other letters of credit to facilitate the short-term trade-related needs of its clients, which typically mature within six months. At December 31, 2000 and 1999, the company held $687 million and $1,023 million, respectively, of collateral supporting standby letters of credit and guarantees and $242 million and $220 million, respectively, of collateral supporting commercial and other letters of credit.

Other financial institutions have committed to extend lines of credit to the company of $12.4 billion and $11.5 billion at December 31, 2000 and 1999, respectively.

Note 9 FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table discloses fair value information for on- and off-balance sheet financial instruments. Certain items, such as life insurance obligations, employee benefit obligations and investments accounted for under the equity method are excluded. The fair values of financial instruments are estimates based upon market conditions and perceived risks at December 31, 2000 and 1999 and require management judgment. These figures may not be indicative of their future fair values.

December 31, (Millions)	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS				
Assets for which carrying values approximate fair values	$ 73,940	$ 73,940	$ 71,735	$ 71,735
Investments	$ 43,747	$ 43,910	$ 43,052	$ 42,963
Loans	$ 26,213	$ 26,118	$ 23,680	$ 23,594
Derivative financial instruments, net	$ 105	$ (93)	$ 217	$ 7
FINANCIAL LIABILITIES				
Liabilities for which carrying values approximate fair values	$ 68,975	$ 68,975	$ 60,932	$ 60,932
Fixed annuity reserves	$ 18,021	$ 17,479	$ 19,189	$ 18,592
Investment certificate reserves	$ 7,322	$ 7,289	$ 5,922	$ 5,905
Long-term debt	$ 4,711	$ 4,743	$ 5,995	$ 5,949
Separate account liabilities	$ 28,792	$ 27,823	$ 31,870	$ 31,015

The carrying and fair values of other off-balance sheet financial instruments are not material as of December 31, 2000 and 1999. See Notes 2 and 8 for carrying and fair value information regarding investments and derivative financial instruments, respectively. The following methods were used to estimate the fair values of financial assets and financial liabilities:

Financial Assets

Assets for which carrying values approximate fair values include cash and cash equivalents, accounts receivable and accrued interest, separate account assets and certain other assets.

For variable rate loans that reprice within a year where there has been no significant change in counterparties' creditworthiness, fair values are based on carrying values.

The fair values of all other loans, except those with significant credit deterioration, are estimated using discounted cash flow analysis, based on current interest rates for loans with similar terms to borrowers of similar credit quality. For loans with significant credit deterioration, fair values are based on estimates of future cash flows discounted at rates commensurate with the risk inherent in the revised cash flow projections, or for collateral dependent loans, on collateral values.

Financial Liabilities

Liabilities for which carrying values approximate fair values include customers' deposits, travelers cheques outstanding, accounts payable, short-term debt and certain other liabilities.

Fair values of fixed annuities in deferral status are estimated as the accumulated value less applicable surrender charges and loans. For annuities in payout status, fair value is estimated using discounted cash flows, based on current interest rates. The fair value of these reserves excludes life insurance-related elements of $1.3 billion and $1.4 billion in 2000 and 1999, respectively.

For variable rate investment certificates that reprice within a year, fair values approximate carrying values. For other investment certificates, fair value is estimated using discounted cash flows based on current interest rates. The valuations are reduced by the amount of applicable surrender charges and related loans.

For variable rate long-term debt that reprices within a year, fair values approximate carrying values. For other long-term debt, fair value is estimated using either quoted market prices or discounted cash flows based on the company's current borrowing rates for similar types of borrowing.

Fair values of separate account liabilities, after excluding life insurance-related elements of $3.6 billion and $4.0 billion in 2000 and 1999, respectively, are estimated as the accumulated value less applicable surrender charges.

Note 10 SIGNIFICANT CREDIT CONCENTRATIONS

A credit concentration may exist if customers are involved in similar industries. The company's customers operate in diverse economic sectors. Therefore, management does not expect any material adverse consequences to the company's financial position to result from credit concentrations. Certain distinctions between categories require management judgment.

December 31, (Dollars in millions)	2000	1999
Financial institutions[a]	$ 19,221	$ 17,489
Individuals[b]	143,926	112,616
U.S. Government and agencies[c]	17,015	16,498
All other	25,398	26,127
Total	**$205,560**	**$ 172,730**
Composition:		
On-balance sheet	54%	59%
Off-balance sheet	46	41
Total	**100%**	**100%**

(a) Financial institutions primarily include banks, broker-dealers, insurance companies and savings and loan associations.

(b) Charge Card products have no preset spending limit; therefore, the quantified credit amount includes only Cardmember receivables recorded on the Consolidated Balance Sheets.

(c) U.S. Government and agencies represent the U.S. Government and its agencies, states and municipalities, and quasi-government agencies.

Note 11 STOCK PLANS

Under the 1998 Incentive Compensation Plan and previously under the 1989 Long-Term Incentive Plan (the Plans), awards may be granted to officers, other key employees and other key individuals who perform services for the company and its participating subsidiaries. These awards may be in the form of stock options, stock appreciation rights, restricted stock, performance grants and similar awards designed to meet the requirements of non-U.S. jurisdictions. The company also has options outstanding pursuant to a Directors' Stock Option Plan. Under these plans, there were a total of 87.9 million, 122.9 million and 159.2 million common shares available for grant at December 31, 2000, 1999

and 1998, respectively. Each option has an exercise price at least equal to the market price of the company's common stock on the date of grant and a maximum term of 10 years. Options granted prior to 1999 generally vest at 33⅓ percent per year beginning with the first anniversary of the grant date. Starting in 1999, options granted generally vest at 33⅓ percent per year beginning with the second anniversary of the grant date. The company also sponsors the American Express Incentive Savings Plan, under which purchases of the company's common shares are made by or on behalf of participating employees.

In 1998, the Compensation and Benefits Committee adopted a restoration stock option program applicable to existing and future stock option awards. This program provides that employees who exercise options that have been outstanding at least five years by surrendering previously owned shares as payment will automatically receive a new (restoration) stock option with an exercise price equal to the market price on the date of exercise. The size of the restoration option is equal to the number of shares surrendered plus any shares surrendered or withheld to satisfy the employees' income tax requirements. The term of the restoration option, which is exercisable six months after grant, is equal to the remaining life of the original option. Senior officers must be in compliance with their stock ownership guidelines to exercise restoration options.

The company granted 1.5 million, 1.3 million and 0.4 million restricted stock awards with a weighted average grant date value of $43.46, $36.25 and $29.66 per share for 2000, 1999 and 1998, respectively. Restrictions generally expire four years from date of grant. The compensation cost that has been charged against income for the company's restricted stock awards was $41 million, $38 million and $36 million for 2000, 1999 and 1998, respectively.

The company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its employee stock options. Therefore, no compensation cost has been recognized related to stock options. If the company had elected to account for its stock options under the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation," the company's net income and earnings per common share would have been reduced to the pro forma amounts indicated below:

(Millions, except per share amounts)	2000	1999	1998
Net income:			
As reported	$ 2,810	$ 2,475	$ 2,141
Pro forma	$ 2,616	$ 2,348	$ 2,060
Basic EPS:			
As reported	$ 2.12	$ 1.85	$ 1.57
Pro forma	$ 1.97	$ 1.75	$ 1.51
Diluted EPS:			
As reported	$ 2.07	$ 1.81	$ 1.54
Pro forma	$ 1.92	$ 1.71	$ 1.48

The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2000, 1999 and 1998, respectively:

	2000	1999	1998
Dividend yield	1.1%	1.5%	2.0%
Expected volatility	29%	30%	24%
Risk-free interest rate	6.7%	5.1%	5.5%
Expected life of stock option	5 years	5 years	5 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The weighted average fair value per option was $14.92, $11.09 and $7.23 for options granted during 2000, 1999 and 1998, respectively.

A summary of the status of the company's stock option plans as of December 31 and changes during each of the years then ended is presented below:

(Shares in thousands)	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	94,512	$ 27.96	76,658	$ 21.49	60,123	$ 14.77
Granted	39,273	$ 44.38	36,529	$ 36.53	34,483	$ 29.51
Exercised	(14,114)	$ 19.45	(16,033)	$ 16.20	(13,230)	$ 11.72
Forfeited/Expired	(5,211)	$ 36.87	(2,642)	$ 29.82	(4,718)	$ 21.96
Outstanding at end of year	**114,460**	**$ 34.23**	**94,512**	**$ 27.96**	**76,658**	**$ 21.49**
Options exercisable at end of year	**33,966**	**$ 23.61**	**32,476**	**$ 18.70**	**29,153**	**$ 13.37**

The following table summarizes information about the stock options outstanding at December 31, 2000:

(Shares in thousands)	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 6.25 – $28.99	22,903	5.4	$ 18.25	20,021	$ 16.97
$29.00 – $34.99	20,682	7.2	$ 29.45	10,880	$ 29.55
$35.00 – $41.99	31,277	8.2	$ 36.01	726	$ 37.36
$42.00 – $61.44	39,598	8.8	$ 44.55	2,339	$ 48.47
$ 6.25 – $61.44	114,460	7.7	$ 34.23	33,966	$ 23.61

Note 12 RETIREMENT PLANS

Pension Plans

The company sponsors the American Express Retirement Plan (the Plan), a noncontributory defined benefit plan which is a qualified plan under the Employee Retirement Income Security Act of 1974, as amended (ERISA), under which the cost of retirement benefits for eligible employees in the United States is measured by length of service, compensation and other factors and is currently being funded through a trust. Funding of retirement costs for the Plan complies with the applicable minimum funding requirements specified by ERISA. Employees' accrued benefits are based on recordkeeping account balances which are maintained for each individual and are credited with additions equal to a percentage, based on age plus service, of base pay, certain commissions and bonuses, overtime and shift differential, each pay period. Employees' balances are also credited daily with a fixed rate of interest that is updated each January 1 and is based on the average of the daily five-year U.S. Treasury Note yields for the previous October 1 through November 30. Employees have the option to receive annuity payments or a lump sum payout at vested termination or retirement.

In addition, the company sponsors an unfunded non-qualified Supplemental Retirement Plan (the SRP) for certain highly compensated employees to replace the benefit that cannot be provided by the Plan. The SRP generally parallels the Plan but offers different payment options.

Most employees outside the United States are covered by local retirement plans, some of which are funded, or receive payments at the time of retirement or termination under applicable labor laws or agreements.

Plan assets consist principally of equities and fixed income securities.

The components of the net pension cost for all defined benefit plans accounted for under SFAS No. 87, "Employers' Accounting for Pensions," are as follows:

(Millions)	2000	1999	1998
Service cost	$ 95	$ 89	$ 79
Interest cost	98	88	80
Expected return on plan assets	(102)	(93)	(85)
Amortization of:			
Prior service cost	(9)	(9)	(9)
Transition obligation	3	1	1
Reversion gain	(4)	(4)	(4)
Recognized net actuarial loss	5	7	—
Settlement/Curtailment gain	(22)	(16)	(13)
Net periodic pension benefit cost	**$ 64**	**$ 63**	**$ 49**

The funded status of the company's pension plans is based on valuations as of September 30. The following tables provide a reconciliation of the changes in the plans' benefit obligation and fair value of assets for all plans accounted for under SFAS No. 87:

RECONCILIATION OF CHANGE IN BENEFIT OBLIGATION

(Millions)	2000	1999
Benefit obligation, October 1 prior year	$ 1,330	$ 1,322
Service cost	95	89
Interest cost	98	88
Benefits paid	(40)	(40)
Actuarial loss (gain)	39	(56)
Settlements/Curtailments	(84)	(53)
Foreign currency exchange rate changes	(35)	(20)
Benefit obligation at September 30,	**$ 1,403**	**$ 1,330**

RECONCILIATION OF CHANGE IN FAIR VALUE OF PLAN ASSETS

(Millions)	2000	1999
Fair value of plan assets, October 1 prior year	$ 1,347	$ 1,178
Actual return on plan assets	244	220
Employer contributions	41	56
Benefits paid	(40)	(40)
Settlements/Curtailments	(80)	(52)
Foreign currency exchange rate changes	(32)	(15)
Fair value of plan assets at September 30,	**$ 1,480**	**$ 1,347**

The following table reconciles the plans' funded status to the amounts recognized on the Consolidated Balance Sheets:

FUNDED STATUS

(Millions)	2000	1999
Funded status at September 30,	$ 77	$ 17
Unrecognized net actuarial gain	(237)	(141)
Unrecognized prior service cost	(51)	(60)
Unrecognized net transition obligation	(3)	(1)
Fourth quarter contributions (net of benefit payments)	3	4
Net amount recognized at December 31,	**$ (211)**	**$ (181)**

The following table provides the amounts recognized on the Consolidated Balance Sheets as of December 31:

(Millions)	2000	1999
Accrued benefit liability	$ (314)	$ (275)
Prepaid benefit cost	89	80
Intangible asset	14	14
Net amount recognized at December 31,	**$ (211)**	**$ (181)**

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $191 million, $171 million and $16 million, respectively, as of December 31, 2000, and $175 million, $156 million and $16 million, respectively, as of December 31, 1999.

The prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10 percent of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The weighted average assumptions used in the company's defined benefit plans were:

	2000	1999
Discount rates	7.4%	7.3%
Rates of increase in compensation levels	4.4%	4.3%
Expected long-term rates of return on assets	9.5%	9.4%

The company also has a defined contribution retirement plan (a 401(k) savings plan with a profit sharing feature) covering most employees in the United States. The defined contribution plan expense was $137 million, $126 million and $106 million in 2000, 1999 and 1998, respectively.

Other Postretirement Benefits

The company sponsors postretirement benefit plans that provide health care, life insurance and other postretirement benefits to retired U.S. employees. Net periodic postretirement benefit expenses were $26 million, $20 million and $17 million in 2000, 1999 and 1998, respectively. The liabilities recognized on the Consolidated Balance Sheets for the company's defined postretirement benefit plans (other than pension plans) at December 31, 2000 and 1999 were $211 million and $205 million, respectively.

Note 13 INCOME TAXES

The provisions for income taxes were as follows:

(Millions)	2000	1999	1998
Federal	$ 748	$ 645	$ 465
State and local	76	76	35
Foreign	274	242	284
Total	**$ 1,098**	**$ 963**	**$ 784**

Accumulated net earnings of certain foreign subsidiaries, which totaled $1.9 billion at December 31, 2000, are intended to be permanently reinvested outside the United States. Accordingly, federal taxes, which would have aggregated $287 million, have not been provided on those earnings.

The current and deferred components of the provision for income taxes were as follows:

(Millions)	2000	1999	1998
Current	$ 1,209	$ 716	$ 883
Deferred	(111)	247	(99)
Total	**$ 1,098**	**$ 963**	**$ 784**

The company's net deferred tax assets at December 31 were as follows:

(Millions)	2000	1999
Deferred tax assets	$ 3,500	$ 3,126
Deferred tax liabilities	2,023	1,691
Net deferred tax assets	$ 1,477	$ 1,435

Deferred tax assets for 2000 and 1999 primarily reflect reserves not yet deducted for tax purposes of $1.9 billion and $1.7 billion, respectively; deferred Cardmember fees of $254 million and $230 million, respectively; deferred compensation of $370 million and $358 million, respectively; and deferred taxes related to SFAS No. 115 of $71 million and $145 million, respectively. Deferred tax liabilities for 2000 and 1999 are mainly comprised of deferred acquisition costs of $987 million and $919 million, respectively; and depreciation and amortization of $323 million and $200 million, respectively.

The principal reasons that the aggregate income tax provision is different from that computed by using the U.S. statutory rate of 35 percent are as follows:

(Millions)	2000	1999	1998
Combined tax at U.S. statutory rate	$ 1,368	$ 1,203	$ 1,024
Changes in taxes resulting from:			
Tax-preferred investments	(211)	(171)	(157)
Tax-exempt element of dividend income	(26)	(43)	(38)
Foreign income taxed at rates other than U.S. statutory rate	(38)	(35)	(44)
State and local income taxes	50	49	23
All other	(45)	(40)	(24)
Income tax provision	**$ 1,098**	**$ 963**	**$ 784**

Net income taxes paid by the company during 2000, 1999 and 1998 were $858 million, $392 million and $977 million, respectively, and include estimated tax payments and cash settlements relating to prior tax years.

The items composing comprehensive income in the Consolidated Statements of Shareholders' Equity are presented net of income tax provision (benefit). The changes in net unrealized securities gains are presented net of tax provision (benefit) of $81 million, $(473) million and $2 million for 2000, 1999 and 1998, respectively. Foreign currency translation adjustments are presented net of tax provision (benefit) of $18 million, $3 million and $(8) million for 2000, 1999 and 1998, respectively.

Note 14 EARNINGS PER COMMON SHARE

Basic earnings per share (EPS) is computed using the average actual shares outstanding during the period. Diluted EPS is basic EPS adjusted for the dilutive effect of stock options, restricted stock awards (RSAs) and other financial instruments that may be converted into common shares. The basic and diluted EPS computations are as follows:

(Millions, except per share amounts)	2000	1999	1998
Numerator:			
Net income	$ 2,810	$ 2,475	$ 2,141
Denominator:			
Denominator for basic EPS — weighted-average shares	1,327	1,340	1,363
Effect of dilutive securities:			
Stock Options, RSAs and other	33	29	25
Denominator for diluted EPS	1,360	1,369	1,388
Basic EPS	$ 2.12	$ 1.85	$ 1.57
Diluted EPS	$ 2.07	$ 1.81	$ 1.54

Note 15 OPERATING SEGMENTS AND GEOGRAPHIC OPERATIONS

Operating Segments

The company is principally engaged in providing travel related, financial advisory and international banking services throughout the world. Travel Related Services' (TRS) products and services include, among others, Charge Cards, Cardmember lending products, Travelers Cheques, and corporate and consumer travel services. American Express Financial Advisors' (AEFA) services and products include financial planning and advice, investment advisory services and a variety of products, including insurance and annuities, investment certificates and mutual funds. American Express Bank (AEB) products and services include providing financial institution, corporate and private banking, personal financial services and global trading. The company operates on a global basis, although the principal market for financial advisory services is the United States.

The following table presents certain information regarding these operating segments at December 31, 2000, 1999 and 1998 and for each of the years then ended. The TRS segment now includes Travelers Cheque (TC) operations, which had previously been included in the American Express Bank/TC segment. For certain income statement items that are affected by asset securitizations at TRS, data is provided on both a managed basis, which excludes the effect of securitizations, as well as on a GAAP basis. See Note 4 to the Consolidated Financial Statements and the TRS Results of Operations section of the Financial Review for further information regarding the effect of securitizations on the financial statements. In addition, net revenues (managed basis) are presented net of provisions for losses and benefits for annuities, insurance and investment certificate products of AEFA.

(Millions)	Travel Related Services	American Express Financial Advisors	American Express Bank	Corporate and Other	Adjustments and Eliminations	Consolidated
2000						
Net revenues (managed basis)	$ 17,441	$ 4,219	$ 591	$ 167	$ (333)	$ 22,085
Revenues (GAAP basis)	17,120	6,130	591	167	(333)	23,675
Interest and dividends, net	803	2,292	251	165	(221)	3,290
Cardmember lending net finance charge revenue:						
Managed basis	2,383	—	—	—	—	2,383
GAAP basis	987	—	—	—	—	987
Interest expense:						
Managed basis	1,571	22	—	180	(214)	1,559
GAAP basis	1,366	22	—	180	(214)	1,354
Pretax income (loss)	2,713	1,483	33	(321)	—	3,908
Income tax provision (benefit)	784	451	4	(141)	—	1,098
Net income (loss)	1,929	1,032	29	(180)	—	2,810
Assets	$ 71,419	$ 73,560	$ 11,413	$ 16,487	$ (18,456)	$ 154,423
1999						
Net revenues (managed basis)	$ 15,234	$ 3,737	$ 621	$ 109	$ (218)	$ 19,483
Revenues (GAAP basis)	15,130	5,636	621	109	(218)	21,278
Interest and dividends, net	643	2,443	291	105	(136)	3,346
Cardmember lending net finance charge revenue:						
Managed basis	1,929	—	—	—	—	1,929
GAAP basis	1,333	—	—	—	—	1,333
Interest expense:						
Managed basis	1,204	32	—	164	(129)	1,271
GAAP basis	984	32	—	164	(129)	1,051
Pretax income (loss)	2,383	1,363	27	(335)	—	3,438
Income tax provision (benefit)	691	428	5	(161)	—	963
Net income (loss)	1,692	935	22	(174)	—	2,475
Assets	$ 63,233	$ 74,644	$ 11,354	$ 14,449	$ (15,163)	$ 148,517
1998						
Net revenues (managed basis)	$ 13,524	$ 3,181	$ 620	$ 112	$ (225)	$ 17,212
Revenues (GAAP basis)	13,530	5,095	620	112	(225)	19,132
Interest and dividends, net	581	2,437	290	103	(134)	3,277
Cardmember lending net finance charge revenue:						
Managed basis	1,660	—	—	—	—	1,660
GAAP basis	1,354	—	—	—	—	1,354
Interest expense:						
Managed basis	1,191	21	—	149	(131)	1,230
GAAP basis	960	21	—	149	(131)	999
Pretax income (loss)	2,070	1,192	(135)	(202)	—	2,925
Income tax provision (benefit)	579	374	(51)	(118)	—	784
Net income (loss)	1,491	818	(84)	(84)	—	2,141
Assets	$ 51,164	$ 64,637	$ 11,576	$ 3,606	$ (4,050)	$ 126,933

Income tax provision (benefit) is calculated on a separate return basis; however, benefits from operating losses, loss carrybacks and tax credits (principally foreign tax credits) recognizable for the company's consolidated reporting purposes are allocated based upon the tax sharing agreement among members of the American Express Company consolidated U.S. tax group.

Assets are those that are used or generated exclusively by each industry segment. The adjustments and eliminations required to determine the consolidated amounts shown above consist principally of the elimination of intersegment amounts.

Geographic Operations

The following table presents the company's revenues and pretax income (loss) in different geographic regions.

(Millions)	United States	Europe	Asia/Pacific	All Other	Adjustments and Eliminations	Consolidated
2000						
Revenues	$ 18,529	$ 2,731	$ 1,582	$ 1,629	$ (796)	$ 23,675
Pretax income	$ 3,049	$ 411	$ 199	$ 249	—	$ 3,908
1999						
Revenues	$ 16,362	$ 2,729	$ 1,456	$ 1,466	$ (735)	$ 21,278
Pretax income	$ 2,756	$ 316	$ 175	$ 191	—	$ 3,438
1998						
Revenues	$ 14,535	$ 2,476	$ 1,332	$ 1,444	$ (655)	$ 19,132
Pretax income (loss)	$ 2,520	$ 340	$ (59)	$ 124	—	$ 2,925

Most services of the company are provided on an integrated worldwide basis. Therefore, it is not practical to separate precisely the U.S. and international services. Accordingly, the data in the above table are, in part, based upon internal allocations, which necessarily involve management's judgment.

Note 16 LEASE COMMITMENTS AND OTHER CONTINGENT LIABILITIES

The company leases certain office facilities and operating equipment under noncancellable and cancellable agreements. Total rental expense amounted to $477 million, $452 million and $388 million in 2000, 1999 and 1998, respectively. At December 31, 2000, the minimum aggregate rental commitment under all noncancellable leases (net of subleases) was (millions): 2001, $360; 2002, $276; 2003, $205; 2004, $159; 2005, $139; and thereafter, $1,661.

The company is not a party to any pending legal proceedings that, in the opinion of management, would have a material adverse effect on the company's financial position.

Note 17 TRANSFER OF FUNDS FROM SUBSIDIARIES

The Securities and Exchange Commission requires the disclosure of certain restrictions on the flow of funds to a parent company from its subsidiaries in the form of loans, advances or dividends.

Restrictions on the transfer of funds exist under debt agreements and regulatory requirements of certain of the company's subsidiaries. These restrictions have not had any effect on the company's shareholder dividend policy and management does not anticipate any effect in the future.

At December 31, 2000, the aggregate amount of net assets of subsidiaries that may be transferred to the parent company was approximately $8.0 billion. Should specific additional needs arise, procedures exist to permit immediate transfer of short-term funds between the company and its subsidiaries, while complying with the various contractual and regulatory constraints on the internal transfer of funds.

Note 18 QUARTERLY FINANCIAL DATA (Unaudited)

(Millions, except per share amounts)	2000				1999			
Quarters Ended	**12/31**	**9/30**	**6/30**	**3/31**	**12/31**	**9/30**	**6/30**	**3/31**
Net revenues (managed basis)	$ 5,714	$ 5,554	$ 5,558	$ 5,259	$ 5,227	$ 4,920	$ 4,811	$ 4,524
Revenues (GAAP basis)	6,067	5,981	5,970	5,657	5,699	5,311	5,298	4,971
Pretax income	913	1,029	1,046	920	844	907	895	791
Net income	677	737	740	656	606	648	646	575
Earnings per common share:								
Basic	0.51	0.56	0.56	0.49	0.45	0.48	0.48	0.43
Diluted	0.50	0.54	0.54	0.48	0.44	0.47	0.47	0.42
Cash dividends declared per common share	.08	.08	.08	.08	.075	.075	.075	.075
Common share prices:								
High	63.00	62.25	57.19	56.50	56.29	50.21	47.54	43.21
Low	50.06	50.69	43.94	39.83	43.42	40.63	38.17	31.63