AMERICAN EXPRESS CO
Form 10-Q
July 26, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2016

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 number 1-7657

AMERICAN EXPRESS COMPANY

(Exact name of registrant as specified in its charter)

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

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

None

Former name, former address and former fiscal year, if changed since last report.

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 X No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No ___

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes___ No X

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at July 20, 2016
Common Shares (par value $0.20 per share)	923,780,898 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Three Months Ended June 30 *(Millions, except per share amounts)*	**2016**	2015
Revenues		
Non-interest revenues		
Discount revenue	**$ 4,824**	$ 4,946
Net card fees	**715**	667
Other fees and commissions	**702**	727
Other	**545**	521
Total non-interest revenues	**6,786**	6,861
Interest income		
Interest on loans	**1,818**	1,776
Interest and dividends on investment securities	**34**	41
Deposits with banks and other	**33**	20
Total interest income	**1,885**	1,837
Interest expense		
Deposits	**150**	109
Long-term debt and other	**286**	305
Total interest expense	**436**	414
Net interest income	**1,449**	1,423
Total revenues net of interest expense	**8,235**	8,284
Provisions for losses		
Charge card	**153**	165
Card Member loans	**285**	285
Other	**25**	17
Total provisions for losses	**463**	467

Total revenues net of interest expense after provisions for losses		**7,772**		7,817
Expenses				
Marketing and promotion		**788**		761
Card Member rewards		**1,766**		1,799
Card Member services and other		**281**		242
Salaries and employee benefits		**1,451**		1,250
Other, net		**470**		1,535
Total expenses		**4,756**		5,587
Pretax income		**3,016**		2,230
Income tax provision		**1,001**		757
Net income	**$**	**2,015**	$	1,473
Earnings per Common Share (Note 15): (a)				
Basic	**$**	**2.11**	$	1.43
Diluted	**$**	**2.10**	$	1.42
Average common shares outstanding for earnings per common share:				
Basic		**938**		1,009
Diluted		**941**		1,013
Cash dividends declared per common share	**$**	**0.29**	$	0.29

(a) Represents net income less (i) earnings allocated to participating share awards of $17 million and $11 million for the three months ended June 30, 2016 and 2015, respectively, and (ii) dividends on preferred shares of $19 million and $20 million for the three months ended June 30, 2016 and 2015, respectively.

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

Six Months Ended June 30 *(Millions, except per share amounts)*	**2016**	2015
Revenues		
Non-interest revenues		
Discount revenue	**$ 9,467**	$ 9,606
Net card fees	**1,414**	1,334
Other fees and commissions	**1,382**	1,435
Other	**1,031**	989
Total non-interest revenues	**13,294**	13,364
Interest income		
Interest on loans	**3,756**	3,571
Interest and dividends on investment securities	**70**	82
Deposits with banks and other	**64**	41
Total interest income	**3,890**	3,694
Interest expense		
Deposits	**300**	212
Long-term debt and other	**561**	612
Total interest expense	**861**	824
Net interest income	**3,029**	2,870
Total revenues net of interest expense	**16,323**	16,234
Provisions for losses		
Charge card	**322**	339
Card Member loans	**512**	520
Other	**63**	28
Total provisions for losses	**897**	887
Total revenues net of interest expense after provisions for losses	**15,426**	15,347

Expenses				
Marketing and promotion		**1,515**		1,370
Card Member rewards		**3,469**		3,439
Card Member services and other		**563**		503
Salaries and employee benefits		**2,789**		2,555
Other, net		**1,890**		2,934
Total expenses		**10,226**		10,801
Pretax income		**5,200**		4,546
Income tax provision		**1,759**		1,548
Net income	**$**	**3,441**	$	2,998
Earnings per Common Share (Note 15): (a)				
Basic	**$**	**3.55**	$	2.92
Diluted	**$**	**3.54**	$	2.90
Average common shares outstanding for earnings per common share:				
Basic		**949**		1,013
Diluted		**952**		1,018
Cash dividends declared per common share	**$**	**0.58**	$	0.55

(a) Represents net income less (i) earnings allocated to participating share awards of $28 million and $22 million for the six months ended June 30, 2016 and 2015, respectively, and (ii) dividends on preferred shares of $40 million and $20 million for the six months ended June 30, 2016 and 2015, respectively.

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2016**	2015	**2016**	2015
Net income	**$ 2,015**	$ 1,473	**$ 3,441**	$ 2,998
Other comprehensive loss:				
Net unrealized securities gains (losses), net of tax of: 2016, $2 and $2; 2015, $(10) and $(11)	**5**	(20)	**7**	(20)
Foreign currency translation adjustments, net of tax of: 2016, $100 and $61; 2015, $(48) and $40	**(130)**	11	**(126)**	(244)
Net unrealized pension and other postretirement benefit gains, net of tax of: 2016, $10 and $29; 2015, $(3) and $16	**6**	6	**32**	29
Other comprehensive loss	**(119)**	(3)	**(87)**	(235)
Comprehensive income	**$ 1,896**	$ 1,470	**$ 3,354**	$ 2,763

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Millions, except share data)		**June 30, 2016**		December 31, 2015
Assets				
Cash and cash equivalents				
Cash and due from banks	**$**	**2,811**	$	2,935
Interest-bearing deposits in banks (includes securities purchased under resale agreements: 2016, $129; 2015, $41)		**30,379**		19,569
Short-term investment securities		**577**		258
Total cash and cash equivalents		**33,767**		22,762
Card Member loans and receivables held for sale (includes gross loans and receivables available to settle obligations of consolidated variable interest entities: 2016, nil; 2015, $4,966)				14,992
Accounts receivable				
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2016, $5,828; 2015, $6,649), less reserves: 2016, $423; 2015, $462		**44,800**		43,671
Other receivables, less reserves: 2016, $50; 2015, $43		**2,697**		3,024
Loans				
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2016, $25,334; 2015, $23,559), less reserves: 2016, $1,091; 2015, $1,028		**58,796**		57,545
Other loans, less reserves: 2016, $36; 2015, $20		**1,132**		1,254
Investment securities		**3,892**		3,759
Premises and equipment, less accumulated depreciation and amortization: 2016, $4,855; 2015, $6,801		**4,210**		4,108
Other assets (includes restricted cash of consolidated variable interest entities: 2016, $35; 2015, $155)		**10,348**		10,069
Total assets	**$**	**159,642**	$	161,184
Liabilities and Shareholders Equity				
Liabilities				
Customer deposits	**$**	**54,404**	$	54,997
Travelers Cheques and other prepaid products		**2,803**		3,247
Accounts payable		**11,729**		11,822

Short-term borrowings (includes debt issued by a consolidated variable interest entity: 2016, nil; 2015, $100)		**2,343**		4,812
Long-term debt (includes debt issued by consolidated variable interest entities: 2016, $14,609; 2015, $13,602)		**50,649**		48,061
Other liabilities		**17,002**		17,572
Total liabilities		**138,930**		140,511
Commitments and Contingencies (Note 8)				
Shareholders Equity				
Preferred shares, $1.66^{2/3} par value, authorized 20 million shares; issued and outstanding 1,600 shares as of June 30, 2016 and December 31, 2015				
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 925 million shares as of June 30, 2016 and 969 million shares as of December 31, 2015		**185**		194
Additional paid-in capital		**12,868**		13,348
Retained earnings		**10,280**		9,665
Accumulated other comprehensive loss				
Net unrealized securities gains, net of tax: 2016, $34; 2015, $32		**65**		58
Foreign currency translation adjustments, net of tax: 2016, $(39); 2015, $(100)		**(2,170)**		(2,044)
Net unrealized pension and other postretirement benefit losses, net of tax: 2016, $(194); 2015, $(223)		**(516)**		(548)
Total accumulated other comprehensive loss		**(2,621)**		(2,534)
Total shareholders equity		**20,712**		20,673
Total liabilities and shareholders equity	**$**	**159,642**	$	161,184

See Notes to Consolidated Financial Statements.

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AMERICAN EXPRESS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30 *(Millions)*	**2016**	2015
Cash Flows from Operating Activities		
Net income	**$ 3,441**	$ 2,998
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for losses	**897**	887
Depreciation and amortization	**536**	514
Deferred taxes and other	**(852)**	146
Stock-based compensation	**133**	140
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Other receivables	**293**	(271)
Other assets	**(107)**	1,616
Accounts payable and other liabilities	**(759)**	(1,381)
Travelers Cheques and other prepaid products	**(444)**	(414)
Net cash provided by operating activities	**3,138**	4,235
Cash Flows from Investing Activities		
Sales of available-for-sale investment securities	**45**	
Maturities and redemptions of available-for-sale investment securities	**567**	991
Purchases of investments	**(791)**	(1,212)
Net decrease (increase) in Card Member receivables and loans, including held for sale [(a)]	**13,002**	(569)
Purchase of premises and equipment, net of sales: 2016, $2; 2015, $32	**(649)**	(537)
Acquisitions/dispositions, net of cash acquired	**(162)**	(74)
Net decrease (increase) in restricted cash	**126**	(1,529)
Net cash provided by (used in) investing activities	**12,138**	(2,930)
Cash Flows from Financing Activities		
Net (decrease) increase in customer deposits	**(594)**	3,017
Net (decrease) increase in short-term borrowings	**(2,520)**	1,033
Issuance of long-term debt	**3,778**	3,457
Principal payments on long-term debt	**(1,558)**	(8,410)
Issuance of American Express preferred shares		841
Issuance of American Express common shares	**75**	143
Repurchase of American Express common shares	**(2,852)**	(1,971)
Dividends paid	**(601)**	(533)

Net cash used in financing activities		**(4,272)**		(2,423)
Effect of foreign currency exchange rates on cash and cash equivalents		**1**		(99)
Net increase (decrease) in cash and cash equivalents		**11,005**		(1,217)
Cash and cash equivalents at beginning of period		**22,762**		22,288
Cash and cash equivalents at end of period	**$**	**33,767**	$	21,071

(a) Refer to Note 2 for additional information.

See Notes to Consolidated Financial Statements

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AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The Company

American Express Company (the Company) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company s principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel (GBT JV). The Company s various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, in-house and third-party sales forces and direct response advertising.

Effective for the first quarter of 2016, the Company realigned its segment presentation to reflect the organizational changes announced during the fourth quarter of 2015. Prior periods have been restated to conform to the new reportable operating segments, which are as follows:

U.S. Consumer Services (USCS), including the proprietary U.S. Consumer Card Services business and travel services in the United States;

International Consumer and Network Services (ICNS), including the proprietary International Consumer Card Services business, Global Network Services (GNS) business and travel services outside the United States;

Global Commercial Services (GCS), including the proprietary Global Corporate Payments (GCP) business, small business services businesses in the United States and internationally (collectively, Global Small Business Services), merchant financing products and foreign exchange services operations; and

Global Merchant Services (GMS), including the Global Merchant Services business and global loyalty coalition businesses.

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

The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 (the Annual Report). If not materially different, certain footnote disclosures included therein have been omitted from this Quarterly Report on Form 10-Q.

The interim consolidated financial information in this report has not been audited. In the opinion of management, all adjustments, which consist of normal recurring adjustments necessary for a fair statement of the interim period consolidated financial information, have been made. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent assets and liabilities. These accounting estimates reflect the best judgment of management, but actual results could differ.

Certain reclassifications of prior period amounts have been made to conform to the current period presentation. During 2016, the Company determined that in the Consolidated Statements of Cash Flows for the comparative periods ended June 30, 2015, September 30, 2015 and December 31, 2015, certain

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

activities related to long-term debt repayments were misclassified between financing activities and operating activities. There is no impact to the Consolidated Statements of Income or Consolidated Balance Sheets. The Company has evaluated the effects of these misclassifications and concluded that none are material to any of its previously issued quarterly or annual Consolidated Financial Statements. Nevertheless, the Company has elected to revise prospectively the comparative periods mentioned above. For the six months ended June 30, 2015, this revision resulted in a $66 million decrease to both Net cash used in financing activities and Net cash provided by operating activities. In addition, travel commissions and fees, which were separately disclosed on the Consolidated Statements of Income historically, are now included within Other fees and commissions.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance on revenue recognition. The guidance establishes the principles to apply to determine the amount and timing of revenue recognition, specifying the accounting for certain costs related to revenue, and requiring additional disclosures about the nature, amount, timing and uncertainty of revenues and related cash flows. The guidance, as amended, supersedes most of the current revenue recognition requirements, and is effective January 1, 2018, with early adoption as of January 1, 2017, permitted. The Company does not intend to adopt the new standard early and continues to evaluate the impact this guidance, including the method of implementation, will have on its financial position, results of operations and cash flows, among other items.

In January 2016, the FASB issued new accounting guidance on the recognition and measurement of financial assets and financial liabilities. The guidance, which is effective January 1, 2018, makes targeted changes to current GAAP, specifically to the classification and measurement of equity securities, and to certain disclosure requirements associated with the fair value of financial instruments. The Company continues to evaluate the impact this guidance will have on its financial position, results of operations and cash flows, among other items.

In February 2016, the FASB issued new accounting guidance on leases. The guidance, which is effective January 1, 2019, with early adoption permitted, requires virtually all leases to be recognized on the Consolidated Balance Sheets. The Company continues to evaluate the impact this guidance will have on its financial position, results of operations and cash flows, among other items.

In March 2016, the FASB issued new accounting guidance on employee share-based payments. The guidance, which is effective January 1, 2017, with early adoption permitted, simplifies various aspects of the accounting for share-based payment transactions, including the income tax consequences, accounting for award forfeitures, and classification on the Consolidated Statements of Cash Flows. The Company continues to evaluate the impact this guidance will have on its financial position, results of operations and cash flows, among other items.

In June 2016, the FASB issued new accounting guidance for recognition of credit losses on financial instruments, which is effective January 1, 2020, with early adoption permitted on January 1, 2019. The guidance introduces a new credit reserving model known as the Current Expected Credit Loss (CECL) model, which is based on expected losses,

and differs significantly from the incurred loss approach used today. The CECL model requires measurement of expected credit losses not only based on historical experience and current conditions, but also by including reasonable and supportable forecasts incorporating forward-looking information and will likely result in earlier recognition of credit reserves. The Company is currently evaluating the impact the new guidance will have on its financial position, results of operations and cash flows; however, it is expected that the new CECL model will alter the assumptions used in

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calculating credit losses on Card Member loans and receivables, among other financial instruments, and may result in material changes to the Company s credit reserves.

2. Business Events

During the first half of 2016, the Company completed the sales of substantially all of its outstanding Card Member loans and receivables held for sale (HFS) and recognized gains, as an expense reduction, in Other expenses, of $127 million and $1.1 billion during the three months ended March 31, 2016 and June 30, 2016, respectively. In addition, the Company reclassified $245 million and $1 million of retained Card Member loans and receivables HFS back to Card Member loans and Card Member receivables held for investment, respectively. The impact of the sales, including the recognition of the proceeds received and the reclassification of the retained Card Member loans and receivables, is reported within the investing section of the Consolidated Statements of Cash Flows as a net decrease in Card Member receivables and loans, including held for sale.

3. Loans and Accounts Receivable

The Company s lending and charge payment card products result in the generation of Card Member loans and Card Member receivables, respectively. This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015; the Company did not have any Card Member loans and receivables HFS as of June 30, 2016.

Card Member loans by segment and Other loans as of June 30, 2016 and December 31, 2015 consisted of:

(Millions)		**2016**		2015
U.S. Consumer Services[a]	**$**	**44,594**	$	43,495
International Consumer and Network Services		**6,600**		7,072
Global Commercial Services		**8,693**		8,006
Card Member loans		**59,887**		58,573
Less: Reserve for losses		**1,091**		1,028
Card Member loans, net	**$**	**58,796**	$	57,545

Other loans, net[(b)]	**$**	**1,132**	$	1,254

(a) Includes approximately $25.3 billion and $23.6 billion of gross Card Member loans available to settle obligations of a consolidated variable interest entity (VIE) as of June 30, 2016 and December 31, 2015, respectively.

(b) Other loans primarily represent loans to merchants. Other loans are presented net of reserves for losses of $36 million and $20 million as of June 30, 2016 and December 31, 2015, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Card Member accounts receivable by segment and Other receivables as of June 30, 2016 and December 31, 2015 consisted of:

(Millions)		**2016**		2015
U.S. Consumer Services [(a)]	**$**	**10,587**	$	11,807
International Consumer and Network Services		**5,582**		5,599
Global Commercial Services		**29,054**		26,727
Card Member receivables [(b)]		**45,223**		44,133
Less: Reserve for losses		**423**		462
Card Member receivables, net	**$**	**44,800**	$	43,671
Other receivables, net [(c)]	**$**	**2,697**	$	3,024

(a) Includes $5.8 billion and $6.6 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of June 30, 2016 and December 31, 2015, respectively.

(b) Includes approximately $12.7 billion and $11.9 billion of Card Member receivables outside the United States as of June 30, 2016 and December 31, 2015, respectively.

(c) Other receivables primarily represent amounts related to (i) GNS partner banks for items such as royalty and franchise fees, (ii) certain merchants for billed discount revenue, and (iii) loyalty coalition partners for points issued, as well as program participation and servicing fees. Other receivables are presented net of reserves for losses of $50 million and $43 million as of June 30, 2016 and December 31, 2015, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Card Member Loans and Card Member 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 June 30, 2016 and December 31, 2015:

2016 *(Millions)*	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
U.S. Consumer Services	**$ 44,120**	**$ 128**	**$ 100**	**$ 246**	**$ 44,594**
International Consumer and Network Services	**6,491**	**33**	**23**	**53**	**6,600**
Global Commercial Services					
Global Small Business Services	**8,547**	**27**	**20**	**50**	**8,644**
Global Corporate Payments[a]	**(b)**	**(b)**	**(b)**	**1**	**49**
Card Member Receivables:					
U.S. Consumer Services	**$ 10,464**	**$ 44**	**$ 24**	**$ 55**	**$ 10,587**
International Consumer and Network Services	**5,503**	**24**	**15**	**40**	**5,582**
Global Commercial Services					
Global Small Business Services	**13,516**	**64**	**39**	**87**	**13,706**
Global Corporate Payments[a]	**(b)**	**(b)**	**(b)**	**111**	**15,348**

2015 *(Millions)*	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
U.S. Consumer Services	$ 43,063	$ 128	$ 94	$ 210	$ 43,495
International Consumer and Network Services	6,961	34	25	52	7,072
Global Commercial Services					
Global Small Business Services	7,867	26	18	40	7,951

Global Corporate Payments[a]	(b)	(b)	(b)	1	55
Card Member Receivables:					
U.S. Consumer Services	$ 11,646	$ 54	$ 32	$ 75	$ 11,807
International Consumer and Network Services	5,515	24	18	42	5,599
Global Commercial Services					
Global Small Business Services	12,734	69	45	102	12,950
Global Corporate Payments[a]	(b)	(b)	(b)	124	13,777

(a) For GCP Card Member receivables in GCS, 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 the Company initiates 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. These amounts are shown above as 90+ Days Past Due for presentation purposes.

(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.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Credit Quality Indicators for Card Member Loans and Receivables

The following tables present the key credit quality indicators as of or for the six months ended June 30:

	2016			2015		
	Net Write-Off Rate			Net Write-Off Rate		
	Principal Only [(a)]	Principal, Interest, & Fees [(a)]	30+ Days Past Due as a % of Total	Principal Only [(a)]	Principal, Interest, & Fees [(a)]	30+ Days Past Due as a % of Total
Card Member Loans:						
U.S. Consumer Services	**1.5%**	**1.7%**	**1.1%**	1.4%	1.7%	0.9%
International Consumer and Network Services	**2.0%**	**2.4%**	**1.7%**	2.0%	2.5%	1.6%
Global Small Business Services	**1.3%**	**1.6%**	**1.1%**	1.3%	1.5%	0.9%
Card Member Receivables:						
U.S. Consumer Services	**1.5%**	**1.8%**	**1.2%**	1.7%	1.9%	1.4%
International Consumer and Network Services	**2.2%**	**2.4%**	**1.4%**	2.0%	2.2%	1.5%

Global Small Business Services	**1.7%**	**2.0%**	**1.4%**	2.0%	2.3%	1.6%

	2016		2015	
	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables
Card Member Receivables:				
Global Corporate Payments	**0.09%**	**0.7%**	0.10%	0.7%

(a) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company considers uncollectible interest and/or fees in estimating its reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented.

Impaired Card Member 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 the Company will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. In certain cases, these Card Member loans and receivables are included in one of the Company s various Troubled Debt Restructuring (TDR) modification programs.

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The following tables provide additional information with respect to the Company s impaired Card Member loans and receivables. Impaired Card Member receivables are not significant for ICNS as of June 30, 2016 and December 31, 2015; therefore, the segment s receivables are not included in the following tables.

	As of June 30, 2016						
	Over 90 days Past Due &		Accounts Classified as a TDR[c]				
2016 *(Millions)*	Accruing Interest[a]	Non-Accruals[b]	In Program[d]	Out of Program[e]	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
Card Member Loans:							
U.S. Consumer Services	$ **162**	$ **141**	$ **174**	$ **116**	$ **593**	$ **545**	$ **52**
International Consumer and Network Services	**53**				**53**	**53**	
Global Commercial Services	**29**	**32**	**28**	**24**	**113**	**104**	**10**
Card Member Receivables:							
U.S. Consumer Services			**8**	**4**	**12**	**11**	**5**
Global Commercial Services			**18**	**7**	**25**	**25**	**14**
Total	$ **244**	$ **173**	$ **228**	$ **151**	$ **796**	$ **738**	$ **81**

As of December 31, 2015

Over 90 days

Accounts Classified

2015 *(Millions)*	Past Due & Accruing Interest[(a)]	Non-Accruals[(b)]	as a TDR[(c)] In Program[(d)]	Out of Program[(e)]	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
Card Member Loans:							
U.S. Consumer Services	$ 140	$ 124	$ 149	$ 89	$ 502	$ 463	$ 44
International Consumer and Network Services	52				52	51	
Global Commercial Services	24	26	23	18	91	85	9
Card Member Receivables:							
U.S. Consumer Services			11	3	14	14	8
Global Commercial Services			16	3	19	19	12
Total	$ 216	$ 150	$ 199	$ 113	$ 678	$ 632	$ 73

(a) The Company s policy is generally to accrue interest through the date of write-off (typically 180 days past due). The Company establishes reserves for interest that it believes will not be collected. Amounts presented exclude loans classified as a TDR.

(b) Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside collection agencies for which the Company has ceased accruing interest.

(c) Accounts classified as a TDR include $19 million and $20 million that are over 90 days past due and accruing interest and $16 million and $18 million that are non-accruals as of June 30, 2016 and December 31, 2015, respectively.

(d) In Program TDRs include Card Member accounts that are currently enrolled in a modification program.

(e) Out of Program TDRs include $114 million and $84 million of Card Member accounts that have successfully completed a modification program and $37 million and $29 million of Card Member accounts that were not in compliance with the terms of the modification programs as of June 30, 2016 and December 31, 2015, respectively.

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The following table provides information with respect to the Company s average balances of, and interest income recognized from, impaired Card Member loans and the average balances of impaired Card Member receivables for the three and six months ended June 30:

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
(Millions)	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
Card Member Loans:				
U.S. Consumer Services	$ **551**	$ **12**	$ **555**	$ **24**
International Consumer and Network Services	**54**	**4**	**53**	**8**
Global Commercial Services	**102**	**3**	**103**	**6**
Card Member Receivables:				
U.S. Consumer Services	**13**		**12**	
Global Commercial Services	**25**		**20**	
Total	$ **745**	$ **19**	$ **743**	$ **38**

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
		Interest		Interest

(Millions)	Average Balance	Income Recognized	Average Balance	Income Recognized
Card Member Loans:				
U.S. Consumer Services	$ 582	$ 11	$ 578	$ 22
International Consumer and Network Services	55	3	58	7
Global Commercial Services	109	3	106	5
Card Member Receivables:				
U.S. Consumer Services	10		14	
Global Commercial Services	17		24	
Total	$ 773	$ 17	$ 780	$ 34

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Card Member Loans and Receivables Modified as TDRs

The following table provides additional information with respect to the USCS and GCS Card Member loans and receivables modified as TDRs for the three and six months ended June 30, 2016 and 2015. The ICNS Card Member loans and receivables modifications were not significant; therefore, this segment is not included in the following TDR disclosures.

	Three Months Ended June 30, 2016					Six Months Ended June 30, 2016				
	Number of Accounts (in thousands)		Outstanding Balances[a] ($ in millions)	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)	Number of Accounts (in thousands)		Outstanding Balances[a] ($ in millions)	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)
Troubled Debt Restructurings:										
Card Member Loans	**7**	**$**	**50**	**10**	**(b)**	**15**	**$**	**107**	**11**	**(b)**
Card Member Receivables	**2**		**27**	**(c)**	**17**	**5**		**65**	**(c)**	**17**
Total	**9**	**$**	**77**			**20**	**$**	**172**		

	Three Months Ended June 30, 2015				Six Months Ended June 30, 2015			
	Number of Accounts (in thousands)	Outstanding Balances[a] ($ in millions)	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)	Number of Accounts (in thousands)	Outstanding Balances[a] ($ in millions)	Average Interest Rate Reduction (% Points)	Average Payment Term Extension (# of Months)

Troubled Debt Restructurings:								
Card Member Loans	10	$ 70	10	(b)	21	$ 150	11	(b)
Card Member Receivables	3	34	(c)	12	6	74	(c)	12
Total	13	$ 104			27	$ 224		

(a) Represents the outstanding balance immediately prior to modification. The outstanding balance includes principal, fees and accrued interest on Card Member loans and principal and fees on Card Member receivables. Modifications did not reduce the principal balance.
(b) For Card Member loans, there have been no payment term extensions.
(c) The Company does not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.

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The following table provides information with respect to the USCS and GCS Card Member loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification during the three and six months ended June 30, 2016 and 2015. A Card Member is considered in default of a modification program after one and up to two consecutive missed payments, depending on the terms of the modification program. For all Card Members that defaulted from a modification program, the probability of default is factored into the reserves for Card Member loans and receivables.

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default[a] ($ in millions)	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default[a] ($ in millions)
Troubled Debt Restructurings That Subsequently Defaulted:				
Card Member Loans	**1**	**$ 9**	**2**	**$ 18**
Card Member Receivables	**1**	**1**	**2**	**2**
Total	**2**	**$ 10**	**4**	**$ 20**

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default[a] ($ in millions)	Number of Accounts (in thousands)	Aggregated Outstanding Balances Upon Default[a] ($ in millions)
Troubled Debt Restructurings That Subsequently Defaulted:				

Card Member Loans	3	$	15	5	$	25
Card Member Receivables	1		1	2		2
Total	4	$	16	7	$	27

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

4. Reserves for Losses

Reserves for losses relating to Card Member loans and receivables represent management s best estimate of the probable inherent losses in the Company s outstanding portfolio of loans and receivables, as of the balance sheet date. Management s evaluation process requires certain estimates and judgments.

This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015; the Company did not have any Card Member loans and receivables HFS as of June 30, 2016.

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Changes in Card Member Loans Reserve for Losses

The following table presents changes in the Card Member loans reserve for losses for the six months ended June 30:

(Millions)		**2016**		2015
Balance, January 1	**$**	**1,028**	$	1,201
Provisions[(a)]		**512**		520
Net write-offs				
Principal[(b)]		**(437)**		(502)
Interest and fees[(b)]		**(80)**		(85)
Other[(c)]		**68**		(2)
Balance, June 30	**$**	**1,091**	$	1,132

(a) Provisions for principal, interest and fee reserve components.

(b) Consists of principal write-offs, less recoveries of $179 million and $212 million, including net write-offs from TDRs of $17 million and $22 million, for the six months ended June 30, 2016 and 2015, respectively. Recoveries of interest and fees were de minimis.

(c) Includes foreign currency translation adjustments of $(2) million and $(8) million and other adjustments of $3 million and $6 million for the six months ended June 30, 2016 and 2015, respectively. The six months ended June 30, 2016 also includes reserves of $7 million in the first quarter and $60 million in the second quarter associated with $20 million and $245 million of retained Card Member loans, respectively, reclassified from HFS to held for investment during those periods as a result of the respective sales of the JetBlue Airways Corporation (JetBlue) and Costco Wholesale Corporation in the United States (Costco) cobrand card portfolios.

Card Member Loans Evaluated Individually and Collectively for Impairment

The following table presents Card Member loans evaluated individually and collectively for impairment and related reserves as of June 30, 2016 and December 31, 2015:

(Millions)		**2016**		2015
Card Member loans evaluated individually for impairment[(a)]	**$**	**342**	$	279
Related reserves [(a)]	**$**	**62**	$	53

Card Member loans evaluated collectively for impairment[b]	**$**	**59,545**	$	58,294
Related reserves [b]	**$**	**1,029**	$	975

(a) Represents loans modified as a TDR and related reserves.
(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans. The reserves include the quantitative results of analytical models that are specific to individual pools of loans, and reserves for internal and external qualitative risk factors that apply to loans that are collectively evaluated for impairment.

Changes in Card Member Receivables Reserve for Losses

The following table presents changes in the Card Member receivables reserve for losses for the six months ended June 30:

(Millions)		**2016**		2015
Balance, January 1	**$**	**462**	$	465
Provisions[a]		**322**		339
Net write-offs[b]		**(359)**		(370)
Other[c]		**(2)**		(14)
Balance, June 30	**$**	**423**	$	420

(a) Provisions for principal and fee reserve components.
(b) Consists of principal and fee components, less recoveries of $202 million and $201 million, including net write-offs from TDRs of $16 million and $42 million, for the six months ended June 30, 2016 and 2015, respectively.
(c) Includes foreign currency translation adjustments of $(1) million and $(7) million and other adjustments of $(1) million and $(7) million for the six months ended June 30, 2016 and 2015, respectively.

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Card Member Receivables Evaluated Individually and Collectively for Impairment

The following table presents Card Member receivables evaluated individually and collectively for impairment, and related reserves, as of June 30, 2016 and December 31, 2015:

(Millions)	**2016**	2015
Card Member receivables evaluated individually for impairment[a]	**$ 37**	$ 33
Related reserves [a]	**$ 19**	$ 20
Card Member receivables evaluated collectively for impairment	**$ 45,186**	$ 44,100
Related reserves [b]	**$ 404**	$ 442

(a) Represents receivables modified as a TDR and related reserves.
(b) The reserves include the quantitative results of analytical models that are specific to individual pools of receivables, and reserves for internal and external qualitative risk factors that apply to receivables that are collectively evaluated for impairment.

5. Investment Securities

Investment securities principally include debt securities the Company classifies as available-for-sale and carries at fair value on the Consolidated Balance Sheets, with unrealized gains (losses) recorded in Accumulated Other Comprehensive Loss (AOCI), net of income taxes. Realized gains and losses are recognized on a trade-date basis in the Consolidated Statements of Income upon disposition of the securities using the specific identification method.

The following is a summary of investment securities as of June 30, 2016 and December 31, 2015:

	2016				2015			
lions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
cipal	**$ 2,530**	**$ 72**	**$**	**$ 2,602**	$ 2,813	$ 85	$ (5)	$

ent ions	**2**			**2**	2			
ent tions	**354**	**14**		**368**	406	4	(1)	
t	**26**	**1**		**27**	29	1		
ked	**111**	**5**		**116**	117	4		
es	**1**			**1**	1			
nment s	**718**	**9**		**727**	250	6	(1)	
	50		**(1)**	**49**	50		(2)	
	$ 3,792	**$ 101**	**$ (1)**	**$ 3,892**	$ 3,668	$ 100	$ (9)	$

(a) Represents mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.
(b) Other comprises investments in various mutual funds.

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The following table provides information about the Company s investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2016 and December 31, 2015:

	2016				2015			
	Less than 12 months		12 months or more		Less than 12 months		12 months or	
of Securities *(Millions)*	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	
nicipal obligations	**$**	**$**	**$**		$ 100	$ (3)	$ 13	$
ment treasury					253	(1)		
ernment bonds and					99	(1)		
			33	**(1)**			33	
	$	**$**	**$ 33**	**$ (1)**	$ 452	$ (5)	$ 46	$

The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost as of June 30, 2016 and December 31, 2015:

	Less than 12 months			12 months or more			Total	
Amortized Cost	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estima Fair Va
		$	$	**24**	$ **36**	$ **(1)**	**24**	$
016		$	$	**24**	$ **36**	$ **(1)**	**24**	$

	52	$	450	$	(5)	15	$	37	$	(2)	67	$
						2		9		(2)	2	
31, 2015	52	$	450	$	(5)	17	$	46	$	(4)	69	$

Overall, for the investment securities in gross unrealized loss positions (i) the Company does not intend to sell the investment securities, (ii) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (iii) the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairment during the periods presented.

Contractual maturities of investment securities with stated maturities as of June 30, 2016 were as follows:

(Millions)		Cost		Estimated Fair Value
Due within 1 year	**$**	**815**	**$**	**817**
Due after 1 year but within 5 years		**172**		**177**
Due after 5 years but within 10 years		**413**		**435**
Due after 10 years		**2,341**		**2,413**
Total[(a)]	**$**	**3,741**	**$**	**3,842**

(a) Balances primarily represent investments in state and municipal obligations, and foreign government bonds and obligations.

The expected payments on state and municipal obligations and mortgage-backed securities may not coincide with their contractual maturities because the issuers have the right to call or prepay certain obligations.

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6. Asset Securitizations

The Company periodically securitizes Card Member loans and receivables arising from its card business, including Card Member loans and receivables HFS, through the transfer of those assets to securitization trusts. The trusts then issue debt securities to third-party investors, collateralized by the transferred assets.

The following table provides information on the restricted cash held by the American Express Issuance Trust II (the Charge Trust) and the American Express Credit Account Master Trust (the Lending Trust, collectively the Trusts) as of June 30, 2016 and December 31, 2015, included in Other assets on the Consolidated Balance Sheets:

(Millions)		**2016**		2015
Charge Trust	**$**	**2**	$	2
Lending Trust		**33**		153
Total	**$**	**35**	$	155

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.

American Express Travel Related Services Company, Inc. (TRS), in its role as servicer of the Trusts, has the power to direct the most significant activity of the Trusts, which is the collection of the underlying Card Member loans and receivables. In addition, TRS directly and indirectly (through its consolidated subsidiaries) holds all of the variable interests in both Trusts, with the exception of the debt securities issued to third-party investors. As of June 30, 2016, TRS direct and indirect ownership of variable interests was $13.9 billion for the Lending Trust and $2.5 billion for the Charge Trust. These variable interests held by TRS provide it 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, TRS is the primary beneficiary of both Trusts and therefore consolidates both Trusts.

Under the respective terms of the Charge Trust and the Lending Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each Trust could result in payment of trust expenses, establishment of reserve funds, or, in a worst-case scenario, early amortization of debt securities. During the six months ended June 30, 2016 and the year ended December 31, 2015, no such triggering events occurred.

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7. Customer Deposits

As of June 30, 2016 and December 31, 2015, customer deposits were categorized as interest bearing or non-interest bearing, as follows:

(Millions)	**2016**	2015
U.S.:		
Interest bearing	**$ 53,666**	$ 54,102
Non-interest bearing (includes Card Member credit balances of: 2016, $311 million; 2015, $389 million)	**343**	478
Non-U.S.:		
Interest bearing	**89**	82
Non-interest bearing (includes Card Member credit balances of: 2016, $293 million; 2015, $323 million)	**306**	335
Total customer deposits	**$ 54,404**	$ 54,997

Customer deposits by deposit type as of June 30, 2016 and December 31, 2015 were as follows:

(Millions)	**2016**	2015
U.S. retail deposits:		
Savings accounts Direct	**$ 30,221**	$ 29,023
Certificates of deposit:		
Direct	**287**	281
Third-party (brokered)	**13,460**	13,856
Sweep accounts Third-party (brokered)	**9,698**	10,942
Other retail deposits:		
Non-U.S. deposits and U.S. non-interest bearing deposits	**134**	183
Card Member credit balances U.S. and non-U.S.	**604**	712
Total customer deposits	**$ 54,404**	$ 54,997

The scheduled maturities of certificates of deposit as of June 30, 2016 were as follows:

(Millions)	U.S.	Non-U.S.	Total
2016	**$ 2,030**	**$ 5**	**$ 2,035**
2017	**3,657**	**5**	**3,662**
2018	**3,197**		**3,197**
2019	**2,332**		**2,332**
2020	**2,517**		**2,517**
After 5 years	**14**		**14**
Total	**$ 13,747**	**$ 10**	**$ 13,757**

As of June 30, 2016 and December 31, 2015, certificates of deposit in denominations of $250,000 or more, in the aggregate, were as follows:

(Millions)	**2016**	2015
U.S.	**$ 113**	$ 105
Non-U.S.	**3**	1
Total	**$ 116**	$ 106

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8. Contingencies

In the ordinary course of business, the Company and its subsidiaries are subject to various claims, investigations, examinations, pending and potential legal actions, and other matters relating to compliance with laws and regulations (collectively, legal proceedings). The Company discloses its material legal proceedings under Part II, Item 1. Legal Proceedings in this Quarterly Report on Form 10-Q and Part I, Item 3. Legal Proceedings in the Annual Report.

The Company has recorded reserves for certain of its outstanding legal proceedings. A reserve 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 recorded reserve. The Company evaluates, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the reserve that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

The Company s legal proceedings range from cases brought by a single plaintiff to class actions with millions of putative class members. These legal proceedings involve various lines of business of the Company and a variety of claims (including, but not limited to, common law tort, contract, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against the Company specify the damages claimed by the plaintiff or class, 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 the Company are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable the Company to estimate an amount of loss or a range of possible loss, while other matters have progressed sufficiently such that the Company is able to estimate an amount of loss or a range of possible loss.

For those disclosed material legal proceedings where a loss is reasonably possible in future periods, whether in excess of a related reserve for legal contingencies or where there is no such reserve, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to $350 million in excess of any reserves related to those matters. This range represents management s estimate based on currently available information and does not represent the Company s maximum loss exposure; actual results may vary significantly. As such proceedings evolve, including the merchant claims described under Legal Proceedings in the Annual Report, the Company may need to increase its range of possible loss or reserves for legal contingencies.

Based on its current knowledge, and taking into consideration its litigation-related liabilities, the Company believes it is not a party to, nor are any of its properties the subject of, any legal proceeding that would have a material adverse effect on the Company s consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, it is possible that the outcome of legal proceedings, including the possible resolution of merchant claims, could have a material impact on the Company s results of operations.

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9. Derivatives and Hedging Activities

The Company uses derivative financial instruments (derivatives) to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates, foreign exchange rates, and equity index or price, 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 the Company s market risk management. The Company does not transact in derivatives for trading purposes.

In relation to the Company s credit risk, under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of a specified credit risk-related event. Based on the assessment of credit risk of the Company s derivative counterparties as of June 30, 2016 and December 31, 2015, the Company does not have derivative positions that warrant credit valuation adjustments.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of June 30, 2016 and December 31, 2015:

	Other Assets Fair Value		Other Liabilities Fair Value	
(Millions)	**2016**	2015	**2016**	2015
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	**$ 452**	$ 236	**$**	$ 9
Foreign exchange contracts				
Net investment hedges	**216**	191	**141**	57
Total derivatives designated as hedging instruments	**668**	427	**141**	66
Derivatives not designated as hedging instruments:				
Foreign exchange contracts, including certain embedded derivatives[(a)]	**475**	117	**248**	135
Total derivatives, gross	**1,143**	544	**389**	201
Less: Cash collateral netting[(b)]	**(361)**	(155)		
Derivative asset and derivative liability netting[(c)]	**(169)**	(107)	**(169)**	(107)
Total derivatives, net[(d)]	**$ 613**	$ 282	**$ 220**	$ 94

(a) Includes foreign currency derivatives embedded in certain operating agreements.

(b) Represents the offsetting of derivative instruments and the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) executed with the same counterparty under an enforceable master netting arrangement. The Company received non-cash collateral from a counterparty in the form of security interests in U.S. Treasury securities with a fair value of $30 million as of June 30, 2016, none of which was sold or repledged. Such non-cash collateral economically reduced the Company s risk exposure to $583 million but did not reduce the net exposure on the Company s Consolidated Balance Sheets. The Company did not have any such non-cash collateral as of December 31, 2015. Additionally, the Company posted $159 million and $149 million as of June 30, 2016 and December 31, 2015, respectively, as initial margin on its centrally cleared interest rate swaps; such amounts are recorded within Other receivables on the Consolidated Balance Sheets and are not netted against the derivative balances.

(c) Represents the amount of netting of derivative assets and derivative liabilities executed with the same counterparty under an enforceable master netting arrangement.

(d) The Company has no individually significant derivative counterparties and therefore, no significant risk exposure to any single derivative counterparty. The total net derivative assets and derivative liabilities are presented within Other assets and Other liabilities on the Consolidated Balance Sheets.

A majority of the Company s derivative assets and liabilities as of June 30, 2016 and December 31, 2015 are subject to master netting agreements with its derivative counterparties. The Company has no derivative amounts subject to enforceable master netting arrangements that are not offset on the Consolidated Balance Sheets.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Fair Value Hedges

The Company is exposed to interest rate risk associated with its fixed-rate long-term debt. The Company uses interest rate swaps to economically convert certain fixed-rate debt obligations to floating-rate obligations at the time of issuance. The Company hedged $20.3 billion and $18.8 billion of its fixed-rate debt to floating-rate debt using interest rate swaps as of June 30, 2016 and December 31, 2015, respectively.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company s fair value hedges for the three and six months ended June 30:

Three Months Ended June 30 *(Millions)*

	Gains (losses) recognized in income							
	Derivative contract			Hedged item			Net hedge	
		Amount			Amount		ineffectiveness	
Derivative relationship	Income Statement Line Item	**2016**	2015	Income Statement Line Item	**2016**	2015	**2016**	2015
Interest rate contracts	Other expenses	**$ 61**	$ (89)	Other expenses	**$ (53)**	$ 85	**$ 8**	$ (4)

Six Months Ended June 30 *(Millions)*

	Gains (losses) recognized in income							
	Derivative contract			Hedged item			Net hedge	
		Amount			Amount		ineffectiveness	
Derivative relationship	Income Statement Line Item	**2016**	2015	Income Statement Line Item	**2016**	2015	**2016**	2015
Interest rate contracts	Other expenses	**$ 226**	$ (26)	Other expenses	**$ (224)**	$ 29	**$ 2**	$ 3

The Company also recognized a net reduction in interest expense on long-term debt of $59 million and $71 million for the three months ended June 30, 2016 and 2015, respectively, and $118 million and $140 million for the six months ended June 30, 2016 and 2015, respectively, primarily related to the net settlements (interest accruals) on the

Company s interest rate derivatives designated as fair value hedges.

Net Investment Hedges

The effective portion of the gain or (loss) on net investment hedges, net of taxes, recorded in AOCI as part of the cumulative translation adjustment, was $ 135 million and $(34) million for the three months ended June 30, 2016 and 2015, respectively, and $43 million and $161 million for the six months ended June 30, 2016 and 2015, respectively, with any ineffective portion recognized in Other expenses during the period of change.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company s net investment hedges for the three and six months ended June 30:

Three Months Ended June 30: *(Millions)*

	Gains (losses) recognized in income					
		Amount reclassified from AOCI into income			Net hedge ineffectiveness	
Description	Income Statement Line Item	**2016**	2015	Income Statement Line Item	**2016**	2015
Net investment hedges:						
Foreign exchange contracts	Other, net expenses	**$ 5**	$	Other, net expenses	**$**	$ 1

Six Months Ended June 30: *(Millions)*

	Gains (losses) recognized in income					
		Amount reclassified from AOCI into income			Net hedge ineffectiveness	
Description	Income Statement Line Item	**2016**	2015	Income Statement Line Item	**2016**	2015
Net investment hedges:						
Foreign exchange contracts	Other, net expenses	**$ 5**	$	Other, net expenses	**$**	$ 1

Derivatives Not Designated as Hedges

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 $6 million and $8 million for the three months ended June 30, 2016 and 2015, respectively, and a net loss of $8 million and a net gain of $105 million for the six months ended June 30, 2016 and 2015, respectively, and are recognized in Other expenses.

Related to its derivatives not designated as hedges, the Company previously disclosed in Note 9 to the Consolidated Financial Statements in its Quarterly Report on Form 10-Q for the period ended June 30, 2015, a gain of $40 million for the three months ended June 30, 2015, and a loss of $4 million for the six months ended June 30, 2015. These

amounts should have been disclosed as gains of $87 million and $381 million, respectively, which are the amounts used to calculate the above-referenced net gains of $8 million and $105 million. These changes to the previously disclosed amounts have no impact on the Consolidated Statements of Income, Balance Sheets or Cash Flows.

The changes in the fair value of an embedded derivative are nil and a gain of $4 million for the three months ended June 30, 2016 and 2015, respectively, and gains of $6 million and $3 million for the six months ended June 30, 2016 and 2015, respectively, and are recognized in Card Member services and other expense.

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AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

10. Fair Values

Financial Assets and Financial Liabilities Carried at Fair Value

The following table summarizes the Company s financial assets and financial liabilities measured at fair value on a recurring basis, categorized by GAAP s valuation hierarchy, as of June 30, 2016 and December 31, 2015:

	2016				2015			
(Millions)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Investment securities:[a]								
Equity securities	**$ 1**	**$ 1**	**$**	**$**	$ 1	$ 1	$	$
Debt securities and other	**3,891**	**368**	**3,523**		3,758	409	3,349	
Derivatives[a]	**1,143**		**1,143**		544		544	
Total assets	**5,035**	**369**	**4,666**		4,303	410	3,893	
Liabilities:								
Derivatives[a]	**389**		**389**		201		201	
Total liabilities	**$ 389**	**$**	**$ 389**	**$**	$ 201	$	$ 201	$

(a) Refer to Note 5 for the fair values of investment securities and to Note 9 for the fair values of derivative assets and liabilities, on a further disaggregated basis.

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AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes the estimated fair values of the Company s financial assets and financial liabilities that are not required to be carried at fair value on a recurring basis, as of June 30, 2016 and December 31, 2015. The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of June 30, 2016 and December 31, 2015, and require management judgment. These figures may not be indicative of future fair values, nor can the fair value of the Company be estimated by aggregating the amounts presented.

	Carrying	**Corresponding Fair Value Amount**			
2016 *(Billions)*	**Value**	Total	Level 1	Level 2	Level 3
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents	$ **34**	$ **34**	$ **33**	$ **1** [(a)]	$
Other financial assets[(b)]	**48**	**48**		**48**	
Financial assets carried at other than fair value					
Loans, net	**60**	**61** [(c)]			**61**
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	**63**	**63**		**63**	
Financial liabilities carried at other than fair value					
Certificates of deposit[(d)]	**14**	**14**		**14**	
Long-term debt	$ **51**	$ **52** [(c)]	$	$ **52**	$

	Carrying	Corresponding Fair Value Amount			
2015 *(Billions)*	Value	Total	Level 1	Level 2	Level 3
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents	$ 23	$ 23	$ 22	$ 1 [(a)]	$
Other financial assets[(b)]	47	47		47	

Financial assets carried at other than fair value					
Card Member loans and receivables HFS[e]	15	15			15
Loans, net	59	60 [c]			60
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	67	67		67	
Financial liabilities carried at other than fair value					
Certificates of deposit[d]	14	14		14	
Long-term debt	$ 48	$ 49 [c]	$	$ 49	$

(a) Reflects time deposits and short-term investments.

(b) Includes Card Member receivables (including fair values of Card Member receivables of $5.8 billion and $6.7 billion held by a consolidated VIE as of June 30, 2016 and December 31, 2015, respectively), Other receivables, restricted cash and other miscellaneous assets.

(c) Includes the fair values of Card Member loans of $25.3 billion and $23.5 billion and long-term debt of $14.7 billion and $13.6 billion held by a consolidated VIE as of June 30, 2016 and December 31, 2015, respectively.

(d) Presented as a component of customer deposits on the Consolidated Balance Sheets.

(e) Does not include any fair value associated with the Card Member account relationships. Refer to Note 2 for additional information.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Nonrecurring Fair Value Measurements

The Company has 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 determined to be impaired. During the six months ended June 30, 2016, the Company did not have any material assets that were measured at fair value due to impairment. During the year ended December 31, 2015, the Company recorded a $384 million impairment charge, consisting of a $219 million write-down of the entire balance of goodwill in the Prepaid Services business and a $165 million write-down of technology and other assets to fair value.

11. Guarantees

The Company provides Card Member protection plans that cover losses associated with purchased products, as well as certain other guarantees and indemnifications in the ordinary course of business.

In relation to its maximum potential undiscounted future payments as shown in the table that follows, to date the Company has not experienced any significant losses related to guarantees or indemnifications. The Company s initial recognition of these instruments is at fair value. In addition, the Company establishes reserves when a loss is probable and the amount can be reasonably estimated.

The following table provides information related to such guarantees and indemnifications as of June 30, 2016 and December 31, 2015:

	Maximum potential undiscounted future payments[a] *(Billions)*		Related liability[b] *(Millions)*	
Type of Guarantee	**2016**	2015	**2016**	2015
Return and Merchant Protection	**$ 44**	$ 42	**$ 41**	$ 49
Other[c]	**6**	6	**44**	37
Total	**$ 50**	$ 48	**$ 85**	$ 86

(a) Represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed or indemnified parties. The maximum potential undiscounted future payments for Merchant Protection are measured using management s best estimate of maximum exposure, which is based on all eligible claims in relation to annual billed business volumes.

(b) Included in Other liabilities on the Consolidated Balance Sheets.

(c) Primarily includes guarantees related to the Company s purchase protection, real estate and business dispositions.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

12. Changes In Accumulated Other Comprehensive Loss

AOCI 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 and six months ended June 30, 2016 and 2015 were as follows:

s Ended June 30, 2016 *(Millions)*, net of tax		Net Unrealized Gains (Losses) on Investment Securities		Foreign Currency Translation Adjustments		Net Unrealized Pension and Other Postretirement Benefit (Losses) Gains		Accumu Com (Lo
of March 31, 2016	$	60	$	(2,040)	$	(522)	$	
ed gains		**5**						
rease) due to amounts reclassified into								
on loss of investments in foreign operations				**(265)**				
ated to hedges of investments in foreign				**135**				
other postretirement benefit gains						**6**		
n accumulated other comprehensive loss		**5**		**(130)**		**6**		
of June 30, 2016	**$**	**65**	**$**	**(2,170)**	**$**	**(516)**	**$**	

Ended June 30, 2016 *(Millions)*, net of tax		Net Unrealized Gains (Losses) on Investment Securities		Foreign Currency Translation Adjustments		Net Unrealized Pension and Other Postretirement Benefit (Losses) Gains		Accumu Com (Lo
of December 31, 2015	$	58	$	(2,044)	$	(548)	$	

ed gains		**9**					
e to amounts reclassified into earnings		**(2)**					
on loss of investments in foreign operations				**(169)**			
ated to hedges of investments in foreign				**43**			
other postretirement benefit gains						**32**	
n accumulated other comprehensive loss		**7**		**(126)**		**32**	
of June 30, 2016	**$**	**65**	**$**	**(2,170)**	**$**	**(516)**	**$**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

nths Ended June 30, 2015 *(Millions)*, net of tax		Net Unrealized Gains (Losses) on Investment Securities		Foreign Currency Translation Adjustments		Net Unrealized Pension and Other Postretirement Benefit (Losses) Gains		Accumulat Compr (Loss)
as of March 31, 2015	$	96	$	(1,754)	$	(493)	$	
lized loss		(20)						
due to amounts reclassified into earnings				(1)				
ation gain of investments in foreign operations				45				
related to hedges of investments in foreign s				(33)				
nd other postretirement benefit gains						6		
e in accumulated other comprehensive loss		(20)		11		6		
as of June 30, 2015	$	76	$	(1,743)	$	(487)	$	

ns Ended June 30, 2015 *(Millions)*, net of tax		Net Unrealized Gains (Losses) on Investment Securities		Foreign Currency Translation Adjustments		Net Unrealized Pension and Other Postretirement Benefit (Losses) Gains		Accumulat Compr (Loss)
as of December 31, 2014	$	96	$	(1,499)	$	(516)	$	
lized loss		(20)						
due to amounts reclassified into earnings				(1)				
ation loss of investments in foreign operations				(405)				
related to hedges of investments in foreign s				162				
nd other postretirement benefit gains						29		
e in accumulated other comprehensive loss		(20)		(244)		29		

as of June 30, 2015	$	76	$	(1,743)	$	(487)	$

The following table presents the effects of reclassifications out of AOCI and into the Consolidated Statements of Income:

		Gains (losses) recognized in earnings			
		Three Months Ended		Six Months Ended	
Description (*Millions*)	Income Statement Line Item	June 30, Amount **2016**	2015	June 30, Amount **2016**	2015
Available-for-sale securities					
Reclassifications for previously unrealized net gains on investment securities	Other non-interest revenues	**$**	$	**$ 4**	$
Related income tax expense	Income tax provision			**(2)**	
Reclassification to net income related to available-for-sale securities				**2**	
Foreign currency translation adjustments					
Reclassification of realized losses on translation adjustments and related hedges	Other expenses		1		1
Related income tax benefit	Income tax provision				
Reclassification of foreign currency translation adjustments			1		1
Total		**$**	$ 1	**$ 2**	$ 1

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

13. Non-Interest Revenue and Expense Detail

The following is a detail of Other fees and commissions:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2016**	2015	**2016**	2015
Foreign currency conversion fee revenue	**$ 207**	$ 222	**$ 403**	$ 433
Delinquency fees	**192**	194	**392**	389
Loyalty coalition-related fees	**104**	88	**198**	179
Travel commissions and fees	**87**	95	**167**	184
Service fees	**79**	95	**157**	182
Other[(a)]	**33**	33	**65**	68
Total Other fees and commissions	**$ 702**	$ 727	**$ 1,382**	$ 1,435

(a) Other primarily includes revenues from fees related to Membership Rewards programs.

The following is a detail of Other revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2016**	2015	**2016**	2015
Global Network Services partner revenues	**$ 197**	$ 155	**$ 342**	$ 318
Gross realized gains on sale of investment securities			**4**	
Other[(a)]	**348**	366	**685**	671
Total Other revenues	**$ 545**	$ 521	**$ 1,031**	$ 989

(a) Other includes revenues arising from net revenue earned on cross-border Card Member spending, merchant-related fees, insurance premiums earned from Card Member travel and other insurance programs, Travelers Cheques-related revenues, revenues related to the GBT JV transition services agreement, earnings from equity method investments (including the GBT JV) and other miscellaneous revenue and fees.

The following is a detail of Other expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions)	**2016**	2015	**2016**	2015
Professional services	**$ 628**	$ 655	**$ 1,232**	$ 1,279
Occupancy and equipment	**438**	415	**903**	849
Communications	**80**	85	**163**	173
Card and merchant-related fraud losses	**57**	83	**115**	183
Gain on sale of HFS portfolios[(a)]	**(1,091)**		**(1,218)**	
Other[(b)]	**358**	297	**695**	450
Total Other expenses	**$ 470**	$ 1,535	**$ 1,890**	$ 2,934

(a) Refer to Note 2 for additional information.

(b) Other expense includes general operating expenses, gains and losses on sale of assets or businesses not classified as discontinued operations, litigation, certain internal and regulatory review-related reimbursements and insurance costs or settlements, certain loyalty coalition-related expenses, the valuation allowance adjustment associated with loans and receivables HFS (refer to Note 2), and foreign currency-related gains and losses (including the favorable impact from the reassessment of the functional currency of certain UK legal entities in prior year).

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. Income Taxes

The effective tax rate was 33.2 percent and 33.9 percent for the three months ended June 30, 2016 and 2015, respectively, and 33.8 percent and 34.0 percent for the six months ended June 30, 2016 and 2015, respectively. The tax rates in all periods primarily reflected the level of pretax income in relation to recurring permanent tax benefits and the geographic mix of business.

The Company is under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which the Company has significant business operations. The tax years under examination and open for examination vary by jurisdiction. The IRS has completed its field examination of the Company s federal tax returns for years through 2007; however, refund claims for certain years continue to be reviewed by the IRS. In addition, the Company is currently under examination by the IRS for the years 2008 through 2014.

The Company believes it is reasonably possible that its unrecognized tax benefits could decrease within the next 12 months by as much as $237 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 $237 million of unrecognized tax benefits, approximately $21 million relates to amounts that if recognized would be recorded in shareholders equity and would not impact the Company s results of operations or its effective tax rate.

15. Earnings Per Common Share (EPS)

The computations of basic and diluted EPS were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Millions, except per share amounts)	**2016**	2015	**2016**	2015
Numerator:				
Basic and diluted:				
Net income	**$ 2,015**	$ 1,473	**$ 3,441**	$ 2,998
Preferred dividends	**(19)**	(20)	**(40)**	(20)
Net income available to common shareholders	**1,996**	1,453	**3,401**	2,978
Earnings allocated to participating share awards[(a)]	**(17)**	(11)	**(28)**	(22)

Net income attributable to common shareholders	**$**	**1,979**	$	1,442	**$**	**3,373**	$	2,956
Denominator: [a]								
Basic: Weighted-average common stock		**938**		1,009		**949**		1,013
Add: Weighted-average stock options [b]		**3**		4		**3**		5
Diluted		**941**		1,013		**952**		1,018
Basic EPS	**$**	**2.11**	$	1.43	**$**	**3.55**	$	2.92
Diluted EPS	**$**	**2.10**	$	1.42	**$**	**3.54**	$	2.90

(a) The Company s unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) The dilutive effect of unexercised stock options excludes from the computation of EPS 2.5 million and 0.6 million of options for the three months ended June 30, 2016 and 2015, respectively, and 1.7 million and 0.5 million of options for the six months ended June 30, 2016 and 2015, respectively, because inclusion of the options would have been anti-dilutive.

AMERICAN EXPRESS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended June 30, 2016 and 2015, the Company met specified performance measures related to the $750 million of Subordinated Debentures issued in 2006, and maturing in 2036. If the performance measures were not achieved in any given quarter, the Company would be required to issue common shares and apply the proceeds to make interest payments.

16. Reportable Operating Segments

The Company is a global services company that is principally engaged in businesses comprising four reportable operating segments: USCS, ICNS, GCS and GMS. Corporate functions and certain other businesses and operations are included in Corporate & Other.

The following table presents certain selected financial information for the Company s reportable operating segments and Corporate & Other:

ed June 30, 2016 *(Millions, except where indicated)*	USCS	ICNS	GCS	GMS	Corporat & Other(
ues	$ 2,069	$ 1,242	$ 2,280	$ 1,087	$ 108
	1,278	234	310	1	62
	139	58	104	(61)	196
of interest expense	3,208	1,418	2,486	1,149	(26
	1,067	228	576	373	(229
ns)	81	35	46	24	(26
ns)	$ 7	$ 3	$ 8	$ 2	$ 1

June 30, 2016 *(Millions, except where indicated)*	USCS	ICNS	GCS	GMS	Corporat & Other(
ues	$ 4,098	$ 2,382	$ 4,470	$ 2,128	$ 216
	2,669	461	631	1	128

	279	**112**	**199**	**(120)**	**391**
of interest expense	**6,488**	**2,731**	**4,902**	**2,249**	**(47**
	1,761	**416**	**1,061**	**730**	**(527**
ns)	**81**	**35**	**46**	**24**	**(26**
ns)	**$ 7**	**$ 3**	**$ 8**	**$ 2**	**$**

ed June 30, 2015 *(Millions, except where indicated)*	USCS	ICNS	GCS	GMS	Corporat & Other(
ues	$ 2,176	$ 1,163	$ 2,285	$ 1,130	$ 107
	1,252	237	289	1	58
	121	58	91	(49)	193
of interest expense	3,307	1,342	2,483	1,180	(28
	613	193	550	369	(252
ns)	84	29	46	17	(19
ns)	$ 8	$ 3	$ 7	$ 2	$ 2

June 30, 2015 *(Millions, except where indicated)*	USCS	ICNS	GCS	GMS	Corporat & Other(
ues	$ 4,207	$ 2,308	$ 4,460	$ 2,200	$ 189
	2,525	482	567	1	119
	235	121	180	(108)	396
of interest expense	6,497	2,669	4,847	2,309	(88
	1,272	390	1,067	738	(469
ns)	84	29	46	17	(19
ns)	$ 8	$ 3	$ 7	$ 2	$ 2

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Introduction

When we use the terms American Express, the Company, we, our or us, we mean American Express Company a subsidiaries on a consolidated basis, unless we state or the context implies otherwise.

We are a global services 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 charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through our non-consolidated joint venture, American Express Global Business Travel (GBT JV). Our range of products and services includes:

- Charge and credit card products
- Network services
- Merchant acquisition and processing, servicing and settlement, marketing and information products and services for merchants
- Fee services, including fraud prevention services and the design and operation of customer loyalty and rewards programs
- Expense management products and services
- Other lending products, including merchant financing
- Travel-related services
- Stored-value/prepaid products

Our various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, in-house and third-party sales forces and direct response advertising.

We compete in the global payments industry with charge, credit and debit card networks, issuers and acquirers, as well as evolving and growing alternative payment providers. As the payments industry continues to evolve, we face increasing competition from non-traditional players that leverage new technologies and customers existing accounts and relationships to create payment or other fee-based solutions.

Our products and services generate the following types of revenue for the Company:

Discount revenue, our largest revenue source, which represents fees generally charged to merchants when Card Members use their cards to purchase goods and services at merchants on our network;

Interest on loans, which principally represents interest income earned on outstanding balances;

Net card fees, which represent revenue earned from annual card membership fees;

Other fees and commissions, which are earned on card-related fees (such as late fees and assessments), foreign exchange conversions, loyalty coalition-related fees, travel commissions and fees and other service fees; and

Other revenue, which represents revenues arising from contracts with partners of our Global Network Services (GNS) business (including commissions and signing fees), insurance premiums earned from Card Member travel and other insurance programs, prepaid card-related revenues, revenues related to the

GBT JV transition services agreement, earnings from equity method investments (including the GBT JV) and other miscellaneous revenue and fees.

Effective for the first quarter of 2016, we realigned our segment presentation to reflect the organizational changes announced during the fourth quarter of 2015. Prior periods have been restated to conform to the new reportable operating segments, which are: U.S. Consumer Services (USCS), International Consumer and Network Services (ICNS), Global Commercial Services (GCS) and Global Merchant Services (GMS), with corporate functions and certain other businesses and operations included in Corporate & Other. Refer to Note 1 to the Consolidated Financial Statements for additional information.

Forward-Looking Statements and Non-GAAP Measures

Certain of the statements in this Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Refer to the Cautionary Note Regarding Forward-Looking Statements section. 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 Form 10-Q constitute non-GAAP financial measures. Our calculations of non-GAAP financial measures may differ from the calculations of similarly titled measures by other companies.

Bank Holding Company

American Express Company is a bank holding company under the Bank Holding Company Act of 1956 and The Board of Governors of the Federal Reserve System (the Federal Reserve) is our primary federal regulator. As such, we are subject to the Federal Reserve s regulations, policies and minimum capital standards.

Business Environment

For the quarter ended June 30, 2016, earnings included a gain of $1.1 billion ($677 million after-tax) from the previously announced sale of our Costco Wholesale Corporation (Costco) U.S. cobrand card portfolio, a $232 million ($151 million after-tax) restructuring charge related to our on-going cost reduction efforts, together with a continued elevated level of spending on growth initiatives. During the quarter, we continued to make progress on our key initiatives to accelerate growth, including driving new card acquisitions across our global consumer and commercial portfolios, expanding merchant coverage and driving strong momentum across our lending growth initiatives. In addition, we used our capital strength to repurchase $1.7 billion of outstanding shares.

The year-over-year growth in worldwide billings for the second quarter, adjusted for foreign currency exchange rates, slowed versus the first quarter as a result of a continued slowdown in Costco-related volumes leading up to the date of the portfolio sale. International volumes continued to be strong and performance remained relatively consistent sequentially across most regions.

Revenues net of interest expense decreased modestly as compared to the prior year. Similar to last quarter, we experienced a year-over-year decline in the discount rate from the continued expansion of OptBlue and merchant negotiations, including those resulting from the regulatory changes in the EU that went into effect late last year. Discount revenue growth was also impacted by an increase in contra-discount revenues as compared to the prior year, primarily related to cash rebate rewards. In addition, in the prior year both the discount rate and discount revenue benefited from certain merchant rebate accruals.

Net interest income grew, as compared to the prior year, although growth slowed sequentially due primarily to the sales of the Costco and JetBlue cobrand card portfolios as well as the continued decline in Costco loans prior to the

portfolio sale in June. Card member loans were down in the second quarter of 2016 compared to the prior year, reflecting the sales of the two cobrand card portfolios in the first half of this year. Excluding the Card Member loans related to the Costco and JetBlue portfolios from the prior year,

worldwide loan growth during the quarter was sequentially consistent, with a portion of the growth coming from increased usage of other American Express cards by former Costco cobrand Card Members. We continue to believe there are opportunities to increase our share of lending from both existing customers and high quality prospects without significantly changing our overall credit risk profile.

Provision expenses were down modestly and credit quality remained strong during the quarter. The prior period included credit costs associated with the Costco and JetBlue cobrand card portfolios subsequently classified as held for sale; the credit costs associated with the Costco portfolio for the current quarter were reported in Other expense. We expect some modest upward pressure on our write-off rates, due primarily to the seasoning of loans related to new Card Members.

Total expenses decreased significantly as compared to the prior year, reflecting the Costco cobrand portfolio sale gain, which was classified as an expense reduction in Other expense. Excluding the Costco portfolio sale gain and the restructuring charge during the current quarter, total expenses grew modestly and reflect a continued elevated level of investment spending on growth initiatives. We expect our investment spending during 2016, including marketing and promotion, will be at a higher level than 2015. Rewards expense declined in the second quarter driven by a shift in volumes to cash rebate products for which the rewards costs are classified as contra-discount revenue.

Relative to the first half of the year, we continue to anticipate earnings will be lower during the second half of the year due to the end of our relationship with Costco in the U.S. and our higher level of spending on growth initiatives. Overall, we remain focused on accelerating revenue growth, optimizing investments and resetting our cost base.

See Certain legislative, regulatory and other developments in Other Matters for information on the potential impacts of an adverse decision in the Department of Justice (DOJ) case and related merchant litigations on our business, as well as other legislative and regulatory changes that could have a material adverse effect on our results of operations and financial condition.

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American Express Company

Consolidated Results of Operations

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

Effective December 1, 2015, we transferred the Card Member loans and receivables related to our cobrand partnerships with JetBlue and Costco in the United States (the HFS portfolios) to Card Member loans and receivables HFS (included in the USCS and GCS segments) on the Consolidated Balance Sheets, the sales of which were completed on March 18, 2016 and June 17, 2016, respectively. For the periods from December 1, 2015 through the sale completion dates, the primary impacts beyond the HFS classification on the Consolidated Balance Sheets were to provisions for losses and credit metrics, which do not reflect amounts related to these HFS loans and receivables, as credit costs were reported in Other expenses through a valuation allowance adjustment. Other, non-credit related metrics (i.e., billed business, cards-in-force, net interest yield) reflect amounts related to the HFS portfolios through the sale completion dates. Refer to Note 2 to the Consolidated Financial Statements for additional information.

The relative strengthening of the U.S. dollar over the periods of comparison has had an impact on our results of operations. Where meaningful in describing our performance, foreign currency-adjusted amounts, which exclude the impact of changes in the foreign exchange (FX) rates, have been provided.

Table 1: Summary of Financial Performance

ons, except percentages and are amounts)	Three Months Ended June 30, **2016**	2015	Change 2016 vs. 2015		Six Months Ended June 30, **2016**	2015	Change 2016 vs. 201
revenues net of interest se	$ **8,235**	$ 8,284	$ (49)	(1)%	$ **16,323**	$ 16,234	$ 89
sions for losses	**463**	467	(4)	(1)	**897**	887	10
ses	**4,756**	5,587	(831)	(15)	**10,226**	10,801	(575)
come	**2,015**	1,473	542	37	**3,441**	2,998	443
ngs per common share d	**(387)**	(359)	(361)				
d net interest income [a]	$ **6,496**	$ 6,132	$ 5,867				
e loans including HFS loan os *(billions)* [b]	$ **69.0**	$ 66.0	$ 63.3				
e certain non-traditional Card r loans and other fees *(billions)*	**(0.2)**	(0.2)	(0.3)				
d average loans *(billions)* [a]	$ **68.8**	$ 65.8	$ 63.0				
erest income divided by average	**8.6%**	8.3%	8.0%				
	9.4%	9.3%	9.3%				

erest yield on Card Member loans

(a) Adjusted net interest income, adjusted average loans, and net interest yield on Card Member loans are non-GAAP measures. Refer to Glossary of Selected Terminology for definitions of these terms. We believe adjusted net interest income and adjusted average loans are useful to investors because they are components of net interest yield on Card Member loans, which provides a measure of profitability of our Card Member loan portfolio.

(b) For purposes of the calculation of net interest yield on Card Member loans, average loans continues to include the HFS loan portfolios.

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BUSINESS SEGMENT RESULTS

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 25 of the Consolidated Financial Statements for additional discussion of the products and services by segment.

In light of the organizational changes discussed under Business, our financial disclosures will reflect segment changes starting in the first quarter of 2016. This overview discusses the operating segments used for financial reporting in 2015.

Results of the business 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 USCS, ICS and GCS segments, discount revenue generally reflects the issuer component of the overall discount revenue generated by each segment s Card Members; within the GNMS segment, discount revenue generally reflects the network and acquirer component of the overall discount revenue. Net card fees and travel commissions and fees 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 LOSSES

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

EXPENSES

Marketing and promotion expenses are included in each segment based on actual expenses incurred, with the exception of brand advertising, which is primarily reflected in the GNMS and USCS segments. Rewards and Card Member services expenses are included in each segment based on actual expenses incurred within each segment.

Salaries and employee benefits and other operating expenses reflect expenses such as professional services, occupancy and equipment and communications incurred directly within each segment. In addition, expenses related to support services, such as technology costs, are allocated to each segment primarily based on support service activities directly attributable to the segment. Other overhead expenses, such as staff group support functions, are allocated from Corporate & Other to the other segments based on a mix of each segment s direct consumption of services and relative level of pretax income.

CAPITAL

Each business segment is allocated capital based on established business model operating requirements, risk measures and regulatory capital requirements. The business model operating requirements reflect the capital needed to support operations and specific balance sheet items. The risk measures reflect considerations for credit, market and operational risk.

INCOME TAXES

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

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U.S. CARD SERVICES

TABLE 9: USCS SELECTED INCOME STATEMENT DATA

Years Ended December 31,				Change		Change	
(Millions, except percentages)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Revenues							
Non-interest revenues	**$ 13,180**	$ 12,628	$ 12,019	$ 552	4%	$ 609	5%
Interest income	**6,267**	5,786	5,565	481	8	221	4
Interest expense	**654**	604	693	50	8	(89)	(13)
Net interest income	**5,613**	5,182	4,872	431	8	310	6
Total revenues net of interest expense	**18,793**	17,810	16,891	983	6	919	5
Provisions for losses	**1,453**	1,396	1,250	57	4	146	12
Total revenues net of interest expense after provisions for losses	**17,340**	16,414	15,641	926	6	773	5
Expenses							
Marketing, promotion, rewards, Card Member services and other	**7,776**	7,197	6,721	579	8	476	7
Salaries and employee benefits and other operating expenses	**4,209**	4,117	3,926	92	2	191	5
Total expenses	**11,985**	11,314	10,647	671	6	667	6
Pretax segment income	**5,355**	5,100	4,994	255	5	106	2
Income tax provision	**1,942**	1,900	1,801	42	2	99	5
Segment income	**$ 3,413**	$ 3,200	$ 3,193	$ 213	7%	$ 7	%
Effective tax rate	**36.3%**	37.3%	36.1%				

USCS offers a wide range of card products and services to consumers and small businesses in the United States, provides travel services to Card Members and other consumers, and operates a coalition loyalty business.

TOTAL REVENUES NET OF INTEREST EXPENSE

Non-interest revenues increased $552 million or 4 percent in 2015 compared to 2014, driven by 6 percent growth in billed business, partially offset by a decline in the average discount rate and increases in contra-discount revenues, such as cash rebate rewards from new Card Member acquisition offers and payments under previously renewed cobrand partnership agreements. The increase in billed business was primarily driven by 6 percent higher cards-in-force and a 1 percent increase in average spending per proprietary basic card.

Net interest income increased $481 million or 8 percent in 2015 compared to 2014, due to higher interest income resulting from higher average Card Member loans, partially offset by higher interest expense.

Total revenues net of interest expense increased $919 million or 5 percent in 2014 compared to 2013, primarily driven by higher discount revenue, as a result of 8 percent growth in billed business, partially offset by a decrease in the average discount rate and higher cash rebate rewards. The increase also reflected higher net interest income, primarily driven by higher average Card Member loans and lower funding costs.

PROVISIONS FOR LOSSES

Overall, provisions for losses increased $57 million or 4 percent in 2015 compared to 2014. Charge card provision for losses decreased $31 million or 7 percent, primarily due to a reserve release in 2015 versus a reserve build in 2014, partially offset by higher write-off rates. Card

Member loans provision for losses increased $88 million or 9 percent, driven by a higher reserve build in the current year, versus a reserve release in 2014, due to a small increase in delinquency rates combined with an increase in loan balances, partially offset by lower net write-offs and the impact related to transferring the HFS portfolios to Card Member loans and receivables HFS, as credit costs related to the HFS portfolios are reported in Other expenses through a valuation allowance adjustment beginning in December 2015.

Provisions for losses increased $146 million in 2014 compared to 2013, primarily due to higher average Card Member loans, a slower reserve rate improvement and a lower reserve release in 2014, partially offset by the benefit of lower net write-offs for Card Member loans.

Refer to Table 10 for the charge card and lending write-off rates for 2015, 2014 and 2013.

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EXPENSES

Marketing, promotion, rewards, Card Member services and other expenses increased $579 million or 8 percent in 2015 compared to 2014, driven in part by a $233 million or 5 percent increase in Card Member rewards expense. The increase in rewards costs was driven by higher cobrand rewards expenses of $252 million, partially offset by a decrease in Membership Rewards expense of $19 million. The increase in cobrand rewards expense was driven by higher spending volumes and rate increases, which were due in part to the previously renewed cobrand partnership agreements. The decrease in Membership Rewards expense was primarily driven by slower growth in the URR and a decline in the WAC per point assumption, including the impact of a $96 million charge in the fourth quarter of 2014 related to the Delta partnership renewal, partially offset by higher spending volumes. Card Member services and other expenses increased $207 million or 42 percent in 2015 compared to 2014, primarily driven by higher costs related to renewed cobrand partnership agreements. Marketing and promotion increased $139 million or 9 percent in 2015 compared to 2014, reflecting elevated levels of spending on growth initiatives.

Salaries and employee benefits and other operating expenses increased $92 million or 2 percent in 2015, compared to 2014, primarily driven by higher spending on growth initiatives and the December 2015 valuation allowance adjustment related to the HFS portfolios mentioned previously, partially offset by lower fraud losses in the current year and a change in the estimated value of certain investments in our Community Reinvestment Act (CRA) portfolio in the prior year.

Total expenses increased $667 million in 2014 compared to 2013, primarily driven by higher marketing and promotion expenses, higher cobrand rewards expenses related to higher spending volumes and an increase in Membership Rewards expense, which was due to higher new points earned and a higher WAC per point assumption, including the impact of the previously mentioned charge related to the Delta partnership renewal. The increase also reflected higher salaries and employee benefits and other expenses, driven by an increase in card-related fraud losses, a change in the estimated value of certain investments in our CRA portfolio and higher restructuring charges in 2014.

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TABLE 10: USCS SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31,

(Millions, except percentages and where indicated)	2015	2014	2013	Change 2015 vs. 2014	Change 2014 vs. 2013
Card billed business *(billions)*	**$ 572.3**	$ 542.0	$ 501.0	6%	8%
Total cards-in-force	**48.3**	45.6	43.7	6	4
Basic cards-in-force	**36.2**	34.0	32.5	6	5
Average basic Card Member spending *(dollars)**	**$ 16,413**	$ 16,294	$ 15,689	1	4
U.S. Consumer Travel:					
Travel sales	**$ 3,761**	$ 3,774	$ 3,967		(5)
Travel commissions and fees/sales	**7.0%**	7.2%	7.1%		
Total segment assets *(billions)* [(a)]	**$ 117.3**	$ 113.2	$ 103.5	4	9
Segment capital	**$ 10,320**	$ 10,433	$ 9,269	(1)	13
Return on average segment capital [(b)]	**32.4%**	32.5%	35.6%		
Return on average tangible segment capital [(b)]	**33.7%**	33.6%	37.0%		
Card Member receivables: [(c)]					
Total receivables *(billions)*	**$ 23.3**	$ 22.5	$ 21.8	4	3
Net write-off rate principal only[(d)]	**1.7%**	1.6%	1.7%		
Net write-off rate principal and fees[(d)]	**1.9%**	1.8%	1.9%		
30+ days past due as a % of total	**1.5%**	1.7%	1.6%		
Card Member loans: [(c)]					
Total loans *(billions)*	**$ 51.4**	$ 62.6	$ 58.4	(18)%	7%
Net write-off rate principal only[(d)]	**1.4%**	1.5%	1.8%		
Net write-off rate principal, interest and fees[(d)]	**1.6%**	1.7%	2.0%		
30+ days past due loans as a % of total	**1.0%**	1.0%	1.1%		
Calculation of Net Interest Yield on Card Member Loans:					
Net interest income	**$ 5,613**	$ 5,182	$ 4,872		
Exclude:					
Interest expense not attributable to the Company s Card Member loan portfolio	**164**	157	183		
Interest income not attributable to the Company s Card Member loan portfolio	**(16)**	(11)	(9)		
Adjusted net interest income [(e)]	**$ 5,761**	$ 5,328	$ 5,046		
Average loans including HFS loan portfolios *(billions)* [(f)]	**$ 61.9**	$ 57.8	$ 54.7		
Exclude certain non-traditional Card Member loans and other fees *(billions)*					
Adjusted average loans *(billions)* [(e)]	**$ 61.9**	$ 57.8	$ 54.7		
Net interest income divided by average loans	**9.1%**	9.0%	8.9%		
Net interest yield on Card Member loans [(e)]	**9.3%**	9.2%	9.2%		

* Proprietary cards only.

(a) As of September 30, 2015, and prospectively, certain intercompany balances have been reclassified between operating segments, as a result of systems enhancements.

(b) Return on average segment capital is calculated by dividing (i) one-year period segment income ($3.4 billion for 2015 and $3.2 billion for both 2014 and 2013), by (ii) one-year average segment capital ($10.5 billion, $9.8 billion and $9.0 billion for 2015, 2014 and 2013, respectively). Return on average tangible segment capital, a non-GAAP measure, is computed in the same manner as return on average segment capital except the computation excludes from average segment capital average goodwill and other intangibles of $395 million, $319 million and $334 million as of December 31, 2015, 2014 and 2013, respectively. We believe return on average tangible segment capital is a useful measure of the profitability of our business.

(c) Refer to Table 7 footnote (a).
(d) Refer to Table 7 footnote (f).
(e) Adjusted net interest income, adjusted average loans and net interest yield on 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 and adjusted average loans are useful to investors because they are components of net interest yield on Card Member loans, which provides a measure of profitability of our Card Member loan portfolio.
(f) Refer to Table 8 footnote (b).

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INTERNATIONAL CARD SERVICES

TABLE 11: ICS SELECTED INCOME STATEMENT DATA

Years Ended December 31,

(Millions, except percentages)	2015	2014	2013	Change 2015 vs. 2014		Change 2014 vs. 2013	
Revenues							
Non-interest revenues	**$ 4,321**	$ 4,737	$ 4,644	$ (416)	(9)%	$ 93	2%
Interest income	**939**	1,085	1,118	(146)	(13)	(33)	(3)
Interest expense	**242**	330	361	(88)	(27)	(31)	(9)
Net interest income	**697**	755	757	(58)	(8)	(2)	
Total revenues net of interest expense	**5,018**	5,492	5,401	(474)	(9)	91	2
Provisions for losses	**329**	370	388	(41)	(11)	(18)	(5)
Total revenues net of interest expense after provisions for losses	**4,689**	5,122	5,013	(433)	(8)	109	2
Expenses							
Marketing, promotion, rewards, Card Member services and other	**1,943**	2,160	2,013	(217)	(10)	147	7
Salaries and employee benefits and other operating expenses	**2,238**	2,513	2,357	(275)	(11)	156	7
Total expenses	**4,181**	4,673	4,370	(492)	(11)	303	7
Pretax segment income	**508**	449	643	59	13	(194)	(30)
Income tax provision	**87**	38	12	49	#	26	#
Segment income	**$ 421**	$ 411	$ 631	$ 10	2%	$ (220)	(35)%
Effective tax rate	**17.1%**	8.5%	1.9%				

\# Denotes a variance greater than 100 percent

ICS offers a wide range of card products and services to consumers and small businesses outside the United States, provides travel services to Card Members and other consumers, and operates a coalition loyalty business in various countries.

TOTAL REVENUES NET OF INTEREST EXPENSE

Non-interest revenues decreased $416 million or 9 percent in 2015 compared to 2014, and FX-adjusted non-interest revenues increased 5 percent, primarily driven by net foreign exchange fees and spread revenue on cross-border Card Member spending, higher net card fees and revenue from our Loyalty Partner business.[3] Billed business decreased 10 percent in 2015 compared to 2014, while FX-adjusted billed business increased 3 percent, primarily due to higher average Card Member spending per card, partially offset by lower cards-in-force in Canada driven by the termination of our relationship with Costco in that country.[3] Refer to Tables 5 and 6 for additional information on billed business by region.

Interest income decreased $146 million or 13 percent (and remained flat on an FX-adjusted basis), in 2015 compared to 2014, primarily driven by lower average loans as a result of the termination of our relationship with Costco in Canada, offset by a higher net interest yield. [3]

Interest expense decreased $88 million or 27 percent in 2015 compared to 2014, primarily driven by lower funding costs, as a result of lower average loans.

Total revenues net of interest expense increased $91 million or 2 percent in 2014 compared to 2013, primarily driven by higher Loyalty Partner-related fees, higher discount revenue and an increase in net card fees.

PROVISIONS FOR LOSSES

Provisions for losses decreased $41 million or 11 percent (4 percent increase on an FX-adjusted basis) in 2015, compared to 2014, and decreased $18 million or 5 percent (1 percent on an FX-adjusted basis) in 2014 compared to 2013.[3] Refer to Table 12 for Card Member receivables and loans write-off rates for 2015, 2014 and 2013.

EXPENSES

Marketing, promotion, rewards, Card Member services and other expenses decreased $217 million or 10 percent in 2015 compared to 2014, but increased 3 percent on an FX-adjusted basis, reflecting elevated levels of spending on growth initiatives, primarily in marketing.[3]

[3] Refer to footnote 1 on page 55 for details regarding foreign currency adjusted information.

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Salaries and employee benefits and other operating expenses decreased $275 million or 11 percent in 2015 compared to 2014, primarily due to restructuring charges in 2014.

Total expenses increased $303 million or 7 percent in 2014 compared to 2013, primarily driven by higher marketing and promotion expenses, higher Loyalty Partner expenses and higher restructuring charges in 2014.

INCOME TAXES

The effective tax rate in all periods reflects the recurring permanent tax benefit related to the segment s ongoing funding activities outside the United States, in relation to the levels of pretax income. The benefit is allocated to ICS under our internal tax allocation process. The effective tax rates for 2015 and 2013 also include the allocated share of tax benefits related to the resolution of certain prior-years items. In addition, the effective tax rate in each of the periods reflects the impact of recurring permanent tax benefits on varying levels of pretax income.

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TABLE 12: ICS SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31,

(Millions, except percentages and where indicated)	2015	2014	2013	Change 2015 vs. 2014	Change 2014 vs. 2013
Card billed business *(billions)*	**$ 120.2**	$ 133.8	$ 131.7	(10)%	2%
Total cards-in-force	**15.2**	15.7	15.7	(3)	
Basic cards-in-force	**10.5**	11.0	10.7	(5)	3
Average basic Card Member spending *(dollars)**	**$ 11,459**	$ 12,297	$ 12,429	(7)	(1)
International Consumer Travel:					
Travel sales	**$ 1,304**	$ 1,422	$ 1,420	(8)	
Travel commissions and fees/sales	**6.7%**	6.8%	6.9%		
Total segment assets *(billions)* [(a)]	**$ 35.4**	$ 30.7	$ 31.1	15	(1)
Segment capital	**$ 2,906**	$ 2,948	$ 3,132	(1)	(6)
Return on average segment capital [(b)]	**13.2%**	13.6%	20.9%		
Return on average tangible segment capital [(b)]	**21.3%**	24.6%	38.8%		
Card Member receivables:					
Total receivables *(billions)*	**$ 7.0**	$ 7.7	$ 7.8	(9)	(1)
Net write-off rate principal only[(d)]	**2.0%**	1.9%	(c)		
Net write-off rate principal and fees[(d)]	**2.2%**	2.1%	(c)		
30+ days past due as a % of total	**1.4%**	1.3%	(c)		
90+ days past billing as a % of total	**(c)**	(c)	1.1%		
Net loss ratio as a % of charge volume	**(c)**	(c)	0.20%		
Card Member loans:					
Total loans *(billions)*	**$ 7.1**	$ 7.7	$ 8.8	(8)%	(13)%
Net write-off rate principal only[(d)]	**1.9%**	2.0%	1.9%		
Net write-off rate principal, interest and fees[(d)]	**2.4%**	2.4%	2.3%		
30+ days past due loans as a % of total	**1.6%**	1.6%	1.4%		
Calculation of Net Interest Yield on Card Member Loans:					
Net interest income	**$ 697**	$ 755	$ 757		
Exclude:					
Interest expense not attributable to the Company s Card Member loan portfolio	**68**	89	93		
Interest income not attributable to the Company s Card Member loan portfolio	**(32)**	(39)	(29)		
Adjusted net interest income [(e)]	**$ 733**	$ 805	$ 821		
Average loans *(billions)*	**$ 7.0**	$ 8.2	$ 8.5		
Exclude certain non-traditional Card Member loans and other fees *(billions)*	**(0.1)**	(0.2)	(0.2)		
Adjusted average loans *(billions)* [(e)]	**$ 6.9**	$ 8.0	$ 8.3		
Net interest income divided by average loans	**10.0%**	9.2%	8.9%		
Net interest yield on Card Member loans [(e)]	**10.6%**	10.0%	9.9%		

* Proprietary cards only.

(a) As of September 30, 2015, and prospectively, certain intercompany balances have been reclassified between operating segments, as a result of systems enhancements.

(b) Return on average segment capital is calculated by dividing (i) one-year period segment income ($421 million, $411 million and $631 million for 2015, 2014 and 2013, respectively) by (ii) one-year average segment capital ($3.2 billion for 2015 and $3.0 billion for both 2014 and 2013). Return on average tangible segment capital, a non-GAAP measure, is computed in the same manner as return on average segment capital except the computation excludes from average

segment capital average goodwill and other intangibles of $1.2 billion at December 31, 2015 and $1.4 billion at December 31, 2014 and 2013. We believe return on average tangible segment capital is a useful measure of the profitability of our business.

(c) Historically, due to system constraints, net loss ratio as a % of charge volume and 90 days past billing as a % of receivables were presented. Beginning in the first quarter of 2014, as a result of system enhancements, net write-off rate principal only, net write-off rate principal and fees and 30 days past due as a % of total are presented.

(d) Refer to Table 7 footnote (f).

(e) Adjusted net interest income, adjusted average loans and net interest yield on 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 and adjusted average loans are useful to investors because they are components of net interest yield on Card Member loans, which provides a measure of profitability of our Card Member loan portfolio.

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GLOBAL COMMERCIAL SERVICES

TABLE 13: GCS SELECTED INCOME STATEMENT DATA

Years Ended December 31, (Millions, except percentages)	2015	2014	2013	Change 2015 vs. 2014		Change 2014 vs. 2013	
Revenues							
Non-interest revenues	**$ 3,513**	$ 5,173	$ 5,085	$ (1,660)	(32)%	$ 88	2%
Interest income	**14**	15	13	(1)	(7)	2	15
Interest expense	**185**	240	245	(55)	(23)	(5)	(2)
Net interest expense	**(171)**	(225)	(232)	(54)	(24)	(7)	(3)
Total revenues net of interest expense	**3,342**	4,948	4,853	(1,606)	(32)	95	2
Provisions for losses	**148**	180	129	(32)	(18)	51	40
Total revenues net of interest expense after provisions for losses	**3,194**	4,768	4,724	(1,574)	(33)	44	1
Expenses							
Marketing, promotion, rewards, Card Member services and other	**632**	682	604	(50)	(7)	78	13
Salaries and employee benefits and other operating expenses	**1,489**	1,678	2,876	(189)	(11)	(1,198)	(42)
Total expenses	**2,121**	2,360	3,480	(239)	(10)	(1,120)	(32)
Pretax segment income	**1,073**	2,408	1,244	(1,335)	(55)	1,164	94
Income tax provision	**407**	865	384	(458)	(53)	481	#
Segment income	**$ 666**	$ 1,543	$ 860	$ (877)	(57)%	$ 683	79%
Effective tax rate	**37.9%**	35.9%	30.9%				

# Denotes a variance greater than 100 percent

GCS offers global corporate payment services to large and mid-sized companies. Our business travel operations, which had been included in GCS, were deconsolidated effective June 30, 2014 in connection with the formation of the GBT JV, discussed previously. Therefore, there is a lack of comparability against periods prior to the deconsolidation. Our proportional share of the GBT JV net income or loss is reported within Other revenues.

TOTAL REVENUES NET OF INTEREST EXPENSE

Non-interest revenues decreased $1.7 billion or 32 percent in 2015 compared to 2014. The decrease was primarily due to the gain on the sale of our investment in Concur in 2014 and the impact of the business travel joint venture transaction (resulting in a lack of comparability between periods). Billed business decreased 2 percent in 2015 compared to 2014 and increased 2 percent on an FX-adjusted basis.[4] Billed business volume increased 2 percent within the United States and decreased 10 percent outside the United States. FX-adjusted billed business outside the United States increased 3 percent.[4]

Net interest expense decreased $54 million or 24 percent in 2015 compared to 2014, primarily driven by lower funding costs due to lower Card Member receivables.

Total revenues net of interest expense increased $95 million or 2 percent in 2014 compared to 2013, primarily due to the gain on the sale of our investment in Concur in 2014 and higher discount revenue from an increased level of Card Member spending, partially offset by the impact of the business travel joint venture transaction (resulting in a lack of comparability between periods).

PROVISIONS FOR LOSSES

Provisions for losses decreased $32 million or 18 percent in 2015 compared to 2014, primarily driven by a lower charge card provision, resulting from a lower reserve build due to lower average Card Member receivables and lower net write-offs.

Provisions for losses increased $51 million or 40 percent in 2014 compared to 2013, primarily driven by higher average Card Member receivables resulting in higher net write-offs. Refer to Table 14 for the charge card net loss ratio as a percentage of charge volume.

[4] Refer to footnote 1 on page 55 for details regarding foreign currency adjusted information.

EXPENSES

Marketing, promotion, rewards, Card Member services and other expenses decreased $50 million or 7 percent in 2015 compared to 2014, primarily driven by lower Card Member rewards due to lower spending volumes and a $13 million charge related to the Delta partnership renewal in the fourth quarter of 2014.

Salaries and employee benefits and other operating expenses decreased $189 million or 11 percent in 2015 compared to 2014, primarily due to the impact of the business travel joint venture transaction (resulting in a lack of comparability between periods), partially offset by elevated level of spending on growth initiatives in 2015.

Total expenses decreased $1.1 billion or 32 percent in 2014 compared to 2013, primarily due to the impact of the business travel joint venture transaction (resulting in a lack of comparability between periods), including the gain associated with the transaction in the second quarter of 2014, partially offset by transaction-related costs and restructuring charges.

INCOME TAXES

The effective tax rate for 2015 reflects the impact of certain nondeductible foreign losses. The effective tax rate for 2013 reflects the reversal of a valuation allowance related to deferred tax assets associated with certain of our non-U.S. business travel operations, as well as the allocated share of tax benefits related to the resolution of certain prior-years tax items.

TABLE 14: GCS SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31,

(Millions, except percentages and where indicated)	**2015**	**2014**	**2013**	**Change 2015 vs. 2014**	**Change 2014 vs. 2013**
Card billed business *(billions)*	**$ 182.1**	$ 186.7	$ 175.4	(2)%	6%
Total cards-in-force	**6.9**	6.9	7.1		(3)
Basic cards-in-force	**6.9**	6.9	7.1		(3)
Average basic Card Member spending *(dollars)*[*]	**$ 26,420**	$ 26,706	$ 24,924	(1)	7
Total segment assets *(billions)* [(a)]	**$ 17.7**	$ 18.5	$ 19.2	(4)	(4)
Segment capital	**$ 3,699**	$ 3,782	$ 3,688	(2)	3
Return on average segment capital [(b)]	**17.4%**	40.9%	23.6%		
Return on average tangible segment capital [(b)]	**30.8%**	74.4%	45.8%		
Card Member receivables:					
Total receivables *(billions)*	**$ 13.8**	$ 14.6	$ 14.4	(5)%	1%
90 days past billing as a % of total	**0.9%**	0.8%	0.9%		
Net loss ratio (as a % of charge volume)	**0.09%**	0.09%	0.08%		

* Proprietary cards only.

(a) As of September 30, 2015, and prospectively, certain intercompany balances have been reclassified between operating segments, as a result of systems enhancements.

(b) Return on average segment capital is calculated by dividing (i) one-year period segment income ($666 million, $1.5 billion and $860 million for 2015, 2014 and 2013, respectively) by (ii) one-year average segment capital ($3.8 billion for both 2015 and 2014 and $3.6 billion for 2013). Return on average tangible segment capital, a non-GAAP measure, is computed in the same manner as return on average segment capital except the computation excludes from average segment capital average goodwill and other intangibles of $1.7 billion at December 31, 2015 and 2014 and $1.8 billion at December 31, 2013. We believe return on average tangible segment capital is a useful measure of the profitability of our business.

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GLOBAL NETWORK & MERCHANT SERVICES

TABLE 15: GNMS SELECTED INCOME STATEMENT DATA

Years Ended December 31, *(Millions, except percentages)*	2015	2014	2013	Change 2015 vs. 2014		Change 2014 vs. 2013	
Revenues							
Non-interest revenues	**$ 5,236**	$ 5,426	$ 5,229	$ (190)	(4)%	$ 197	4%
Interest income	**98**	52	32	46	88	20	63
Interest expense	**(194)**	(269)	(252)	75	(28)	(17)	7
Net interest income	**292**	321	284	(29)	(9)	37	13
Total revenues net of interest expense	**5,528**	5,747	5,513	(219)	(4)	234	4
Provisions for losses	**54**	93	67	(39)	(42)	26	39
Total revenues net of interest expense after provisions for losses	**5,474**	5,654	5,446	(180)	(3)	208	4
Expenses							
Marketing, promotion, rewards, Card Member services and other	**698**	819	704	(121)	(15)	115	16
Salaries and employee benefits and other operating expenses	**2,001**	2,215	2,273	(214)	(10)	(58)	(3)
Total expenses	**2,699**	3,034	2,977	(335)	(11)	57	2
Pretax segment income	**2,775**	2,620	2,469	155	6	151	6
Income tax provision	**1,004**	960	894	44	5	66	7
Segment income	**$ 1,771**	$ 1,660	$ 1,575	$ 111	7%	$ 85	5%
Effective tax rate	**36.2%**	36.6%	36.2%				

GNMS operates a global payments network that processes and settles proprietary and non-proprietary card transactions. GNMS acquires merchants; leverages our global closed-loop network to offer multi-channel marketing programs and capabilities, services and reporting and analytical data to our merchants around the world; and provides financing products for qualified merchants. It also enters into partnership agreements with third-party card issuers and acquirers to license the American Express brand and broaden the Card Member and merchant base for our network worldwide.

TOTAL REVENUES NET OF INTEREST EXPENSE

Non-interest revenues decreased $190 million or 4 percent in 2015 compared to 2014. FX-adjusted non-interest revenues increased 2 percent, primarily due to higher royalties from our GNS bank partners and an increase in discount revenue driven by 2 percent growth in global worldwide card billed business.[5]

Net interest income decreased $29 million or 9 percent in 2015 compared to 2014, due to a reduction in the interest expense credit, which was partially offset by higher interest income on our merchant financing loans. The interest expense credit relates to internal transfer pricing and funding rates, which resulted in a net benefit for GNMS due to its merchant payables.

Total revenues net of interest expense increased $234 million or 4 percent in 2014 compared to 2013, primarily due to higher merchant-related revenues as a result of global worldwide card billed business growth of 7 percent, and an increase in net interest income.

PROVISIONS FOR LOSSES

Provisions for losses decreased $39 million or 42 percent in 2015 compared to 2014, and increased $26 million or 39 percent in 2014 compared to 2013. The change in both periods reflected a merchant-related charge in the fourth quarter of 2014.

EXPENSES

Marketing, promotion, rewards, Card Member services and other expenses decreased $121 million or 15 percent in 2015 compared to 2014, primarily driven by the reinvestment of a significant portion of the gain from the business travel joint venture transaction in growth initiatives in the prior year.

Salaries and employee benefits and other operating expenses decreased $214 million or 10 percent in 2015 compared to 2014, primarily driven by a litigation reserve release in the third quarter of 2015, associated with the rejected 2013 merchant litigation settlement, and a prior-year restructuring charge.

[5] Refer to footnote 1 on page 55 for details regarding foreign currency adjusted information.

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Total expenses increased $57 million or 2 percent in 2014 compared to 2013, primarily driven by the reinvestment of a significant portion of the gain from the business travel joint venture transaction in growth initiatives, partially offset by a charge in 2013 to reserve for the previously mentioned merchant litigation settlement.

TABLE 16: GNMS SELECTED STATISTICAL INFORMATION

As of or for the Years Ended December 31,					
(Millions, except percentages and where indicated)	**2015**	**2014**	**2013**	**Change 2015 vs. 2014**	**Change 2014 vs. 2013**
Global worldwide card billed business *(billions)*	**$ 1,039.7**	$ 1,022.8	$ 952.4	2%	7%
Total segment assets *(billions)*	**$ 23.6**	$ 18.1	$ 17.1	30	6
Segment capital [(a)]	**$ 2,397**	$ 1,970	$ 1,952	22	1
Return on average segment capital [(b)]	**78.4%**	84.0%	76.8%		
Return on average tangible segment capital [(b)]	**86.2%**	92.9%	84.9%		
Global Network Services:					
Card billed business *(billions)*	**$ 166.0**	$ 160.7	$ 144.1	3	12
Total cards-in-force	**47.4**	44.0	40.7	8%	8%

(a) As of September 30, 2015, and prospectively, certain intercompany balances have been reclassified between operating segments, as a result of systems enhancements.
(b) Return on average segment capital is calculated by dividing (i) one-year period segment income ($1.8 billion, $1.7 billion and $1.6 billion for 2015, 2014 and 2013, respectively) by (ii) one-year average segment capital ($2.3 billion, $2.0 billion and $2.1 billion for 2015, 2014 and 2013, respectively). Return on average tangible segment capital, a non-GAAP measure, is computed in the same manner as return on average segment capital except the computation excludes from average segment capital average goodwill and other intangibles of $206 million, $189 million and $195 million as of December 31, 2015, 2014 and 2013, respectively. We believe return on average tangible segment capital is a useful measure of the profitability of our business.

CORPORATE & OTHER

Corporate functions and certain other businesses, including EG and other operations, are included in Corporate & Other.

Corporate & Other net expense increased to $1.1 billion in 2015, compared to $929 million and $900 million in 2014 and 2013, respectively. The increase in net expense was driven by EG charges in the third and fourth quarter of 2015 of $91 million and $419 million, respectively. The third quarter charge of $91 million related to previously capitalized software development costs, while the fourth quarter charge of $419 million reflected a write-down in goodwill ($219 million) and technology and other ($165 million), plus restructuring charges ($35 million). These 2015 charges were partially offset by higher restructuring costs in 2014. Refer to Note 2 to the Consolidated Financial Statements for further details on the fourth quarter EG impairment charges.

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

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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 12-month period, even in the event we are unable to continue to raise new funds under our traditional funding programs during a substantial weakening in economic conditions.

CAPITAL STRATEGY

Our objective is to retain sufficient levels of capital generated through earnings and other sources to maintain a solid equity capital base and to provide flexibility to support future business growth. We believe capital allocated to growing businesses with a return on risk-adjusted equity in excess of our costs will generate shareholder value.

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. Our consolidated capital position is also influenced by subsidiary capital requirements. As a bank holding company, we are also subject to regulatory requirements administered by the U.S. federal banking agencies. The Federal Reserve has established specific capital adequacy guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items.

We report our capital ratios using the Basel III capital definitions, inclusive of transition provisions, and the Basel III Standardized Approach for calculating risk-weighted assets (see section on Transitional Basel III). The Basel III standards will be fully phased-in by January 1, 2019 (see section on Fully Phased-in Basel III).

We also report capital adequacy standards on a parallel basis to regulators under Basel requirements for Advanced Approaches institutions. The parallel period will continue until we receive regulatory approval to exit parallel reporting, at which point we will begin publicly disclosing regulatory risk-based capital ratios using both the Standardized and Advanced Approaches, and will be required to use the lower of the regulatory risk-based capital ratios based on the Standardized or Advanced Approaches to determine whether we are in compliance with minimum capital requirements.

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The following table presents our regulatory risk-based capital ratios and leverage ratios and those of our significant bank subsidiaries, as well as additional ratios widely utilized in the marketplace, as of December 31, 2015.

TABLE 17: REGULATORY RISK-BASED CAPITAL AND LEVERAGE RATIOS

	Basel III Standards 2015 [(a)]	Ratios as of December 31, 2015
Risk-Based Capital		
Common Equity Tier 1	4.5%	
American Express Company		12.4%
American Express Centurion Bank		16.9
American Express Bank, FSB		13.7
Tier 1	6.0	
American Express Company		13.5
American Express Centurion Bank		16.9
American Express Bank, FSB		13.7
Total	8.0	
American Express Company		15.2
American Express Centurion Bank		18.2
American Express Bank, FSB		15.1
Tier 1 Leverage	4.0	
American Express Company		11.7
American Express Centurion Bank		17.7
American Express Bank, FSB		13.2
Supplementary Leverage Ratio [(b)]	3.0%	
American Express Company		9.8
American Express Centurion Bank		14.1
American Express Bank, FSB		10.0
Common Equity to Risk-Weighted Assets		
American Express Company		14.1
Tangible Common Equity to Risk-Weighted Assets [(c)]		
American Express Company		11.5%

(a) Transitional Basel III minimum and conservation buffer as defined by the Federal Reserve for calendar year 2015 for Advanced Approaches institutions.
(b) The minimum supplementary leverage ratio (SLR) requirement of 3 percent is effective January 1, 2018.
(c) Tangible Common Equity to Risk-Weighted Assets, a non-GAAP measure, is calculated by dividing shareholders equity of $20.7 billion as of December 31, 2015, less preferred shares of $1.6 billion and goodwill and other intangibles of $3.5 billion, by risk-weighted assets of $135.2 billion. We believe presenting the ratio of Tangible Common Equity to Risk-Weighted Assets is a useful measure of evaluating the strength of our capital position. Tangible Common Equity to Risk-Weighted Assets ratio is widely used in the marketplace, although it may be calculated differently by different companies.

TABLE 18: REGULATORY RISK-BASED CAPITAL COMPONENTS AND RISK WEIGHTED ASSETS

($ in Billions)	December 31, 2015
Risk-Based Capital	
Common Equity Tier 1	$ 16.7
Tier 1 Capital	18.3
Tier 2 Capital [(a)]	2.3
Total Capital	20.6
Risk Weighted Assets	135.2
Average Total Assets to calculate the Tier 1 Leverage Ratio	156.4
Total Leverage Exposure to calculate SLR	$ 186.6

(a) Tier 2 capital is the sum of the allowance for receivable and loan losses (limited to 1.25 percent of risk-weighted assets), a portion of the unrealized gains on equity securities, $600 million of subordinated notes issued in the fourth quarter of 2014 and $750 million of subordinated debentures. The $750 million of subordinated debentures do not meet the requirements of Tier 2 capital under Basel III, and are being transitioned out of capital (the total amount included in Tier 2 capital as of December 31, 2015, was $187 million). Hence, the total amount of subordinated debt included in Tier 2 capital as of December 31, 2015, was $787 million. The $750 million of subordinated debentures have been fully transitioned out of capital as of January 1, 2016.

We seek to maintain capital levels and ratios in excess of the minimum regulatory requirements and finance such capital in a cost efficient manner; failure to maintain minimum capital levels could affect our status as a financial holding company and cause the respective regulatory agencies to take actions that could limit our business operations.

Our primary source of equity capital has been the generation of net income. Historically, capital generated through net income and other sources, such as the exercise of stock options by employees, has exceeded the annual growth in our capital requirements. To the extent capital has exceeded business, regulatory and rating agency requirements, we have historically returned excess capital to shareholders through our regular common share dividend and share repurchase program.

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 the capital profile and liquidity levels at the American Express parent company level. We do not currently intend or foresee a need to shift capital from non-U.S. subsidiaries with permanently reinvested earnings to a U.S. parent company.

The following are definitions for our regulatory risk-based capital ratios and leverage ratio, which are calculated as per standard regulatory guidance:

Risk-Weighted Assets Assets are weighted for risk according to a formula used by the Federal Reserve to conform to capital adequacy guidelines. On- and off-balance sheet items are weighted for risk, with off-balance sheet items converted to balance sheet equivalents, using risk conversion factors, before being allocated a risk-adjusted weight. The off-balance sheet items comprise a minimal part of the overall calculation. Risk-weighted assets under Basel III as of December 31, 2015 were $135.2 billion.

Common Equity Tier 1 Risk-Based Capital Ratio The Common Equity Tier 1 risk-based capital ratio is calculated as Common Equity Tier 1 capital, divided by risk-weighted assets. Common Equity Tier 1 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 and derivatives, and net unrealized pension and other postretirement benefit losses, all net of tax and subject to transition provisions. Common Equity Tier 1 capital as of December 31, 2015 was $16.7 billion.

Tier 1 Risk-Based Capital Ratio The Tier 1 capital ratio is calculated as Tier 1 capital divided by risk-weighted assets. Tier 1 capital is the sum of Common Equity Tier 1 capital, our perpetual preferred stock and third-party non-controlling interests in consolidated subsidiaries adjusted for capital to be held by insurance subsidiaries and deferred tax assets from net operating losses not deducted from Common Equity Tier 1 capital. Tier 1 capital as of December 31, 2015 was $18.3 billion.

Total Risk-Based Capital Ratio The total risk-based capital ratio is calculated as the sum of Tier 1 capital and Tier 2 capital, divided by risk-weighted assets. Tier 2 capital is the sum of the allowance for receivable and loan losses (limited to 1.25 percent of risk-weighted assets) a portion of the unrealized gains on equity securities, $600 million of subordinated notes issued in the fourth quarter of 2014 and $750 million of subordinated debentures adjusted for capital to be held by insurance subsidiaries. The $750 million of subordinated debentures do not meet the requirements of Tier 2 capital under Basel III, and are being transitioned out of capital (the total amount included in Tier 2 capital as of December 31, 2015 was $187 million). Hence, the total amount of subordinated debt included in Tier 2 capital as of December 31, 2015 was $787 million. Tier 2 capital as of December 31, 2015 was $2.3 billion. The $750 million of subordinated debentures have been fully transitioned out of capital as of January 1, 2016. See Fully Phased-in Basel III section.

Tier 1 Leverage Ratio The Tier 1 leverage ratio is calculated by dividing Tier 1 capital by our average total consolidated assets for the most recent quarter. Average total consolidated assets as of December 31, 2015 were $156.4 billion.

The following is a definition for Tangible Common Equity to Risk-Weighted Assets ratio, which is widely used in the marketplace, although it may be calculated differently by different companies:

Common Equity and Tangible Common Equity to Risk-Weighted Assets Ratios Common equity equals our shareholders equity of $20.7 billion as of December 31, 2015, less preferred shares of $1.6 billion. Tangible common equity, a non-GAAP measure, equals common equity less goodwill and other intangibles of $3.5 billion as of December 31, 2015. We believe presenting the ratio of tangible common equity to risk-weighted assets is a useful measure of evaluating the strength of our capital position.

FULLY PHASED-IN BASEL III

Basel III, when fully phased-in, will require bank holding companies and their bank subsidiaries to maintain more capital than prior requirements, with a greater emphasis on common equity. The following table presents our estimates for our regulatory risk-based capital ratios and leverage ratios had Basel III been fully phased-in as of December 31, 2015. These ratios are calculated using the Standardized Approach for determining risk-weighted assets. As noted previously, we are currently taking steps toward Basel III Advanced Approaches implementation in the United States. We believe the presentation of these ratios is helpful to investors by showing the impact of future regulatory capital standards on our capital and leverage ratios.

TABLE 19: ESTIMATED FULLY PHASED-IN BASEL III CAPITAL AND LEVERAGE RATIOS

($ in Billions)		December 31, 2015
Estimated Common Equity Tier 1 Ratio under Fully Phased-In Basel III [a]		11.8%
Estimated Tier 1 Capital Ratio under Fully Phased-In Basel III [a]		13.0
Estimated Tier 1 Leverage Ratio under Fully Phased-In Basel III [b]		11.2
Estimated Supplementary Leverage Ratio under Fully Phased-In Basel III		9.4%
Estimated Risk-Weighted Assets under Fully Phased-In Basel III [c]	$	135.0
Estimated Average Total Assets to calculate the Tier 1 Leverage Ratio [b]		156.0
Estimated Total Leverage Exposure to calculate SLR under Fully Phased-In Basel III [d]	$	186.1

(a) The Fully Phased-in Basel III Common Equity Tier 1 and Tier 1 risk-based capital ratios, non-GAAP measures, are calculated as Common Equity Tier 1 or Tier 1 capital under Fully Phased-in Basel III rules, as applicable, divided by risk-weighted assets under Fully Phased-in Basel III rules. Refer to Table 20 for a reconciliation of Common Equity Tier 1 and Tier 1 capital under Fully Phased-in Basel III rules to Common Equity Tier 1 and Tier 1 capital under Transitional Basel III rules.

(b) The Fully Phased-in Basel III Tier 1 and supplementary leverage ratios, non-GAAP measures, are calculated by dividing Fully Phased-in Basel III Tier 1 capital by our average total assets and Fully Phased-in total leverage exposure for supplementary leverage ratio purposes under Fully Phased-in Basel III, respectively.

(c) Estimated Fully Phased-in Basel III risk-weighted assets, a non-GAAP measure, reflect our Basel III risk-weighted assets, with all transition provisions fully phased in. This includes incremental risk weighting applied to deferred tax assets and significant investments in unconsolidated financial institutions, as well as exposures to past due accounts, equities and sovereigns.

(d) Estimated Fully Phased-in Basel III Leverage Exposure, a non-GAAP measure, reflects average total consolidated assets with adjustments for Tier 1 capital deductions on a fully phased-in basis, off-balance sheet derivatives, undrawn conditionally and unconditionally cancellable commitments and other off-balance sheet liabilities.

The Basel capital standards establish minimum requirements for the Tier 1 risk-based capital ratios that are 1.5 percent higher than the minimum requirements for Common Equity Tier 1 risk-based capital ratios. This difference between Tier 1 capital, which includes common equity and qualifying preferred securities and Common Equity Tier 1 is also present in the minimum capital requirements within Comprehensive Capital Analysis and Review (CCAR). We issued $750 million of preferred shares in the fourth quarter of 2014 and $850 million in the first quarter of 2015. The preferred shares issuances help to finance a portion of the Tier 1 capital requirements in excess of common equity requirements.

Our $750 million of subordinated debentures, which prior to 2014, were fully included in Tier 2 capital (but not in Tier 1 capital), do not meet the requirements of Tier 2 capital under Basel III. The phase-out of the subordinated debentures from Tier 2 capital began in the first quarter of 2014 and will be fully phased out on January 1, 2016, which affects our total risk-based capital ratio. At our option, the subordinated debentures are redeemable for cash on or after September 1, 2016 at 100 percent of the principal amount plus any accrued but unpaid interest. We currently intend to exercise this redemption option, subject to business and market conditions. As previously mentioned, we issued $600 million of subordinated notes in the fourth quarter of 2014, which qualifies as Tier 2 capital under Basel rules. Our total risk-based capital ratio is expected to remain well in excess of the required minimum.

The following table presents a comparison of our Common Equity Tier 1 and Tier 1 risk-based capital under Transitional Basel III rules to our estimated Common Equity Tier 1 and Tier 1 risk-based capital under Fully Phased-in Basel III rules as of December 31, 2015.

TABLE 20: TRANSITIONAL BASEL III VERSUS FULLY PHASED-IN BASEL III

(Billions)	CET1	Tier 1
Risk-Based Capital under Transitional Basel III	$ 16.7	$ 18.3
Adjustments related to:		
AOCI	(0.3)	(0.3)
Transition provisions for intangible assets	(0.5)	(0.5)
Deferred tax assets	(0.1)	(0.1)
Other	0.1	0.1
Estimated Common Equity Tier 1 (CET1) and Tier 1 Risk-Based Capital under Fully Phased-in Basel III	$ 15.9	$ 17.5

Fully Phased-in Basel III Risk-Weighted Assets The Fully Phased-in Basel III risk-weighted assets reflect our Basel III risk-weighted assets, with all transition provisions fully phased in. This includes incremental risk weighting applied to deferred tax assets and significant investments in unconsolidated financial institutions, as well as exposures to past due accounts, equities and sovereigns. The Fully Phased-in Basel III risk-weighted assets as of December 31, 2015 were estimated to be $135.0 billion.

Fully Phased-in Basel III Tier 1 Leverage Ratio The Fully Phased-in Basel III Tier 1 leverage ratio is calculated by dividing Fully Phased-in Basel III Tier 1 capital by our average total consolidated assets.

Basel III Supplementary Leverage Ratio The supplementary leverage ratio under Fully Phased-in Basel III rules is calculated by dividing Fully Phased-in Basel III Tier 1 capital by our total assets for supplementary leverage capital purposes under Basel III. Total assets for supplementary leverage capital purposes reflect total consolidated assets with adjustments for Tier 1 capital deductions, off-balance sheet derivatives, undrawn unconditionally cancellable commitments and other off-balance sheet liabilities. Total assets for supplementary leverage capital purposes as of December 31, 2015 were estimated to be $186.1 billion.

SHARE REPURCHASES AND DIVIDENDS

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

During the year ended December 31, 2015, we returned $5.6 billion to our shareholders in the form of common stock dividends ($1.1 billion) and share repurchases ($4.5 billion). We repurchased 58.8 million common shares at an average price of $76.70 in 2015. These dividend and share repurchase amounts represent approximately 105 percent of total capital generated during the year. The amount of capital we generated in 2015 significantly exceeded the capital required to finance organic business growth and acquisitions. The proposed sales of the HFS loan portfolios are expected to, all else remaining constant, increase our capital ratios due to the reduction in risk-weighted assets. This additional capital flexibility may be used to support growth in loans, potential acquisitions, distributions to shareholders, or a combination thereof. Beginning in 2016, participating CCAR firms are now required to submit their capital plans and stress testing results to the Federal Reserve on or before April 5 of each year instead of on or before January 5 of each year as previously required. The Federal Reserve is expected to publish the decisions for all the bank holding companies participating in CCAR 2016, including the reasons for any objection to capital plans, by June 30, 2016.

In addition, during the year ended December 31, 2015, we had $750 million of non-cumulative perpetual preferred shares (the Series B Preferred Shares) and $850 million of non-cumulative perpetual preferred shares (the Series C Preferred Shares) outstanding. Dividends declared and paid on Series B and Series C Preferred Shares during 2015 were $40 million and $22 million, respectively. For additional information on our preferred shares refer to Note 17 Common and Preferred Shares and Note 22 Earnings per Common Share (EPS); Preferred Shares of the Consolidated Financial Statements.

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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 current and future 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, provides additional insulation from 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. 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 proprietary card businesses are the primary asset-generating businesses, with significant assets in both domestic and international Card Member receivable and lending activities. Our financing needs are in large part a consequence of our proprietary card-issuing businesses and the maintenance of a liquidity position to 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 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, including acquisition activities.

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 debentures, asset securitizations, borrowings through secured borrowing facilities and long-term committed bank borrowing facilities in certain non-U.S. regions.

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

TABLE 21: SUMMARY OF CONSOLIDATED DEBT AND CUSTOMER DEPOSITS

(Billions)	**2015**	**2014**
Short-term borrowings	**$ 4.8**	$ 3.5
Long-term debt	**48.1**	58.0
Total debt	**52.9**	61.5
Customer deposits	**55.0**	44.2
Total debt and customer deposits	**$ 107.9**	$ 105.7

Management does not currently expect to make any significant changes to our funding programs in order to satisfy Basel III s liquidity coverage ratio (LCR) standard based upon our current understanding of the requirements, which may be subject to change as we receive additional clarification and implementation guidance from regulators relating to the requirements and as the interpretation of requirements evolves over time.

Our funding plan for the full year 2016 includes, among other sources, approximately $3 billion to $7 billion of unsecured term debt issuance and up to $3 billion of secured term debt issuance. Our funding plans are subject to various risks and uncertainties, such as future business growth, the impact of global economic, political and other events on market capacity, demand for securities offered by us, regulatory changes, ability to securitize and sell receivables, and the performance of receivables previously sold in securitization transactions. Many of these risks and uncertainties are beyond 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), Fitch Ratings (Fitch) and Dominion Bond Rating Services (DBRS). Such ratings help support our access to cost-effective unsecured funding as part of our overall funding strategy. Our asset-backed securitization (ABS) activities are rated separately.

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TABLE 22: UNSECURED DEBT RATINGS

Credit Agency	Entity Rated	Short-Term Ratings	Long-Term Ratings	Outlook
DBRS	All rated entities	R-1 (middle)	A (high)	Stable
Fitch	All rated entities	F1	A+	Stable
Moody s	TRS and rated operating subsidiaries [a]	Prime-1	A2	Stable
Moody s	American Express Company	Prime-2	A3	Stable
S&P	TRS and rated operating subsidiaries [a][b]	A-2	A-	Stable
S&P	American Express Company	A-2	BBB+	Stable

(a) American Express Travel Related Services Company, Inc.
(b) S&P does not provide a rating for TRS short-term debt.

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 lines of credit. 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), 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 12 months or less, as well as interest-bearing overdrafts with banks. Our short-term funding programs are used primarily to meet 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.

We had the following short-term borrowings outstanding as of December 31:

TABLE 23: SHORT-TERM BORROWINGS OUTSTANDING

(Billions)	**2015**	**2014**
Commercial paper [a]	**$ 2.1**	$ 0.8
Other short-term borrowings	**2.7**	2.7
Total	**$ 4.8**	$ 3.5

(a) Average commercial paper outstanding was $0.9 billion and $0.2 billion in 2015 and 2014, respectively.

Refer to Note 9 to the Consolidated Financial Statements for further description of these borrowings.

DEPOSIT PROGRAMS

We offer deposits within our American Express Centurion Bank (Centurion Bank) and American Express Bank, FSB (American Express Bank) subsidiaries (together, the Banks). These funds are currently insured up to $250,000 per account holder through the FDIC. Our ability to obtain deposit funding and offer competitive interest rates is dependent on the Banks capital levels. We, through the American Express Bank, have a direct retail deposit program, Personal Savings from American Express, to supplement our distribution of deposit products sourced through third-party distribution channels. The direct retail program makes FDIC-insured certificates of deposit (CDs) and high-yield savings account products available directly to consumers.

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We held the following deposits as of December 31:

TABLE 24: CUSTOMER DEPOSITS

(Billions)	**2015**	**2014**
U.S. retail deposits:		
Savings accounts Direct	**$ 29.0**	$ 26.2
Certificates of deposit: [(a)]		
Direct	**0.3**	0.3
Third-party (brokered)	**13.9**	7.8
Sweep accounts Third-party (brokered)	**10.9**	9.0
Other retail deposits:		
Non-U.S. deposits and U.S. non-interest bearing	**0.2**	0.2
Card Member credit balances U.S. and non-U.S.	**0.7**	0.7
Total customer deposits	**$ 55.0**	$ 44.2

(a) The weighted average remaining maturity and weighted average rate at issuance on the total portfolio of U.S. retail CDs, issued through direct and third-party programs, were 30.7 months and 1.69 percent, respectively, as of December 31, 2015.

LONG-TERM DEBT PROGRAMS

During 2015, we and our subsidiaries issued unsecured debt and asset-backed securities with maturities ranging from 2 to 5 years. These amounts included approximately $6.6 billion of unsecured debt and $1.0 billion of AAA-rated securitization certificates and notes. During the year, we retained approximately $0.1 billion of subordinated securities, as the pricing for these securities were not attractive compared to our other sources of financing available.

Our 2015 debt issuances were as follows:

TABLE 25: DEBT ISSUANCES

(Billions)	
American Express Credit Corporation:	
Fixed Rate Senior Notes (weighted-average coupon of 2.26%)	**$ 4.9**
Floating Rate Senior Notes (3-month LIBOR plus 80 basis points on average)	**1.7**
American Express Credit Account Master Trust: [(a)]	
Floating Rate Senior Certificates (1-month LIBOR plus 29 basis points on average)	**1.0**
Total	**$ 7.6**

(a) Issuances from the American Express Credit Account Master Trust (the Lending Trust) do not include $0.1 billion of subordinated securities retained by us during the year.

ASSET SECURITIZATION PROGRAMS

We periodically securitize Card Member receivables and loans arising from our card business, as the securitization market provides us with cost-effective funding. Securitization of Card Member receivables and loans 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.

The receivables and loans being securitized are reported as Card Member receivables and loans on our Consolidated Balance Sheets, with a portion also included in Card Member loans and receivables HFS, and the related securities issued to third-party investors are reported as long-term debt.

Under the respective terms of the securitization trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each trust could result in payment of trust expenses, establishment of reserve funds, or in a worst-case scenario, early amortization of investor securities. During the twelve months ended December 31, 2015, no such triggering events occurred.

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LIQUIDITY MANAGEMENT

We incur liquidity risk that arises in the course of offering our products and services. 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, even in the event we are unable to raise new funds under our regular funding programs during a substantial weakening in economic conditions, in amounts sufficient to meet our expected future financial obligations and our businesses requirements for liquidity for a period of at least twelve months. Our liquidity risk policy sets out our objectives and approach to managing liquidity risk.

The liquidity risks that we are exposed to could arise from a wide variety of scenarios. Our liquidity management strategy thus 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;
- Establishing clear objectives for liquidity risk management, including compliance with regulatory requirements;
- Incorporating liquidity risk management as appropriate into our capital adequacy framework.

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 ABS conduit facilities. Through our U.S. bank subsidiaries, 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 (Dodd-Frank) and other regulatory measures of liquidity, such as the Liquidity Coverage Ratio (LCR), 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. The LCR rule prescribes cash flow assumptions over a 30-day period and establishes qualifying criteria for high-quality liquid assets. 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.

The investment income we receive on liquidity resources, such as cash, is less than the interest expense on the sources of funding for these balances. The net interest costs on these amounts have been substantial. The level of future net interest costs depends on the amount of liquidity resources we maintain and the difference between our cost of funding these amounts and their investment yields.

Securitized Borrowing Capacity

As of December 31, 2015, we maintained our committed, revolving, secured borrowing facility, with a maturity date of July 15, 2018, that gives us the right to sell up to $3.0 billion face amount of eligible AAA notes from the American Express Issuance Trust II (the Charge Trust together with the Lending Trust, the Trusts). We also maintained our committed, revolving, secured borrowing facility, with a maturity date of September 15, 2017, that gives us the right to sell up to $2.0 billion face amount of eligible AAA certificates from the Lending Trust. Both facilities are used in the ordinary course of business to fund seasonal working capital needs, as well as to further enhance our contingent funding resources. As of December 31, 2015, $1.0 billion was drawn on the Charge Trust facility and $0.1 billion was drawn on the Lending Trust facility, both of which were subsequently repaid on January 15, 2016.

Federal Reserve Discount Window

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

We had approximately $50.9 billion as of December 31, 2015 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.

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Committed Bank Credit Facilities

In addition to the secured borrowing facilities described earlier in this section, we maintained a committed syndicated bank credit facility as of December 31, 2015 of $3.0 billion, which expires on December 9, 2018. The availability of this credit line is subject to our compliance with certain financial covenants, principally the maintenance by American Express Credit Corporation (Credco) of a certain ratio of combined earnings and fixed charges to fixed charges. As of December 31, 2015, we were in compliance with each of our covenants. As of December 31, 2015, no amounts were drawn on the committed credit facility. The capacity of the facility mainly served to further enhance our contingent funding resources.

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.

TABLE 26: CASH FLOWS

(Billions)	**2015**	**2014**	**2013**
Total cash provided by (used in):			
Operating activities	**$ 11.0**	$ 11.0	$ 8.5
Investing activities	**(8.2)**	(8.0)	(7.2)
Financing activities	**(2.0)**		(3.9)
Effect of foreign currency exchange rates on cash and cash equivalents	**(0.3)**	(0.2)	(0.2)
Net increase (decrease) in cash and cash equivalents	**$ 0.5**	$ 2.8	$ (2.8)

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 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.

For December 31, 2015 and 2014, net cash provided by operating activities remained consistent at $11.0 billion in both periods, driven by net income of $5.2 billion and $5.9 billion, respectively, adjusted for non-cash items including certain changes in provisions for losses, depreciation and amortization, deferred taxes, and stock-based compensation.

Cash Flows from Investing Activities

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

For the year ended December 31, 2015 and 2014, net cash used in investing activities was $8.2 billion and $8.0 billion, respectively. Both periods primarily reflect an increase in Card Member receivables and loans, including the HFS portfolios. In 2014, that increase was partially offset by the cash proceeds from the sale of our investment in Concur.

Cash Flows from Financing Activities

Our cash flows from financing activities primarily include issuing and repaying debt, changes in customer deposits, issuing and repurchasing our common shares, and paying dividends.

For the year ended December 31, 2015, net cash used in financing activities was $2.0 billion. For the year ended December 31, 2014, net cash provided by financing activities was $11 million. The variance was primarily driven by an increase in debt repayments in the current year versus the prior year, partially offset by a greater increase in customer deposits in the current year versus the prior year.

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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 27: COMMITTED FUTURE OBLIGATIONS BY YEAR

	Payments due by year [(a)]				
(Millions)	**2016**	**2017-2018**	**2019-2020**	**2021 and thereafter**	**Total**
Long-term debt	$ 6,814	$ 28,608	$ 10,262	$ 3,176	$ 48,860
Interest payments on long-term debt [(b)]	864	1,016	331	1,360	3,571
Certificates of deposit	2,493	6,810	4,841		14,144
Other long-term liabilities [(c)]	184	70	17	22	293
Operating lease obligations	165	278	187	863	1,493
Purchase obligations [(d)]	397	165	61	30	653
Cobrand obligations [(e)]	212	138	63	204	617
Total	$ 11,129	$ 37,085	$ 15,762	$ 5,655	$ 69,631

(a) The table above excludes approximately $0.9 billion of tax liabilities 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.

(b) Estimated interest payments were calculated using the effective interest rate in place as of December 31, 2015, and includes the effect of existing interest rate swaps. Actual cash flows may differ from estimated payments.

(c) As of December 31, 2015, 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 2016 are anticipated to be approximately $44 million, and this amount has been included within other long-term liabilities. Remaining obligations under defined benefit pension and postretirement benefit plans aggregating $726 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 $6.7 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.

(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, 2015.

(e) Represents obligations to make payments under contractual agreements with certain cobrand partners. We expect to fully satisfy these obligations over the remaining term of these agreements as part of the ongoing operations of our business.

In addition to the contractual obligations noted in Table 27, we have off-balance sheet arrangements that include guarantees, indemnifications and certain other off-balance sheet arrangements.

GUARANTEES

Our principal guarantees are associated with Card Member services to enhance the value of owning an American Express card. As of December 31, 2015, we had guarantees totaling approximately $48 billion related to Card Member protection plans, as well as other guarantees and indemnifications provided in the ordinary course of business. Refer to Note 16 to the Consolidated Financial Statements for further discussion regarding our guarantees.

CERTAIN OTHER OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2015, we had approximately $297 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 limit, and therefore are not reflected in unused credit available to Card Members.

To mitigate counterparty credit risk related to derivatives, we accepted non-cash collateral in the form of security interests in U.S. Treasury securities from its derivatives counterparties with a fair value of nil and $91 million as of December 31, 2015 and 2014, respectively, none of which was sold or repledged.

Refer to Notes 7 and 13 to the Consolidated Financial Statements for discussion regarding our other off-balance sheet arrangements.

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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 General Auditor 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 on risk policies, risk appetite and our performance against goals. The Risk Committee approves our ERM policy along with its sub-policies governing individual credit risk, institutional credit risk, market risk, liquidity risk, operational risk, reputational risk and asset/liability risk, as well as policies governing the launch of new products and services, third-party management, and resolution planning. The ERM policy defines our risk appetite as well as governance over risk taking and oversight processes. Risk appetite defines the authorized risk limits to control exposures well within our risk capacity even under 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 in 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 credit risk profile as well as credit risk performance, trends and risk management capabilities.

The Risk Committee also reviews enterprise-wide operational risk trends, events and capabilities, with an emphasis on compliance, fraud, legal, process or control failures, information security, and privacy, as well as trends in market, funding, liquidity and reputational risks. The Risk Committee also provides oversight of our compliance with Basel capital and liquidity standards and its Internal Capital Adequacy Assessment Process, including its CCAR submissions; and resolution planning.

The Audit and Compliance Committee of our Board of Directors approves our compliance policies and risk tolerance, and reinforces the importance of our compliance risk management. 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 accounting and financial controls.

The Audit and Compliance Committee provides oversight of our Internal Audit Group. The Audit and Compliance Committee reviews and concurs in the appointment, replacement, performance and compensation of our General Auditor and approves Internal Audit s annual Audit Plan, charter, policies and budget. 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 business units and 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 goals, including for our business units. 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.

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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. 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 companywide with approval by the appropriate board committee. The ERMC reviews key risk exposures, trends and concentrations, significant compliance matters, economic capital and Basel capital trends, and provides guidance on the steps to monitor, control and report major risks. The ERMC is responsible for risk governance, risk oversight and risk appetite for all risks, which include individual credit risk, institutional credit risk, operational risk, compliance risk, reputational risk, market risk, asset liability management (ALM) risk, liquidity risk, model risk, and strategic and business risk.

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. Business unit presidents, our Chief Credit Officer, Chief Operational Risk Officer, Chief Market Risk Officer and Functional Risk Officer are part of the first line of defense.

The second line comprises independent functions overseeing risk taking activities of the first line. The Global Risk Oversight Officer and Market Risk Oversight Officer, the Chief Compliance & Ethics Officer, the Corporate Comptroller 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.

In addition, the Asset Liability Committee, chaired by our Chief Financial Officer, is responsible for managing market, liquidity, asset/liability risk and capital.

CREDIT RISK MANAGEMENT PROCESS

Credit risk is defined as loss due to obligor or counterparty default or changes in the credit quality of a security. 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. To preserve independence, Chief Credit Officers for all business units report to our Chief Credit Officer.

INDIVIDUAL CREDIT RISK

Individual credit risk arises principally from consumer and small business charge cards, credit cards, lines of credit, and loans. These portfolios consist of millions of customers across multiple geographies, 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. Externally, the risk in these portfolios is correlated to broad economic trends, such as unemployment rates and gross domestic product (GDP) growth, which can affect customer liquidity.

The business unit leaders and their Chief Credit Officers take the lead in managing the individual credit risk process. These Chief Credit Officers are guided by the Individual Credit Risk Committee, which is responsible for implementation and enforcement of the Individual Credit Risk Management Policy. This policy is further supported by subordinate policies and operating manuals covering decision logic and processes of credit extension, including prospecting, new account approvals, point-of-sale authorizations, credit line management and collections. The subordinate risk policies and operating manuals are designed to ensure consistent application of risk management principles and standardized reporting of asset quality and loss recognition.

Individual credit risk management is supported by sophisticated proprietary scoring and decision-making models that use the most up-to-date information on prospects and customers, such as spending and payment history and data feeds from credit bureaus. Additional data, such as commercial variables, are integrated to further mitigate small business risk. 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 Global Corporate Payments, Global Merchant Services, GNS, Prepaid Services, and Foreign Exchange Services businesses, as well as investment and liquidity management activities. Unlike individual credit risk, institutional credit risk is

characterized by a lower loss frequency but higher severity. It is affected both by general economic conditions and by client-specific events. The absence of large losses in any given year or over several years is not necessarily representative of the level of risk of institutional portfolios, given the infrequency of loss events in such portfolios.

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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 of 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 and a specialized airline risk group provide risk assessment of our institutional obligors.

Exposure to the Airline 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 companywide through comprehensive business analysis of global airlines. Our largest airline partner is Delta, and this relationship includes exclusive cobrand credit card partnerships and other arrangements including Membership Rewards redemption, merchant acceptance, travel and corporate payments. See Risk Factors.

Sovereign 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 our economic and financial outlook and closely monitor those deemed high risk. As of December 31, 2015, 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 define operational risk as the risk of not achieving business objectives due to inadequate or failed processes, people, or information systems, or the external environment, including failures to comply with laws and regulations. Operational risk is inherent in all business activities and can impact an organization through direct or indirect financial loss, brand damage, customer dissatisfaction, or legal and regulatory penalties.

To appropriately measure and manage operational risk, 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) coordinates with all control groups on effective risk assessments and controls and oversees the preventive, responsive and mitigation efforts by Lead Operational Risk Officers in the business units and staff groups. To preserve independence, the Lead Operational Risk Officers for all business units report to our Chief Operational Risk Officer, who in turn reports directly to our Chief Risk Officer.

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 such as customer complaints or pre-implementation test metrics, 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. Our impact is assessed from an operational, financial, brand, regulatory compliance and legal perspective.

INFORMATION SECURITY, PRIVACY, AND DATA GOVERNANCE

We have implemented an Information Security Framework and Operating Model that is designed to protect information and information systems from unauthorized access, use, disclosure, disruption, modification or destruction.

Chaired by the Chief Information Security Officer, our Information Security Risk Management Committee, a sub-committee of the ORMC, provides oversight and governance for our information security risk management program. In addition, the committee is responsible for establishing cyber risk tolerances and in managing cyber crisis preparedness. The Information Security Oversight team provides challenges and independent assessment of the information security program.

We assess our cyber risk across four categories of threat actors that we currently believe pose the greatest risk, namely cyber criminals, nation state sponsored groups, determined insiders and hacktivists or social objectors. Our Information Security Framework and Operating Model uses an approach that looks at different phases of security to prepare, prevent, detect, respond and recover from cyber-security attacks.

Our Privacy Framework and Operating Model follow a similar structure. Co-chaired by the U.S. Chief Privacy Officer and the International Chief Privacy Officer, our Privacy Risk Management Committee, a sub-committee of the ORMC, provides oversight and governance for our privacy program. The committee is responsible for the governance over the collection, notice, use, sharing, transfer, confidentiality and retention of personal data.

Our Enterprise Data Governance Framework and Policy defines governance and data standards for data used in regulatory reporting, risk management as well as other critical systems including big data capabilities.

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, regulations, rules or standards of conduct.

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 regulatory risks to which we are exposed.

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 models and 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 publicity regarding our products, services, business practices, management, clients and partners, whether perceived or real, could cause a decline in the customer base, costly litigation, or revenue reductions.

We view protecting our reputation as core to our vision of becoming the world s most respected service brand and fundamental to our long-term success.

Our business leaders are responsible for ensuring that reputational risk implications of transactions, business activities and management practices are appropriately considered and relevant subject matter experts are engaged as needed. The ERMC and its sub-committees are responsible for reviewing decisions where reputational risk may exist and ensuring that reputational risk considerations are properly reflected.

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 due to changes in the relationship between interest rates on our assets (such as loans, receivables and investment securities) and our 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.

Our Asset-Liability Management (ALM) and Market Risk policies establish the framework that guides and governs market risk management, including quantitative limits and escalation triggers. These policies are approved by the Risk Committee of the Board of Directors.

Market risk is managed by the Market Risk Committee. The Market Risk Oversight Officer provides an independent risk assessment and oversight over the policies and exposures for market risk and ALM activities, as well as ensuring compliance with the Volcker Rule and other

regulatory requirements. Market risk management is also guided and governed by policies covering the use of derivative financial instruments, funding, liquidity and investments.

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 (or from) variable-rate, from (or to) fixed-rate. We do not engage in derivative financial instruments for trading purposes. Refer to Note 14 to the Consolidated Financial Statements for further discussion of our derivative financial instruments.

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. As of December 31, 2015, the detrimental effect on our annual net interest income of a hypothetical, immediate 100 basis point increase in interest rates would be approximately $216 million. To calculate this effect, the projected net interest income over a 12-month time horizon is measured, considering forecasted business growth and future interest rates. The change in projected net interest income from a 100 basis point increase in rates is measured by increasing our forecast of future interest rates by 100 basis points. The timing and loan balances associated with the sales of the HFS loan portfolios are key assumptions in projecting business growth this year. The HFS loan portfolio sales, if and when completed, are expected to reduce our exposure to rising interest rates, all else remaining constant.

We are also subject to market risk from changes in the relationship between the benchmark Prime rate that determines the yield on our variable-rate lending receivables and the benchmark LIBOR rate that determines the effective interest cost on a significant portion of our outstanding debt. Differences in the rate of change of these two indices, commonly referred to as basis risk, would impact our variable-rate U.S. lending net interest margins because we borrow at rates based on LIBOR but lend to our customers based on the Prime rate. The detrimental effect on our net interest income of a hypothetical 10 basis point decrease in the spread between Prime and one-month LIBOR over the next 12 months is estimated to be $35 million. We currently have approximately $40 billion of Prime-based, variable-rate U.S. lending receivables and $35 billion of LIBOR-indexed debt, including asset securitizations. The HFS loan portfolios sales are expected to reduce our basis risk exposure, all else remaining constant.

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 pre-tax impacts from currency movements in the period in which they occur. As of December 31, 2015 and 2014, foreign currency derivative instruments with total notional amounts of approximately $26 billion and $30 billion were outstanding, respectively.

With respect to Card Member spending and cross-currency transactions, including related foreign exchange forward contracts outstanding, a hypothetical 10 percent strengthening of the U.S. dollar would result in an immaterial impact to projected earnings as of December 31, 2015. 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, 2015. With respect to earnings denominated in foreign currencies, the adverse impact on pretax income of a hypothetical 10 percent strengthening of the U.S. dollar related to anticipated overseas operating results for the next 12 months would be approximately $179 million as of December 31, 2015.

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

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.

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 12-month period, even 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.

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.

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 Deal Committee due diligence, a comprehensive risk assessment by operational, market, credit and oversight leaders 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.

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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 LOSSES

Reserves for Card Member losses represent our best estimate of the probable losses inherent in our outstanding portfolio of Card Member receivables and loans, as of the balance sheet date. As of December 31, 2015, this estimate does not reflect Card Member loans and receivables HFS. Refer to Note 2 to the Consolidated Financial Statements for additional information.

In estimating these losses, we use statistical and analytical models that analyze portfolio performance and reflect our judgment regarding the quantitative components of the reserve. The models take into account several factors, including delinquency-based loss migration rates, loss emergence periods and average losses over an appropriate historical period, as well as expected future recoveries. We also consider whether to adjust the quantitative reserve for certain external and internal qualitative factors that may increase or decrease the reserves for losses on Card Member receivables and loans.

The process of estimating these reserves requires a high degree of judgment. To the extent historical credit experience, updated for any external and internal qualitative factors such as environmental trends, is not indicative of future performance, actual losses could differ significantly from our judgments and expectations, resulting in either higher or lower future provisions for Card Member losses in any quarter.

As of December 31, 2015, a 10 percent increase in our estimate of losses inherent in the outstanding portfolio of Card Member receivables and loans evaluated collectively for impairment, would increase reserves for losses with a corresponding change to provisions for losses by approximately $149 million. This sensitivity analysis is provided as a hypothetical scenario to assess the sensitivity of the provisions for losses. It does not represent our expectations for losses in the future, nor does it include how other portfolio factors such as delinquency-based loss migration rates or recoveries, or the amount of outstanding balances, may impact the level of reserves for losses and the corresponding impact on the provisions for losses.

LIABILITY FOR MEMBERSHIP REWARDS EXPENSE

The Membership Rewards program is our largest card-based rewards program. Card Members can earn points for purchases charged on their enrolled card products. Certain types of purchases allow Card Members to also earn bonus points. Membership Rewards points are redeemable for a broad variety of rewards including travel, entertainment, retail certificates and merchandise. Points typically do not expire, and there is no limit on the number of points a Card Member may earn.

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.

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 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.

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 judgment, 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 marketing, promotion, rewards and Card Member services expense by an amount estimated to cover the cost of all points previously earned but not yet redeemed by current enrollees as of the end of the reporting period. As of December 31, 2015, an increase in the estimated URR of current enrollees of 100 basis points would increase the Membership Rewards liability and corresponding rewards expense by

approximately $341 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 $85 million.

FAIR VALUE MEASUREMENT

We hold investment securities and derivative instruments that are carried at fair value on the Consolidated Balance Sheets. Management makes assumptions and judgments when estimating the fair values of these financial instruments.

In accordance with fair value measurement and disclosure guidance, the objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date based on the principal or, in the absence of a principal, most advantageous market for the specific asset or liability. The disclosure guidance establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to the measurement of fair value based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), followed by the measurement of fair value based on pricing models with significant observable inputs (Level 2), with the lowest priority given to the measurement of fair value based on pricing models with significant unobservable inputs (Level 3). We did not have any Level 3 financial instruments measured on a recurring basis during the year ended December 31, 2015.

Investment Securities

Our investment securities are mostly composed of fixed-income securities issued by states and municipalities, as well as the U.S. Government and Agencies.

The fair market values for our investment securities, including investments comprising defined benefit pension plan assets, are obtained primarily from pricing services we engage and for each security, we receive one price from that pricing service. The fair values provided by the pricing services are estimated using pricing models, where the inputs to those models are based on observable market inputs or recent trades of similar securities. The pricing services did not apply any adjustments to the pricing models used as of December 31, 2015 and 2014. 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 for reasonableness by comparing the prices from the respective pricing services to valuations obtained from different pricing sources as well as comparing prices to the sale prices received from sold securities at least quarterly.

In the measurement of fair value for our investment securities, even though the underlying inputs used in the pricing models are directly observable from active markets or recent trades of similar securities in inactive markets, the pricing models do entail a certain amount of subjectivity, and therefore differing judgments in the underlying inputs, or how they are modeled, could result in a different estimate of fair value.

Other-Than-Temporary Impairment of Investment Securities

Realized losses are recognized when management determines that a decline in the fair value of investment securities is other-than-temporary. Such determination requires judgment regarding the amount and timing of recovery. We review and evaluate our investment securities at least quarterly, and more often as market conditions may require, to identify investment securities that have indications of other-than-temporary impairments. We consider several factors when evaluating debt securities for other-than-temporary impairment, including the determination of the extent to which a decline in the fair value of a security is due to increased default risk for the specific issuer, or market interest rate risk. With respect to market interest rate risk, we assess whether we have the intent to sell the investment securities and whether we are more likely than not to be required to sell the investment securities before recovery of any unrealized losses.

In determining whether any of our investment securities are other-than-temporarily impaired, a change in facts and circumstances could lead to a change in management judgment about our view on collectability and credit quality of the issuer, or the impact of market interest rates on the investment securities. Any such changes could result in us recognizing an other-than-temporary impairment loss through earnings.

Derivative Instruments

Our primary derivative instruments are interest rate swaps and foreign currency forward agreements.

The fair value of our derivative instruments is estimated by using either a third-party valuation service that uses proprietary pricing models, or by internal pricing models, where the inputs to those models are readily observable from actively quoted markets. We reaffirm our understanding of the valuation techniques used by a third-party valuation service at least annually.

To mitigate credit risk arising from our derivative instruments, counterparties are required to be pre-approved and rated as investment grade. In addition, we manage certain counterparty credit risks by exchanging cash and non-cash collateral under executed credit support agreements. The non-cash collateral does not reduce the derivative balance included in Other assets on the Consolidated Balance Sheets, but effectively reduces risk exposure as it is available in the event of counterparty default. Based on the assessment of credit risk of our derivative counterparties, we do not have derivative positions that warrant credit valuation adjustments.

In the measurement of fair value for our derivative instruments, although the underlying inputs used in the pricing models are readily observable from actively quoted markets, the pricing models do entail a certain amount of subjectivity, and therefore differing judgments in the underlying inputs, or how they are modeled, could result in a different estimate of fair value.

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 approach and methodology for conducting our goodwill impairment testing is fundamentally based on the measurement of fair value for our reporting units, which inherently entails the use of significant 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.

Refer to Note 2 of the Consolidated Financial Statements for additional information regarding the EG goodwill impairment in 2015.

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 Accounting Standards section of Note 1 to the Consolidated Financial Statements.

GLOSSARY OF SELECTED TERMINOLOGY

Adjusted average loans Represents average Card Member loans on a gross basis, including gross loans classified as held for sale (i.e., not adjusted for any valuation allowance), and excluding the impact of certain non-traditional Card Member loans and other fees.

Adjusted net interest income Represents net interest income attributable to our Card Member loans and loans HFS, including interest that is deemed uncollectible; excludes the impact of interest expense and interest income not attributable to our Card Member loans.

Asset securitizations Asset securitization involves the transfer and sale of receivables or loans to a special-purpose entity created for the securitization activity, typically a trust. The trust, in turn, issues securities, commonly referred to as asset-backed securities that are secured by the transferred receivables or loans. The trust uses the proceeds from the sale of such securities to pay the purchase price for the underlying receivables or loans. The receivables and loans of our Charge Trust and Lending Trust being securitized 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 pricing at merchants accepting general-purpose American Express cards. It represents the percentage of billed business (generated from both proprietary and GNS Card Member spending) retained by us from merchants we acquire, or for merchants acquired by a third party on our behalf, net of amounts retained by such third party.

Basic cards-in-force Proprietary basic consumer cards-in-force includes basic cards issued to the primary account owner, (i.e., not including additional supplemental cards issued on accounts). Proprietary basic small business and corporate cards-in-force includes both basic and supplemental cards issued. Non-proprietary basic cards-in-force includes cards that are issued and outstanding under network partnership agreements, except for supplemental cards and retail cobrand Card Member accounts which have had no out-of-store spending activity during the prior 12-month period.

Billed business Includes activities (including cash advances) related to proprietary cards, cards issued under network partnership agreements (non-proprietary billed business), corporate payment services and certain insurance fees charged on proprietary cards. In-store spending activity within retail cobrand portfolios in GNS, from which we earn no revenue, is not included in non-proprietary billed business. Card billed business is included in the United States or outside the United States based on where the issuer is located.

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

Card Member The individual holder of an issued American Express-branded charge, credit and certain prepaid cards.

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 loans and receivables HFS Beginning as of December 1, 2015, represents Card Member loans and receivables related to our cobrand partnerships with Costco in the United States and Jetblue.

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.

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 card accounts have an additional lending-on-charge feature that allows revolving certain balances.

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

Discount revenue Represents revenue earned from fees generally charged to merchants who have entered into a card acceptance agreement. The discount fee generally is deducted from our payment for Card Member purchases. Discount revenue is reduced by incentive payments made to merchants, payments to third-party card issuing partners, cash-back reward costs and statement credits, corporate incentive payments and other similar items.

Interest expense Includes interest incurred primarily to fund Card Member receivables and loans, 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 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 and loans HFS. 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 as earned 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 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.

Liquidity Coverage Ratio Represents the proposed minimum standards being established by the regulatory agencies as a measure to determine whether the regulated entity has sufficient liquidity to meet liquidity needs in periods of financial and economic stress.

Merchant acquisition Represents our process of entering into agreements with merchants to accept American Express-branded cards.

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

Net interest yield on Card Member loans Net interest yield on Card Member loans is computed by dividing adjusted net interest income by adjusted average loans, computed on an annualized basis. The calculation of net interest yield on Card Member loans includes interest that is deemed uncollectible. Reserves and net write-offs related to uncollectible interest are recorded through provisions for losses, which are not included in the net interest yield calculation.

Net loss ratio Represents the ratio of GCS charge card 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.

Net write-off rate principal only Represents the amount of Card Member loans or USCS and ICS Card Member receivables written off, consisting of principal (resulting from authorized transactions), less recoveries, as a percentage of the average loan balance or USCS and ICS average receivables 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 USCS and ICS Card Member receivables.

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

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

Return on average segment capital Calculated by dividing one-year period segment income by one-year average segment capital.

Return on average tangible segment capital Computed in the same manner as the return on average segment capital, except the computation of average tangible segment capital excludes from average segment capital, average goodwill and other intangibles.

Segment capital Represents the capital allocated to a segment based upon specific business operational needs, risk measures, and regulatory capital requirements.

Total cards-in-force Represents the number of cards that are issued and outstanding. Non-proprietary cards-in-force includes all cards that are issued and outstanding under network partnership agreements, except for retail cobrand Card Member accounts which have no out-of-store spending activity during the prior 12-month period.

Travel sales Represents the total dollar amount of travel transaction volume for airline, hotel, car rental, and other travel arrangements made for consumers and small businesses. We earn revenue on these transactions by charging a transaction or management fee.

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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 expected business and financial performance, among other matters, contain words such as believe, expect, estimate, anticipate, intend, plan, aim, will, may, should, could, would, 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 grow in the future, which will depend in part on the following: an acceleration of billed business and revenue growth, which could be impacted by, among other things, weakening economic conditions in the U.S. or internationally, a decline in consumer confidence impacting the willingness and ability of Card Members to sustain spending, a further decline in gas prices, a further strengthening of the U.S. dollar, a greater erosion of the average discount rate than expected and lower spending on new cards acquired than estimated; our success in addressing competitive pressures and implementing strategies and business initiatives, including growing profitable spending through proprietary, cobrand and network products, increasing penetration among corporate, middle market and small business clients, expanding our international footprint, growing loyalty coalitions and increasing merchant acceptance; the timing and impact of any potential sale of the Costco U.S. Card Member loan portfolio; realizing incremental economics associated with the Costco U.S. contract extension, which could be impacted by, among other things, Card Member behavior, including the desire of Costco U.S. Card Members to continue to use their Costco U.S. cobrand cards and the availability to those Card Members of other payment forms; the impact of any potential restructuring charges or other contingencies, including, but not limited to, litigation-related expenses, impairments, the imposition of fines or civil money penalties, an increase in Card Member reimbursements and changes in reserves; credit performance remaining in line with current expectations; continued growth of Card Member loans held for investment; the ability to continue to realize benefits from restructuring actions and operating leverage at levels consistent with current expectations; the amount we spend on growth initiatives; changes in interest rates beyond current expectations; 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; our tax rate remaining in line with current expectations, which could be impacted by, among other things, our geographic mix of income being weighted more to higher tax jurisdictions than expected and unfavorable tax audits and other unanticipated tax items; the impact of accounting changes and reclassifications; and our ability to continue executing the share repurchase program;

our ability to reduce our overall cost base by $1 billion by the end of 2017, which will depend in part on the timing and financial impact of future reengineering plans (including whether we will recognize restructuring charges in future periods), which could be impacted by factors such as our inability to mitigate the operational and other risks posed by potential staff reductions, our inability to develop and implement technology resources to realize cost savings, underestimating hiring needs related to some of the job positions being eliminated and other employee needs not currently anticipated, lower than expected attrition rates and higher than expected redeployment rates; our ability to reduce annual operating expenses, which could be impacted by, among other things, the factors identified below; and our ability to optimize and lower marketing and promotion expenses, which could be impacted by higher advertising and mailing costs, competitive pressures that may require additional expenditures or limit our ability to reduce costs, contractual obligations with business partners, the availability of opportunities to invest at a higher level due to favorable business results and changes in macroeconomic conditions;

the ability to reduce annual operating expenses, which could be impacted by increases in significant categories of operating expenses, such as consulting or professional fees, including as a result of increased litigation, compliance or regulatory-related costs, technology costs or fraud costs; our ability to develop, implement and achieve substantial benefits from reengineering plans; higher than expected employee levels; the impact of changes in foreign currency exchange rates on costs; the payment of civil money penalties, disgorgement, restitution, non-income tax assessments and litigation-related settlements; impairments of goodwill or other assets; management s decision to increase or decrease spending in such areas as technology, business and product development and sales forces depending on overall business performance; greater than expected inflation or merit increases; our ability to balance expense control and investments in the business; the impact of accounting changes and reclassifications; and the level of acquisition activity and related expenses;

our lending write-off rates increasing more quickly than current expectations and provision expense being higher than current expectations, which will depend in part on changes in the level of loan balances, delinquency rates of Card Members, unemployment rates, the volume of bankruptcies and recoveries of previously written-off loans;

our ability to execute against our lending strategy and grow Card Member loans held for investment, including by targeting new lending prospects and deepening relationships with current customers, which may be affected by increasing competition, brand perceptions and reputation, our ability to manage risk in a growing Card Member loan portfolio, and the behavior of Card Members and their actual spending and borrowing patterns, which in turn may be driven by our ability to issue new and enhanced card products, offer attractive services and rewards programs, attract new Card Members, reduce Card Member attrition and capture a greater share of existing Card Members spending and borrowing;

uncertainties associated with the timing and impact of any potential sale of the Costco U.S. Card Member loan portfolio and the extension of the merchant acceptance agreement, such as the negotiation and execution of definitive documentation, operational issues related to the transfer of Card Member loans and accounts, the parties ability to satisfy the closing conditions and the amount of any gain we recognize as a result of a sale, which could be impacted by the credit quality and performance of the portfolio, the amount of any volume decline experienced by the cobrand portfolio and the timing of the potential sale as the gain will be determined by the amount of the aggregate outstanding loans transferred at closing;

the erosion of the average discount rate by a greater amount than anticipated during 2016 and beyond, including as a result of changes in the mix of spending by location and industry, merchant incentives and concessions, volume-related pricing discounts, strategic investments, certain pricing initiatives, competition, pricing regulation (including regulation of competitors interchange rates) and other factors;

the possibility that we will not fully execute on our plans for OptBlue to significantly increase merchant coverage, which will depend in part on the success of OptBlue merchant acquirers in signing merchants to accept American Express, which could be impacted by the pricing set by the merchant acquirers, the value proposition offered to small merchants and the efforts of OptBlue merchant acquirers to sign merchants for American Express acceptance, as well as the willingness of Card Members to use American Express cards at small merchants and of those merchants to accept American Express cards;

uncertainty relating to the ultimate outcome of the antitrust lawsuit filed against us by the U.S. Department of Justice and certain state attorneys general, including the success or failure of our appeal and the impact on existing private merchant cases and potentially additional litigation and/or arbitrations;

changes affecting our ability or desire to return capital to shareholders through dividends and share repurchases, including the opportunity for incremental capital returns related to the Costco U.S. portfolio sale, which will depend on factors such as approval of our capital plans by our primary regulators, the amount we spend on acquisitions and results of operations and capital needs in any given period;

our funding plan for the full year 2016 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;

our ability to drive growth by developing and marketing value propositions that appeal to Card Members and new customers and by offering attractive services and rewards programs, which will depend in part on ongoing investment in product innovation, marketing and promotion and acquisition efforts, including through digital channels; our ability to update our systems and platforms to support new products, services and benefits; competition; and brand perceptions and reputation;

changes in global economic and business conditions, including consumer and business spending, the availability and cost of credit, unemployment and political conditions, all of which may significantly affect spending on American Express cards, delinquency rates, loan balances and other aspects of our business and results of operations;

changes in capital and credit market conditions, including sovereign creditworthiness, which may significantly affect our ability to meet our liquidity needs, expectations regarding capital and liquidity ratios, access to capital and cost of capital, including changes in interest rates; changes in market conditions affecting the valuation of our assets; or any reduction in our credit ratings or those of our subsidiaries, which could materially increase the cost and other terms of our funding, restrict our access to the capital markets or result in contingent payments under contracts;

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- legal and regulatory developments wherever we do business, including legislative and regulatory changes in the United States, such as the actions of the CFPB and Dodd-Frank s stricter regulation of large, interconnected financial institutions, which could make fundamental changes to many of our business practices or materially affect our capital or liquidity requirements, results of operations, or ability to pay dividends or repurchase our stock; actions and potential future actions by the FDIC and credit rating agencies applicable to securitization trusts, which could impact our ABS program; or potential changes to the taxation of our businesses, the allowance of deductions for significant expenses, or the incidence of consumption taxes on our transactions, products and services;

- changes in the substantial and increasing worldwide competition in the payments industry, including competitive pressure that may impact the prices we charge merchants that accept our cards, competition for cobrand partnerships and the success of marketing, promotion or rewards programs;

- changes in the financial condition and creditworthiness of our business partners, such as bankruptcies, restructurings or consolidations, involving merchants that represent a significant portion of our business, such as the airline industry, or our 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;

- our ability to maintain and expand our presence in the digital payments space, including online and mobile channels, which will depend on our success in evolving our business models and processes for the digital environment, building partnerships and executing programs with companies, and utilizing digital capabilities that can be leveraged for future growth; and

- factors beyond our control such as foreign currency rates, fire, power loss, disruptions in telecommunications, severe weather conditions, natural disasters, health pandemics, terrorism, cyber attacks or fraud, which could significantly affect spending on American Express cards, delinquency rates, loan balances and travel-related spending 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 Securities and Exchange Commission.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to Risk Management under MD&A.

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, 2015. 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, 2015, our internal control over financial reporting is effective.

PricewaterhouseCoopers LLP, our independent registered public accounting firm, has issued an attestation report appearing on the following page on the effectiveness of our internal control over financial reporting as of December 31, 2015.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMERICAN EXPRESS COMPANY:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and shareholders equity present fairly, in all material respects, the financial position of American Express Company and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, 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, 2015, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

New York, New York

February 19, 2016

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CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31 *(Millions, except per share amounts)*	2015	2014	2013
Revenues			
Non-interest revenues			
Discount revenue	**$ 19,297**	$ 19,389	$ 18,591
Net card fees	**2,700**	2,712	2,631
Travel commissions and fees	**349**	1,118	1,913
Other commissions and fees	**2,517**	2,508	2,414
Other	**2,033**	2,989	2,274
Total non-interest revenues	**26,896**	28,716	27,823
Interest income			
Interest on loans	**7,309**	6,929	6,718
Interest and dividends on investment securities	**157**	179	201
Deposits with banks and other	**79**	71	86
Total interest income	**7,545**	7,179	7,005
Interest expense			
Deposits	**475**	373	442
Long-term debt and other	**1,148**	1,334	1,516
Total interest expense	**1,623**	1,707	1,958
Net interest income	**5,922**	5,472	5,047
Total revenues net of interest expense	**32,818**	34,188	32,870
Provisions for losses			
Charge card	**737**	792	648
Card Member loans	**1,190**	1,138	1,115
Other	**61**	114	69
Total provisions for losses	**1,988**	2,044	1,832
Total revenues net of interest expense after provisions for losses	**30,830**	32,144	31,038
Expenses			
Marketing and promotion	**3,109**	3,216	2,939
Card Member rewards	**6,996**	6,931	6,457
Card Member services and other	**1,018**	822	767
Salaries and employee benefits	**4,976**	6,095	6,191
Other, net	**6,793**	6,089	6,796
Total expenses	**22,892**	23,153	23,150
Pretax income	**7,938**	8,991	7,888
Income tax provision	**2,775**	3,106	2,529
Net income	**$ 5,163**	$ 5,885	$ 5,359

Earnings per Common Share (Note 22)[a]			
Basic	**$ 5.07**	$ 5.58	$ 4.91
Diluted	**5.05**	5.56	4.88
Average common shares outstanding for earnings per common share:			
Basic	**999**	1,045	1,082
Diluted	**1,003**	1,051	1,089

(a) Represents net income less (i) earnings allocated to participating share awards of $38 million, $46 million and $47 million for the years ended December 31, 2015, 2014 and 2013, respectively, and (ii) dividends on preferred shares of $62 million for the year ended December 31, 2015, and nil for the years ended December 31, 2014 and 2013.

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31 ***(Millions)***	**2015**	**2014**	**2013**
Net income	**$ 5,163**	$ 5,885	$ 5,359
Other comprehensive loss:			
Net unrealized securities (losses) gains, net of tax	**(38)**	33	(252)
Foreign currency translation adjustments, net of tax	**(545)**	(409)	(336)
Net unrealized pension and other postretirement benefit (losses) gains, net of tax	**(32)**	(117)	89
Other comprehensive loss	**(615)**	(493)	(499)
Comprehensive income	**$ 4,548**	$ 5,392	$ 4,860

See Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

December 31 *(Millions, except share data)*	2015	2014
Assets		
Cash and cash equivalents		
Cash and due from banks	**$ 2,935**	$ 2,628
Interest-bearing deposits in other banks (includes securities purchased under resale agreements: 2015, $41; 2014, $204)	**19,569**	19,190
Short-term investment securities	**258**	470
Total cash and cash equivalents	**22,762**	22,288
Card Member loans and receivables held for sale (includes gross loans and receivables available to settle obligations of consolidated variable interest entities: 2015, $4,966)	**14,992**	
Accounts receivable		
Card Member receivables (includes gross receivables available to settle obligations of a consolidated variable interest entity: 2015, $6,649; 2014, $7,025), less reserves: 2015, $462; 2014, $465	**43,671**	44,386
Other receivables, less reserves: 2015, $43; 2014, $61	**3,024**	2,614
Loans		
Card Member loans (includes gross loans available to settle obligations of a consolidated variable interest entity: 2015, $23,559; 2014, $30,115), less reserves: 2015, $1,028; 2014, $1,201	**57,545**	69,184
Other loans, less reserves: 2015, $20; 2014, $12	**1,254**	920
Investment securities	**3,759**	4,431
Premises and equipment, less accumulated depreciation and amortization: 2015, $6,801; 2014, $6,270	**4,108**	3,938
Other assets (includes restricted cash of consolidated variable interest entities: 2015, $155; 2014, $64)	**10,069**	11,342
Total assets	**$ 161,184**	$ 159,103
Liabilities and Shareholders Equity		
Liabilities		
Customer deposits	**$ 54,997**	$ 44,171
Travelers Cheques and other prepaid products	**3,247**	3,673
Accounts payable	**11,822**	11,300
Short-term borrowings (includes debt issued by a consolidated variable interest entity: 2015, $100; 2014, nil)	**4,812**	3,480
Long-term debt (includes debt issued by consolidated variable interest entities: 2015, $13,602; 2014, $19,516)	**48,061**	57,955
Other liabilities	**17,572**	17,851
Total liabilities	**$ 140,511**	$ 138,430
Commitments and Contingencies (Note 13)		
Shareholders Equity		
Preferred shares, 1.66^{2/3}$ par value, authorized 20 million shares; issued and outstanding 1,600 shares as of December 31, 2015 and 750 shares as of December 31, 2014 (Note 17)		
Common shares, $0.20 par value, authorized 3.6 billion shares; issued and outstanding 969 million shares as of December 31, 2015 and 1,023 million shares as of December 31, 2014	**194**	205
Additional paid-in capital	**13,348**	12,874
Retained earnings	**9,665**	9,513
Accumulated other comprehensive loss		
Net unrealized securities gains, net of tax of: 2015, $32; 2014, $52	**58**	96
Foreign currency translation adjustments, net of tax of: 2015, $(100); 2014, $(317)	**(2,044)**	(1,499)
Net unrealized pension and other postretirement benefit losses, net of tax of: 2015, $(223); 2014, $(223)	**(548)**	(516)
Total accumulated other comprehensive loss	**(2,534)**	(1,919)
Total shareholders equity	**20,673**	20,673

Total liabilities and shareholders equity	**$ 161,184**	$ 159,103

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 *(Millions)*	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 5,163**	$ 5,885	$ 5,359
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for losses	**1,988**	2,044	1,832
Depreciation and amortization	**1,043**	1,012	1,020
Deferred taxes and other	**506**	(941)	(5)
Stock-based compensation	**234**	290	350
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Other receivables	**(673)**	(56)	(73)
Other assets	**2,058**	650	335
Accounts payable and other liabilities	**1,020**	2,594	88
Travelers Cheques and other prepaid products	**(367)**	(488)	(359)
Net cash provided by operating activities	**10,972**	10,990	8,547
Cash Flows from Investing Activities			
Sales of available-for-sale investment securities	**12**	242	217
Maturities and redemptions of available-for-sale investment securities	**2,091**	1,116	1,292
Sales of other investments		990	
Purchase of investments	**(1,713)**	(886)	(1,348)
Net increase in Card Member receivables and loans, including held for sale	**(6,967)**	(8,077)	(6,301)
Purchase of premises and equipment, net of sales: 2015, $42; 2014, $3; 2013, $72	**(1,341)**	(1,195)	(1,006)
Acquisitions/dispositions, net of cash acquired	**(155)**	(229)	(195)
Net (increase) decrease in restricted cash	**(120)**	72	72
Net cash used in investing activities	**(8,193)**	(7,967)	(7,269)
Cash Flows from Financing Activities			
Net increase in customer deposits	**10,878**	2,459	1,195
Net increase (decrease) in short-term borrowings	**1,395**	(1,374)	1,843
Issuance of long-term debt	**9,926**	16,020	11,995
Principal payments on long-term debt	**(19,610)**	(12,768)	(14,763)
Issuance of American Express preferred shares	**841**	742	
Issuance of American Express common shares	**193**	362	721
Repurchase of American Express common shares	**(4,480)**	(4,389)	(3,943)
Dividends paid	**(1,172)**	(1,041)	(939)
Net cash (used in) provided by financing activities	**(2,029)**	11	(3,891)
Effect of foreign currency exchange rates on cash and cash equivalents	**(276)**	(232)	(151)
Net increase (decrease) in cash and cash equivalents	**474**	2,802	(2,764)
Cash and cash equivalents at beginning of year	**22,288**	19,486	22,250
Cash and cash equivalents at end of year	**$ 22,762**	$ 22,288	$ 19,486

Supplemental cash flow information			
Non-cash investing activities			
	$ 14,524	$	$

Transfer of Card Member loans and receivables, during the fourth quarter of 2015, to Card Member loans and receivables held for sale, net of reserves.			
Non-cash financing activities			
Gain on business travel joint venture transaction	$	$ 630	$

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Millions, except per share amounts)	Total	Preferred Shares	Common Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings
Balances as of December 31, 2012	$ 18,886	$	$ 221	$ 12,067	$ (927)	$ 7,525
Net income	5,359					5,359
Other comprehensive loss	(499)				(499)	
Repurchase of common shares	(4,000)		(11)	(648)		(3,341)
Other changes, primarily employee plans	717		3	783		(69)
Cash dividends declared common, $0.89 per share	(967)					(967)
Balances as of December 31, 2013	19,496		213	12,202	(1,426)	8,507
Net income	5,885					5,885
Other comprehensive loss	(493)				(493)	
Preferred shares issued	742			742		
Repurchase of common shares	(4,378)		(10)	(604)		(3,764)
Other changes, primarily employee plans	476		2	534		(60)
Cash dividends declared common, $1.01 per share	(1,055)					(1,055)
Balances as of December 31, 2014	20,673		205	12,874	(1,919)	9,513
Net income	**5,163**					**5,163**
Other comprehensive loss	**(615)**				**(615)**	
Preferred shares issued	**841**			**841**		
Repurchase of common shares	**(4,509)**		**(12)**	**(714)**		**(3,783)**
Other changes, primarily employee plans	**310**		**1**	**347**		**(38)**
Cash dividends declared preferred	**(62)**					**(62)**
Cash dividends declared common, $1.13 per share	**(1,128)**					**(1,128)**
Balances as of December 31, 2015	**$ 20,673**	**$**	**$ 194**	**$ 13,348**	**$ (2,534)**	**$ 9,665**

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

American Express Company (the Company) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success. The Company s principal products and services are charge and credit payment card products and travel-related services offered to consumers and businesses around the world. Business travel-related services are offered through the non-consolidated joint venture, American Express Global Business Travel (GBT JV). Prior to July 1, 2014, these business travel operations were wholly owned. The Company s various products and services are sold globally to diverse customer groups, including consumers, small businesses, mid-sized companies and large corporations. These products and services are sold through various channels, including direct mail, online applications, in-house and third-party sales forces and direct response advertising.

PRINCIPLES OF CONSOLIDATION

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

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

Entities in which the Company s voting interest in common equity does not provide it with control, but allows the Company to exert significant influence over the operating and financial decisions, are accounted for under the equity method. All other investments in equity securities, to the extent they are not considered marketable securities, are accounted for under the cost method.

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars based upon exchange rates prevailing at the end of the reporting period. The 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. Revenues and expenses are translated at the average month-end exchange rates during the year. Gains and losses related to transactions in a currency other than the functional currency are reported net in the Company s Consolidated Statements of Income, in other non-interest revenue, interest income, interest expense, or other expenses, depending on the nature of the activity. Net foreign currency transaction gains amounted to approximately $68 million, $44 million and $108 million in 2015, 2014 and 2013, respectively.

AMOUNTS BASED ON ESTIMATES AND ASSUMPTIONS

Accounting estimates are an integral part of the Consolidated Financial Statements. These estimates are based, in part, on management s assumptions concerning future events. Among the more significant assumptions are those that relate to reserves for Card Member losses on loans and receivables, the proprietary point liability for Membership Rewards costs, fair value measurement, goodwill and income taxes. These accounting estimates reflect the best judgment of management, but actual results could differ.

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INCOME STATEMENT

Discount Revenue

Discount revenue represents the amount earned by the Company on transactions occurring at merchants with which the Company, or a Global Network Services (GNS) partner, has entered into a card acceptance agreement for facilitating transactions between the merchants and the Company s Card Members. The discount fee generally is deducted from the payment to the merchant and recorded as discount revenue at the time the charge is captured.

Net Card Fees

Card fees, net of deferred acquisition costs and a reserve for projected refunds for Card Member cancellation, are deferred and recognized on a straight-line basis over the 12-month card membership period as Net Card Fees in the Consolidated Statements of Income. The unamortized net card fee balance is reported in Other Liabilities on the Consolidated Balance Sheets (refer to Note 10).

Travel Commissions and Fees

The Company earns travel commissions and fees by charging clients transaction or management fees for selling and arranging travel. Client transaction fee revenue is recognized at the time the client books the travel arrangements. The Company s travel suppliers (e.g., airlines, hotels and car rental companies) pay commissions and fees on tickets issued, sales and other services based on contractual agreements. Commissions and fees from travel suppliers are generally recognized at the time a ticket is purchased or over the term of the contract, if not transaction specific. Commissions and fees that are based on services rendered (e.g., hotel stays and car rentals) are recognized based on usage.

Other Commissions and Fees

Other commissions and fees include foreign currency conversion fees, Card Member delinquency fees, service fees and other card-related assessments, which are recognized primarily in the period in which they are charged to the Card Member (refer to Note 19). In addition, service fees are also earned from other customers (e.g., merchants) for a variety of services and are recognized when the service is performed, which is generally in the period the fee is charged. Also included are fees related to the Company s Membership Rewards program, which are deferred and recognized over the period covered by the fee, generally one year. The unamortized Membership Rewards fee balance is included in Other Liabilities on the Consolidated Balance Sheets (Refer to Note 10).

Contra-revenue

The Company regularly makes payments through contractual arrangements with merchants, corporate payments clients, Card Members and certain other customers. These payments, including cash rebates and statement credits provided to Card Members, are generally classified as contra-revenue unless a specifically identifiable benefit (e.g., goods or services) is received by the Company or its Card Members in consideration for that payment, and the fair value of such benefit is determinable and measurable. If no such benefit is identified, then the entire payment is classified as contra-revenue and included in the Consolidated Statements of Income in the revenue line item where the related transactions are recorded (e.g., Discount revenue, Travel commissions and fees, and Other commissions and fees). If such a benefit is identified, then the payment is classified as expense up to the estimated fair value of the benefit.

Interest Income

Interest on 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 the Company s 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 is 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.

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Interest Expense

Interest expense includes interest incurred primarily to fund Card Member receivables and loans, 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 the Company s long-term financing and short-term borrowings, as well as the realized impact of derivatives hedging interest rate risk on the Company s long-term debt.

Expenses

Marketing and promotion expense includes advertising costs, which are expensed in the year in which the advertising first takes place.

BALANCE SHEET

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts due from banks, interest-bearing bank balances, including securities purchased under resale agreements, and other highly liquid investments with original maturities of 90 days or less.

Goodwill

Goodwill represents the excess of acquisition cost of an acquired business over the fair value of assets acquired and liabilities assumed. The Company allocates goodwill to its reporting units for the purpose of impairment testing. A reporting unit is defined as an operating segment, or a business that is one level below an operating segment for which discrete financial information is regularly reviewed by the operating segment manager.

The Company evaluates goodwill for impairment annually as of June 30, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of the Company s reporting units below its carrying value. The Company performs an impairment evaluation of goodwill using a two-step process. 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, the second step of the impairment 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. Prior to completing the interim assessment of goodwill for impairment under the second step, the Company performs a recoverability test of certain long-lived assets by assessing the recoverability of the asset values based on the cash flows generated by the relevant assets or asset groups. If the assets are not recoverable, an impairment loss is recognized based on the amount that the carrying value of the asset or asset group exceeds its fair value. See further details in Other Intangible Assets herein.

Goodwill impairment testing involves management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by its fair value using widely accepted valuation techniques. The Company uses a combination of the income approach (discounted cash flows) and market approach (market multiples).

When preparing discounted cash flow models under the income approach, the Company uses internal forecasts to estimate future cash flows expected to be generated by the reporting units. To discount these cash flows, the Company uses the expected cost of equity, determined by using a capital asset pricing model. The Company believes the discount rates used appropriately reflect the risks and uncertainties in the financial markets generally and specifically in the Company s internally developed forecasts. When using market multiples under the market approach, the Company applies comparable publicly traded companies multiples (e.g., earnings, revenues) to its reporting units actual results.

Other Intangible Assets

Intangible assets, primarily customer relationships, are amortized over their estimated useful lives of 1 to 22 years on a straight-line basis. The Company reviews 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.

Certain long-lived assets, such as capitalized software development costs, are included in Premises and equipment. The Company reviews these assets for impairment using the same impairment methodology used for intangible assets.

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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. Premises are depreciated based upon their estimated useful life at the acquisition date, which generally ranges from 40 to 50 years.

Leasehold improvements are depreciated using the straight-line method over the lesser of the remaining term of the leased facility or the economic life of the improvement, which ranges from 5 to 10 years. The Company maintains operating leases worldwide for facilities and equipment. Rent expense for facility leases is recognized ratably over the lease term, and includes adjustments for rent concessions, rent escalations and leasehold improvement allowances. The Company recognizes lease restoration obligations at the fair value of the restoration liabilities when incurred, and amortizes the restoration assets over the lease term.

Certain costs associated with the acquisition or development of internal-use software are also 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.

OTHER SIGNIFICANT ACCOUNTING POLICIES

The following table identifies the Company s other significant accounting policies, the Note and page where the Note can be found.

Significant Accounting Policy	Note Number	Note Title	Page
Accounts Receivable	Note 3	Accounts Receivable and Loans	Page 111
Loans	Note 3	Accounts Receivable and Loans	Page 111
Reserves for Losses	Note 4	Reserves for Losses	Page 118
Investment Securities	Note 5	Investment Securities	Page 120
Asset Securitizations	Note 6	Asset Securitizations	Page 122
Membership Rewards	Note 10	Other Liabilities	Page 129
Stock-based Compensation	Note 11	Stock Plans	Page 130
Retirement Plans	Note 12	Retirement Plans	Page 132
Legal Contingencies	Note 13	Commitments and Contingencies	Page 132
Derivative Financial Instruments and Hedging Activities	Note 14	Derivatives and Hedging Activities	Page 134
Fair Value Measurements	Note 15	Fair Values	Page 138
Income Taxes	Note 21	Income Taxes	Page 148
Regulatory Matters and Capital Adequacy	Note 23	Regulatory Matters and Capital Adequacy	Page 151
Reportable Operating Segments	Note 25	Reportable Operating Segments and Geographic Operations	Page 154

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance on revenue recognition. The guidance establishes the principles to apply to determine the amount and timing of revenue recognition, specifying the accounting for certain costs related to revenue, and requiring additional disclosures about the nature, amount, timing and uncertainty of revenues and related cash flows. The guidance, as amended, supersedes most of the current revenue recognition requirements, and is effective January 1, 2018, with early adoption as of January 1, 2017, permitted. The Company does not intend to adopt the new standard early and continues to evaluate the impact this guidance, including the method of implementation, will have on its financial position, results of operations and cash flows, among other items.

In January 2016, the FASB issued new accounting guidance on the recognition and measurement of financial assets and financial liabilities. The standard, which is effective January 1, 2018, makes targeted changes to current GAAP, specifically to the classification and measurement of equity securities, and to certain disclosure requirements associated with the fair value of financial instruments. The Company is currently evaluating the impact this guidance will have on its financial position, results of operations and cash flows, among other items.

CLASSIFICATION OF VARIOUS ITEMS

In the first quarter of 2015, the Company changed the classification related to certain payments to partners, reducing both discount revenue and marketing and promotion expense. Prior period amounts have been reclassified to conform to the current period presentation. None of the prior period financial statements were materially misstated from these misclassifications. Certain other insignificant reclassifications of prior period amounts have been made to conform to the current period presentation.

NOTE 2

BUSINESS EVENTS

GLOBAL BUSINESS TRAVEL TRANSACTION

On June 30, 2014, the Company completed a transaction to establish a non-consolidated joint venture comprising the former Global Business Travel (GBT) operations of the Company and an external cash investment. As a result of this transaction, the Company deconsolidated the GBT net assets, effective June 30, 2014, and began accounting for the GBT JV as an equity method investment reported in Other assets within the Consolidated Balance Sheets. Prior to the deconsolidation, the carrying amount of GBT s assets and liabilities were not material to the Company s financial position and its operations were reported within the Global Commercial Services (GCS) segment.

LOANS AND RECEIVABLES HELD FOR SALE

During the fourth quarter of 2015, it was determined the Company would sell the Card Member loans and receivables related to its cobrand partnerships with Costco Wholesale Corporation (Costco) in the United States and JetBlue Airways Corporation (JetBlue) (the HFS portfolios). The sale of the JetBlue portfolio is subject to customary closing conditions, and is expected to be consummated in the first quarter of 2016. The sale of the Costco portfolio is subject to the outcome of ongoing discussions, and is expected to be consummated around mid-year 2016. The gains on the sales of the two portfolios will be recognized upon consummation of the sales.

As a result of the determination, the HFS portfolios are presented as held for sale (HFS) on the Consolidated Balance Sheets within Card Member loans and receivables HFS. The HFS portfolios were transferred at the net carrying amount, inclusive of the related reserves for losses of $0.2 billion, which approximates the lower of cost or fair value in the aggregate, and which will also be the measurement basis applied until consummation of the sales. Card Member loans and receivables HFS at December 31, 2015, totaled $15.0 billion, of which $13.9 billion relates to the Costco portfolio and $1.1 billion relates to the JetBlue portfolio. Changes in the valuation of the HFS portfolios are recognized in Other expenses beginning on December 1, 2015. The Company will continue to recognize discount revenue, interest income, and other revenues and expenses related to the portfolios in the respective income statement line items while the portfolios are HFS.

GOODWILL AND TECHNOLOGY IMPAIRMENT

As discussed in Note 1, the Company evaluates goodwill for impairment annually, or more frequently if events occur or circumstances change that would more likely than not reduce the fair value of one or more of the Company s reporting units below its carrying value. Based on its annual assessment, the Company determined that goodwill was not impaired. During the fourth quarter of 2015, the Company announced changes to its management organizational structure under which reconsideration of the Company s Prepaid Services business (a reporting unit within Enterprise Growth (EG), which is included in Corporate and Other), occurred. As a result, the Company determined that sufficient indicators of potential impairment of goodwill existed and performed an impairment evaluation. In performing the two-step impairment evaluation, it was determined the carrying value of the Prepaid Services business goodwill exceeded its implied fair value and the Company recognized an impairment loss. The fair value of the Prepaid Services business asset group was measured based on an income approach (discounted cash flow valuation methodology), with the assistance of a third-party valuation firm. Prior to completing the assessment of goodwill for impairment, the Company performed a recoverability test of certain long-lived assets in the Prepaid Services business and determined that certain long-lived assets, primarily technology assets, were not recoverable. As a result, during the fourth quarter of 2015, the Company recorded a $384 million impairment charge, comprising a $219 million write-down of the entire balance of goodwill in the Prepaid Services business and a $165 million write-down of technology and other assets to fair value. These charges are reported in Other expenses.

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NOTE 3

ACCOUNTS RECEIVABLE AND LOANS

The Company s charge and lending payment card products result in the generation of Card Member receivables and Card Member loans, respectively. This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015.

CARD MEMBER AND OTHER RECEIVABLES

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

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 losses (refer to Note 4), and include principal and any related accrued fees.

Accounts receivable by segment as of December 31, 2015 and 2014 consisted of:

(Millions)	**2015**	**2014**
U.S. Card Services [a]	**$ 23,255**	$ 22,468
International Card Services	**6,975**	7,653
Global Commercial Services [b]	**13,777**	14,583
Global Network & Merchant Services [c]	**126**	147
Card Member receivables [d]	**44,133**	44,851
Less: Reserve for losses	**462**	465
Card Member receivables, net	**$ 43,671**	$ 44,386
Other receivables, net [e]	**$ 3,024**	$ 2,614

(a) Includes $6.6 billion and $7.0 billion of gross Card Member receivables available to settle obligations of a consolidated VIE as of December 31, 2015 and 2014, respectively.
(b) Includes $319 million and $636 million due from airlines, of which Delta Air Lines (Delta) comprises $257 million and $606 million as of December 31, 2015 and 2014, respectively.
(c) Includes receivables primarily related to the Company s International Currency Card portfolios.
(d) Includes approximately $11.9 billion and $13.3 billion of Card Member receivables outside the United States as of December 31, 2015 and 2014, respectively.
(e) Other receivables primarily represent amounts related to (i) certain merchants for billed discount revenue and (ii) GNS partner banks for items such as royalty and franchise fees. Other receivables are presented net of reserves for losses of $43 million and $61 million as of December 31, 2015 and 2014, respectively.

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CARD MEMBER AND OTHER LOANS

Card Member loans, representing revolving amounts due on lending card products, are recorded at the time a Card Member enters into a point-of-sale transaction with a merchant, as well as amounts due from charge Card Members who utilize the lending-on-charge feature on their account and elect to revolve a portion of the outstanding balance by entering into a revolving payment arrangement with the Company. 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. 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 losses (refer to Note 4), and include principal, accrued interest and fees receivable. The Company s 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 the Company believes will not be collected.

Loans by segment as of December 31, 2015 and 2014 consisted of:

(Millions)	**2015**	**2014**
U.S. Card Services [(a)]	**$ 51,446**	$ 62,592
International Card Services	**7,072**	7,744
Global Commercial Services	**55**	49
Card Member loans	**58,573**	70,385
Less: Reserve for losses	**1,028**	1,201
Card Member loans, net	**$ 57,545**	$ 69,184
Other loans, net [(b)]	**$ 1,254**	$ 920

(a) Includes approximately $23.6 billion and $30.1 billion of gross Card Member loans available to settle obligations of a consolidated VIE as of December 31, 2015 and 2014, respectively.

(b) Other loans primarily represent loans to merchants. Other loans are presented net of reserves for losses of $20 million and $12 million as of December 31, 2015 and 2014, respectively.

CARD MEMBER LOANS AND CARD MEMBER 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, 2015 and 2014:

2015 *(Millions)*	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
U.S. Card Services	**$ 50,929**	**$ 154**	**$ 112**	**$ 251**	**$ 51,446**
International Card Services	**6,961**	**34**	**25**	**52**	**7,072**
Card Member Receivables:					
U.S. Card Services	**$ 22,896**	**$ 118**	**$ 73**	**$ 168**	**$ 23,255**
International Card Services	**6,875**	**28**	**21**	**51**	**6,975**
Global Commercial Services [(a)]	**(b)**	**(b)**	**(b)**	**124**	**13,777**

2014 *(Millions)*	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Card Member Loans:					
U.S. Card Services	$ 61,995	$ 179	$ 128	$ 290	$ 62,592
International Card Services	7,621	39	27	57	7,744
Card Member Receivables:					
U.S. Card Services	$ 22,096	$ 129	$ 72	$ 171	$ 22,468
International Card Services	7,557	29	20	47	7,653
Global Commercial Services [(a)]	(b)	(b)	(b)	120	14,583

(a) For Card Member receivables in GCS, 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 the Company initiates 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. These amounts are shown above as 90+ Days Past Due for presentation purposes.

(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.

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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:

	2015 Net Write-Off Rate			2014 Net Write-Off Rate		
	Principal Only (a)	Principal, Interest, & Fees (a)	30+ Days Past Due as a % of Total	Principal Only (a)	Principal, Interest, & Fees (a)	30+ Days Past Due as a % of Total
Card Member Loans:						
U.S. Card Services	**1.4%**	**1.6%**	**1.0%**	1.5%	1.7%	1.0%
International Card Services	**1.9%**	**2.4%**	**1.6%**	2.0%	2.4%	1.6%
Card Member Receivables:						
U.S. Card Services	**1.7%**	**1.9%**	**1.5%**	1.6%	1.8%	1.7%
International Card Services	**2.0%**	**2.2%**	**1.4%**	1.9%	2.1%	1.3%

	2015		2014	
	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables	Net Loss Ratio as a % of Charge Volume	90+ Days Past Billing as a % of Receivables
Card Member Receivables:				
Global Commercial Services	**0.09%**	**0.9%**	0.09%	0.8%

(a) The Company presents a net write-off rate based on principal losses only (i.e., excluding interest and/or fees) to be consistent with industry convention. In addition, because the Company considers uncollectible interest and/or fees in estimating its reserves for credit losses, a net write-off rate including principal, interest and/or fees is also presented. The year ended December 31, 2015, reflects the impact of a change in the timing of charge-offs for Card Member loans and receivables in certain modification programs from 180 days past due to 120 days past due, which was fully recognized during the three months ended March 31, 2015.

Refer to Note 4 for additional indicators, including external environmental qualitative factors, management considers in its monthly evaluation process for reserves for losses.

IMPAIRED CARD MEMBER 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 the Company will be unable to collect all amounts due according to the original contractual terms of the Card Member agreement. The Company considers 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).

The Company may modify, through various programs, Card Member loans and receivables in instances where the Card Member is experiencing financial difficulty in order to minimize losses and improve collectability, while providing Card Members with temporary or permanent financial relief. The Company has classified Card Member loans and receivables in these modification programs as TDRs. Beginning January 1, 2015, on a prospective basis the Company continues to classify Card Member 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 the Company s TDR disclosures), (ii) placing the Card Member on a fixed payment plan not to

exceed 60 months and (iii) suspending delinquency fees until the Card Member exits the modification program. Upon entering the modification program, the Card Member s ability to make future purchases is either cancelled, or in certain cases suspended until the Card Member successfully exits the modification program. In accordance with the modification agreement with the Card Member, loans may revert back to the original contractual terms (including the contractual interest rate) when the Card Member exits the modification program, which is (i) when all payments have been made in accordance with the modification agreement or, (ii) when the Card Member defaults out of the modification program. The Company establishes a reserve for Card Member interest charges and fees considered to be uncollectible.

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Reserves for Card Member loans and receivables modified as TDRs are determined as the difference between the cash flows expected to be received from the Card Member (taking into consideration the probability of subsequent defaults), discounted at the original effective interest rates, and the carrying value of the related Card Member loan or receivable balance. The Company determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty interest rate. All changes in the impairment measurement are included in the Provisions for losses in the Consolidated Statements of Income.

The following tables provide additional information with respect to the Company s impaired Card Member loans and receivables. Impaired Card Member loans are not significant for GCS and impaired Card Member receivables are not significant for International Card Services (ICS) and GCS; therefore, these segments are not included in the following tables.

	As of December 31, 2015						
			Accounts Classified as a TDR [c]				
(Millions)	Over 90 days Past Due & Accruing Interest [a]	Non-Accruals [b]	In Program [d]	Out of Program [e]	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
Card Member Loans:							
U.S. Card Services	$ 164	$ 150	$ 172	$ 107	$ 593	$ 548	$ 53
International Card Services	52				52	51	
Card Member Receivables:							
U.S. Card Services			27	6	33	33	20
Total	$ 216	$ 150	$ 199	$ 113	$ 678	$ 632	$ 73

	As of December 31, 2014					
(Millions)	Over 90 days Past Due & Accruing Interest [a]	Non-Accruals [b]	In Program TDRs [c] [d]	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs
Card Member Loans:						
U.S. Card Services	$ 161	$ 241	$ 286	$ 688	$ 646	$ 67
International Card Services	57			57	56	
Card Member Receivables:						
U.S. Card Services			48	48	48	35
Total	$ 218	$ 241	$ 334	$ 793	$ 750	$ 102

	As of December 31, 2013					
(Millions)	Over 90 days Past Due & Accruing	Non-Accruals [b]	In Program TDRs [c] [d]	Total Impaired Balance	Unpaid Principal Balance	Allowance for TDRs

	Interest [a]					
Card Member Loans:						
U.S. Card Services	$ 167	$ 294	$ 351	$ 812	$ 775	$ 78
International Card Services	54	4	5	63	62	
Card Member Receivables:						
U.S. Card Services			50	50	49	38
Total	$ 221	$ 298	$ 406	$ 925	$ 886	$ 116

(a) The Company s policy is generally to accrue interest through the date of write-off (typically 180 days past due). The Company establishes reserves for interest that it believes will not be collected. Amounts presented exclude loans classified as a TDR.

(b) Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside collection agencies for which the Company has ceased accruing interest.

(c) Accounts classified as a TDR include $20 million, $26 million and $29 million that are over 90 days past due and accruing interest and $18 million, $34 million and $43 million that are non-accrual as of December 31, 2015, 2014 and 2013, respectively.

(d) In Program TDRs include Card Member accounts that are currently enrolled in a modification program.

(e) Out of Program TDRs include $84 million of Card Member accounts that have successfully completed a modification program and $29 million of Card Member accounts that were not in compliance with the terms of the modification programs.

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The following table provides information with respect to the Company s average balances of, and interest income recognized from, impaired Card Member loans and the average balances of impaired Card Member receivables for the years ended December 31:

2015 *(Millions)*	**Average Balance**	**Interest Income Recognized**
Card Member Loans:		
U.S. Card Services	**$ 673**	**$ 59**
International Card Services	**54**	**14**
Card Member Receivables:		
U.S. Card Services	**33**	
Total	**$ 760**	**$ 73**

2014 *(Millions)*	**Average Balance**	**Interest Income Recognized**
Card Member Loans:		
U.S. Card Services	$ 750	$ 49
International Card Services	62	16
Card Member Receivables:		
U.S. Card Services	47	
Total	$ 859	$ 65

2013 *(Millions)*	**Average Balance**	**Interest Income Recognized**
Card Member Loans:		
U.S. Card Services	$ 948	$ 46
International Card Services	67	16
Card Member Receivables:		
U.S. Card Services	81	
Total	$ 1,096	$ 62

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CARD MEMBER LOANS AND RECEIVABLES MODIFIED AS TDRS

The following table provides additional information with respect to the U.S. Card Services (USCS) Card Member loans and receivables modified as TDRs for the years ended December 31, 2015, 2014 and 2013. The ICS Card Member loans and receivables modifications were not significant and the Company does not offer modification programs for its GCS Card Member receivables; therefore, these segments are not included in the following TDR disclosures.

2015	Number of Accounts (in thousands)	Outstanding Balances [(a)] ($ in millions)	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
Troubled Debt Restructurings:				
Card Member Loans	**40**	**$ 285**	**9**	**(b)**
Card Member Receivables	**12**	**147**	**(c)**	**12**
Total	**52**	**$ 432**		

2014	Number of Accounts (in thousands)	Outstanding Balances [(a)] ($ in millions)	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
Troubled Debt Restructurings:				
Card Member Loans	46	$ 342	10	(b)
Card Member Receivables	15	176	(c)	12
Total	61	$ 518		

2013	Number of Accounts (in thousands)	Outstanding Balances [(a)] ($ in millions)	Average Interest Rate Reduction (% points)	Average Payment Term Extensions (# of months)
Troubled Debt Restructurings:				
Card Member Loans	60	$ 448	10	(b)
Card Member Receivables	20	247	(c)	12
Total	80	$ 695		

(a) Represents the outstanding balance immediately prior to modification. The outstanding balance includes principal, fees and accrued interest on Card Member loans, and principal and fees on Card Member receivables. For the year ended December 31, 2013, in certain modifications, the principal balance was reduced in the aggregate by $4 million. For the years ended December 31, 2015 and 2014, modifications did not reduce the principal balance.
(b) For Card Member loans, there have been no payment term extensions.
(c) The Company does not offer interest rate reduction programs for Card Member receivables as the receivables are non-interest bearing.

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The following table provides information for the years ended December 31, 2015, 2014 and 2013, with respect to the USCS Card Member loans and receivables modified as TDRs that subsequently defaulted within 12 months of modification. A Card Member is considered in default of a modification program after one and up to two consecutive missed payments, depending on the terms of the modification program. For all Card Members that defaulted from a modification program, the probability of default is factored into the reserves for Card Member loans and receivables.

2015	Number of Accounts (thousands)	Outstanding Balances Upon Default (millions) [(a)]
Troubled Debt Restructurings That Subsequently Defaulted:		
Card Member Loans	**8**	**$ 52**
Card Member Receivables	**3**	**5**
Total	**11**	**$ 57**

2014	Number of Accounts (thousands) [(b)]	Outstanding Balances Upon Default (millions) [(a)]
Troubled Debt Restructurings That Subsequently Defaulted:		
Card Member Loans	8	$ 52
Card Member Receivables	3	12
Total	11	$ 64

2013	Number of Accounts (thousands)	Outstanding Balances Upon Default (millions) [(a) (b)]
Troubled Debt Restructurings That Subsequently Defaulted:		
Card Member Loans	18	$ 141
Card Member Receivables	3	25
Total	21	$ 166

(a) The outstanding balances upon default include principal, fees and accrued interest on Card Member loans, and principal and fees on Card Member receivables.
(b) The number of accounts and outstanding balances upon default have been revised to reflect the exclusion of written off accounts, which are not material.

NOTE 4

RESERVES FOR LOSSES

Reserves for losses relating to Card Member receivables and loans represent management s best estimate of the probable inherent losses in the Company s outstanding portfolio of loans and receivables, as of the balance sheet date. Management s evaluation process requires certain estimates and judgments.

Reserves for losses are primarily based upon statistical and analytical models that analyze portfolio performance and reflect management s judgment regarding the quantitative components of the reserve. The models take into account several factors, including delinquency-based loss migration rates, loss emergence periods and average losses and recoveries over an appropriate historical period. Management considers whether to adjust the quantitative reserves for certain external and internal qualitative factors, which may increase or decrease the reserves for losses on Card Member receivables and loans. These external factors include employment, spend, sentiment, housing and credit, and changes in the legal and regulatory environment, while the internal factors include increased risk in certain portfolios, impact of risk management initiatives, changes in underwriting requirements and overall process stability. As part of this evaluation process, management also considers various reserve coverage metrics, such as reserves as a percentage of past due amounts, reserves as a percentage of Card Member receivables or loans, and net write-off coverage ratios.

Card Member receivables and loans balances are written off when management considers amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days past due. Card Member receivables and loans in bankruptcy or owed by deceased individuals are generally written off upon notification, and recoveries are recognized as they are collected.

This Note is presented excluding amounts associated with the Card Member loans and receivables HFS as of December 31, 2015.

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CHANGES IN CARD MEMBER RECEIVABLES RESERVE FOR LOSSES

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

(Millions)	2015	2014	2013
Balance, January 1	**$ 465**	$ 386	$ 428
Provisions [(a)]	**737**	792	648
Net write-offs [(b)]	**(713)**	(683)	(669)
Other [(c)]	**(27)**	(30)	(21)
Balance, December 31	**$ 462**	$ 465	$ 386

(a) Provisions for principal and fee reserve components.
(b) Consists of principal and fee components, less recoveries of $401 million, $358 million and $402 million, including net write-offs from TDRs of $60 million, $15 million and $12 million, for the years ended December 31, 2015, 2014 and 2013, respectively.
(c) Includes foreign currency translation adjustments of $(16) million, $(15) million and $(4) million for the years ended December 31, 2015, 2014 and 2013, respectively; and other adjustments of $(11) million, $(8) million and $(17) million for the years ended December 31, 2015, 2014 and 2013, respectively. Additionally, 2015 includes the impact of the transfer of the HFS receivables portfolio, which was not significant, and 2014 includes an adjustment related to reserves for card-related fraud losses of $(7) million, which was reclassified to Other liabilities.

CARD MEMBER RECEIVABLES EVALUATED INDIVIDUALLY AND COLLECTIVELY FOR IMPAIRMENT

The following table presents Card Member receivables evaluated individually and collectively for impairment, and related reserves, as of December 31:

(Millions)	2015	2014	2013
Card Member receivables evaluated individually for impairment (a)	**$ 33**	$ 48	$ 50
Related reserves [(a)]	**$ 20**	$ 35	$ 38
Card Member receivables evaluated collectively for impairment	**$ 44,100**	$ 44,803	$ 44,113
Related reserves [(b)]	**$ 442**	$ 430	$ 348

(a) Represents receivables modified as a TDR and related reserves.
(b) The reserves include the quantitative results of analytical models that are specific to individual pools of receivables, and reserves for internal and external qualitative risk factors that apply to receivables that are collectively evaluated for impairment.

CHANGES IN CARD MEMBER LOANS RESERVE FOR LOSSES

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

(Millions)	2015	2014	2013
Balance, January 1	**$ 1,201**	$ 1,261	$ 1,471
Provisions [(a)]	**1,190**	1,138	1,115
Net write-offs			
Principal [(b)]	**(967)**	(1,023)	(1,141)
Interest and fees [(b)]	**(162)**	(164)	(150)

Transfer of reserves on HFS loan portfolios	**(224)**		
Other [(c)]	**(10)**	(11)	(34)
Balance, December 31	**$ 1,028**	$ 1,201	$ 1,261

(a) Provisions for principal interest and fee reserve components.

(b) Consists of principal write-offs, less recoveries of $418 million, $428 million and $452 million, including net write-offs/(recoveries) from TDRs of $41 million, $(10) million and $(1) million, for the years ended December 31, 2015, 2014 and 2013, respectively. Recoveries of interest and fees were de minimis.

(c) Includes foreign currency translation adjustments of $(20) million, $(17) million and $(12) million for the years ended December 31, 2015, 2014 and 2013, respectively, and other adjustments of $10 million, $12 million and $(22) million for the years ended December 31, 2015, 2014 and 2013, respectively. Additionally, 2014 includes an adjustment related to reserves for card-related fraud losses of $(6) million, which were reclassified to Other liabilities.

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CARD MEMBER LOANS EVALUATED INDIVIDUALLY AND COLLECTIVELY FOR IMPAIRMENT

The following table presents Card Member loans evaluated individually and collectively for impairment, and related reserves, as of December 31:

(Millions)	2015	2014	2013
Card Member loans evaluated individually for impairment [(a)]	**$ 279**	$ 286	$ 356
Related reserves [(a)]	**$ 53**	$ 67	$ 78
Card Member loans evaluated collectively for impairment [(b)]	**$ 58,294**	$ 70,099	$ 66,882
Related reserves [(b)]	**$ 975**	$ 1,134	$ 1,183

(a) Represents loans modified as a TDR and related reserves.

(b) Represents current loans and loans less than 90 days past due, loans over 90 days past due and accruing interest, and non-accrual loans. The reserves include the quantitative results of analytical models that are specific to individual pools of loans, and reserves for internal and external qualitative risk factors that apply to loans that are collectively evaluated for impairment.

NOTE 5

INVESTMENT SECURITIES

Investment securities principally include debt securities that the Company classifies as available-for-sale and carries at fair value on the Consolidated Balance Sheets, with unrealized gains (losses) recorded in Accumulated Other Comprehensive Loss, net of income taxes. Realized gains and losses are recognized on a trade-date basis in results of operations upon disposition of the securities using the specific identification method. Refer to Note 15 and Note 19 for a description of the Company s methodology for determining the fair value of investment securities and gross realized gains on the sale of investment securities, respectively.

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

	2015				2014			
Description of Securities *(Millions)*	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
State and municipal obligations	**$ 2,813**	**$ 85**	**$ (5)**	**$ 2,893**	$ 3,366	$ 129	$ (2)	$ 3,493
U.S. Government agency obligations	**2**			**2**	3			3
U.S. Government treasury obligations	**406**	**4**	**(1)**	**409**	346	4		350
Corporate debt securities	**29**	**1**		**30**	37	3		40
Mortgage-backed securities [(a)]	**117**	**4**		**121**	128	8		136
Equity securities [(b)]	**1**			**1**		1		1
Foreign government bonds and obligations	**250**	**6**	**(1)**	**255**	350	9		359
Other [(c)]	**50**		**(2)**	**48**	50		(1)	49
Total	**$ 3,668**	**$ 100**	**$ (9)**	**$ 3,759**	$ 4,280	$ 154	$ (3)	$ 4,431

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

(b) 2013 amount primarily represents the Company s investment in the Industrial and Commercial Bank of China (ICBC), the remaining amount of which was sold in the third quarter of 2014.

(c) Other comprises investments in various mutual funds.

The following table provides information about the Company s investment securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position, as of December 31:

	2015				**2014**			
	Less than 12 months		**12 months or more**		**Less than 12 months**		**12 months or more**	
Description of Securities *(Millions)*	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
State and municipal obligations	**$ 100**	**$ (3)**	**$ 13**	**$ (2)**	$	$	$ 72	$ (2)
U.S. Government treasury obligations	**253**	**(1)**						
Foreign government bonds and obligations	**99**	**(1)**						
Other			**33**	**(2)**			33	(1)
Total	**$ 452**	**$ (5)**	**$ 46**	**$ (4)**	$	$	$ 105	$ (3)

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The following table summarizes the gross unrealized losses due to temporary impairments by ratio of fair value to amortized cost, as of December 31:

Ratio of Fair Value to Amortized Cost *(Dollars in millions)*	Less than 12 months Number of Securities	Estimated Fair Value	Gross Unrealized Losses	12 months or more Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Total Number of Securities	Estimated Fair Value	Gross Unrealized Losses
2015:									
90% 100%	**52**	**$ 450**	**$ (5)**	**15**	**$ 37**	**$ (2)**	**67**	**$ 487**	**$ (7)**
Less than 90%				**2**	**9**	**(2)**	**2**	**9**	**(2)**
Total as of December 31, 2015	**52**	**$ 450**	**$ (5)**	**17**	**$ 46**	**$ (4)**	**69**	**$ 496**	**$ (9)**
2014:									
90% 100%		$	$	15	$ 105	$ (3)	15	$ 105	$ (3)
Total as of December 31, 2014		$	$	15	$ 105	$ (3)	15	$ 105	$ (3)

The gross unrealized losses are attributed to overall wider credit spreads for state and municipal securities, wider credit spreads for specific issuers, adverse changes in market benchmark interest rates, or a combination thereof, all compared to those prevailing when the investment securities were acquired.

Overall, for the investment securities in gross unrealized loss positions, (i) the Company does not intend to sell the investment securities, (ii) it is more likely than not that the Company will not be required to sell the investment securities before recovery of the unrealized losses, and (iii) the Company expects that the contractual principal and interest will be received on the investment securities. As a result, the Company recognized no other-than-temporary impairment during the periods presented.

Weighted average yields and contractual maturities for investment securities with stated maturities as of December 31, 2015 were as follows:

(Millions)	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)]	**$ 23**	**$ 61**	**$ 277**	**$ 2,532**	**$ 2,893**
U.S. Government agency obligations				**2**	**2**
U.S. Government treasury obligations	**120**	**144**	**132**	**13**	**409**
Corporate debt securities	**6**	**24**			**30**
Mortgage-backed securities [(a)]	**1**			**120**	**121**
Foreign government bonds and obligations	**190**	**23**		**42**	**255**
Total Estimated Fair Value	**$ 340**	**$ 252**	**$ 409**	**$ 2,709**	**$ 3,710**
Total Cost	**$ 340**	**$ 247**	**$ 395**	**$ 2,635**	**$ 3,617**
Weighted average yields [(b)]	**2.86%**	**2.78%**	**5.48%**	**6.58%**	**5.85%**

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

(b) 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 35 percent.

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NOTE 6

ASSET SECURITIZATIONS

The Company periodically securitizes Card Member receivables and loans arising from its card business, including Card Member loans and receivables HFS, through the transfer of those assets to securitization trusts. The trusts then issue debt securities to third-party investors, collateralized by the transferred assets.

Card Member receivables are transferred to the American Express Issuance Trust II (the Charge Trust). Card Member loans are transferred to the American Express Credit Account Master Trust (the Lending Trust, collectively the Trusts). The Trusts are consolidated by American Express Travel Related Services Company, Inc. (TRS), which is a consolidated subsidiary of the Company. The Trusts are considered VIEs as they have insufficient equity at risk to finance their activities, which are to issue debt securities that are collateralized by the underlying Card Member receivables and loans. Details on the principles of consolidation can be found in the summary of significant accounting policies (refer to Note 1).

TRS, in its role as servicer of the Trusts, has the power to direct the most significant activity of the Trusts, which is the collection of the underlying Card Member receivables and loans. In addition, TRS, excluding its consolidated subsidiaries, owned approximately $1.0 billion of subordinated securities issued by the Lending Trust as of December 31, 2015. These subordinated securities have the obligation to absorb losses of the Lending Trust and provide the right to receive benefits from the Lending Trust, both of which are significant to the VIE. TRS role as servicer for the Charge Trust does not provide it with a significant obligation to absorb losses or a significant right to receive benefits. However, TRS position as the parent company of the entities that transferred the receivables to the Charge Trust makes it the party most closely related to the Charge Trust. Based on these considerations, TRS is the primary beneficiary of both Trusts.

The debt securities issued by the Trusts are non-recourse to the Company. The securitized Card Member receivables and loans held by the Charge Trust and the Lending Trust, respectively, are available only for payment of the debt securities or other obligations issued or arising in the securitization transactions (refer to Note 3). The long-term debt of each Trust is payable only out of collections on their respective underlying securitized assets (refer to Note 9).

The following table presents the restricted cash held by the Charge Trust and the Lending Trust as of December 31, 2015 and 2014, included in Other Assets on the Company s Consolidated Balance Sheets:

(Millions)	**2015**	2014
Charge Trust	**$ 2**	$ 2
Lending Trust	**153**	62
Total	**$ 155**	$ 64

These amounts relate to collections of Card Member receivables and loans to be used by the Trusts to fund future expenses and obligations, including credit losses, interest paid on the debt securities and upcoming debt maturities.

Under the respective terms of the Charge Trust and the Lending Trust agreements, the occurrence of certain triggering events associated with the performance of the assets of each Trust could result in payment of trust expenses, establishment of reserve funds, or, in a worst-case scenario, early amortization of investor debt securities. During the year ended December 31, 2015, no such triggering events occurred.

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NOTE 7

OTHER ASSETS

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

(Millions)	2015	2014
Goodwill	**$ 2,749**	$ 3,024
Deferred tax assets, net [(a)]	**2,231**	2,110
Prepaid expenses [(b)]	**851**	1,626
Other intangible assets, at amortized cost	**796**	854
Community Reinvestment Act Tax Credit investments	**638**	622
Restricted cash [(c)]	**477**	384
Derivative assets [(a)]	**282**	711
Other	**2,045**	2,011
Total	**$ 10,069**	$ 11,342

(a) Refer to Notes 14 and 21 for a discussion of derivative assets and deferred tax assets, net, respectively, as of December 31, 2015 and 2014. For 2015 and 2014, $80 million and $96 million, respectively, of foreign deferred tax liabilities is reflected in Other Liabilities. Derivative assets reflect the impact of master netting agreements.

(b) Includes prepaid miles and reward points acquired primarily from airline partners of approximately $0.3 billion and $1.1 billion as of December 31, 2015 and 2014, respectively, including approximately nil and $0.6 billion, respectively, from Delta.

(c) Includes restricted cash of approximately $155 million and $64 million as of December 31, 2015 and 2014, respectively, which is primarily held for coupon and certain asset-backed securitization maturities.

GOODWILL

The changes in the carrying amount of goodwill reported in the Company s reportable operating segments and Corporate & Other were as follows:

(Millions)	USCS	ICS	GCS	GNMS	Corporate & Other	Total
Balance as of January 1, 2014	$ 174	$ 1,052	$ 1,543	$ 160	$ 269	$ 3,198
Acquisitions						
Dispositions			(102)			(102)
Other, including foreign currency translation		(70)			(2)	(72)
Balance as of December 31, 2014	$ 174	$ 982	$ 1,441	$ 160	$ 267	$ 3,024
Acquisitions						
Dispositions						
Other, including impairment and foreign currency translation [(a)]		**(53)**			**(222)**	**(275)**
Balance as of December 31, 2015	**$ 174**	**$ 929**	**$ 1,441**	**$ 160**	**$ 45**	**$ 2,749**

(a) Includes a $219 million impairment charge within Corporate & Other. Refer to Note 2 for additional information.

Accumulated impairment losses were $219 million as of December 31, 2015, and nil as of December 31, 2014 and December 31, 2013.

OTHER INTANGIBLE ASSETS

The components of other intangible assets were as follows:

	2015			2014		
(Millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships [(a)]	**$ 1,506**	**$ (836)**	**$ 670**	$ 1,455	$ (754)	$ 701
Other	**231**	**(105)**	**126**	255	(102)	153
Total	**$ 1,737**	**$ (941)**	**$ 796**	$ 1,710	$ (856)	$ 854

(a) Includes net intangibles related to airline partners of $255 million and $340 million as of December 31, 2015 and 2014, respectively, including approximately $165 million and $206 million, respectively, related to Delta.

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Amortization expense for the years ended December 31, 2015, 2014 and 2013 was $183 million, $174 million and $193 million, respectively. Intangible assets acquired in 2015 and 2014 are being amortized, on average, over 5 and 7 years, respectively.

Estimated amortization expense for other intangible assets over the next five years is as follows:

(Millions)	**2016**	**2017**	**2018**	**2019**	**2020**
Estimated amortization expense	**$ 174**	**$ 156**	**$ 146**	**$ 106**	**$ 76**

COMMUNITY REINVESTMENT ACT TAX CREDIT INVESTMENTS

The Company accounts for its investments in Qualified Affordable Housing (QAH) and other tax credit investments using the equity method of accounting. The Company had $638 million and $622 million in tax credit investments as of December 31, 2015 and 2014, respectively, included in Other assets on the Consolidated Balance Sheets, of which $578 million and $522 million, respectively, specifically related to QAH investments.

As of December 31, 2015, the Company has committed to provide funding related to certain of these investments, resulting in a $139 million unfunded commitment reported in Other liabilities, which is expected to be paid between 2016 and 2029.

In addition, the Company has contractual off-balance sheet obligations, which were not deemed probable of being drawn, whereby it may provide additional funding up to $200 million for these QAH investments as of December 31, 2015.

During the years ended December 31, 2015 and 2014, the Company recognized equity method losses related to these QAH investments of $50 million and $48 million, respectively, which were recognized in Other expenses; and associated tax credits of $53 million and $47 million, respectively, recognized in Income tax provision.

OTHER

In 2014, the Company received $990 million in net cash proceeds for the sale of its equity method investment in Concur Technologies (Concur) with a carrying amount of $246 million and recognized a gain of $744 million in Other revenues.

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NOTE 8

CUSTOMER DEPOSITS

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

(Millions)	2015	2014
U.S.:		
Interest-bearing	**$ 54,102**	$ 43,279
Non-interest-bearing (includes Card Member credit balances of: 2015, $389 million; 2014, $372 million)	**478**	418
Non-U.S.:		
Interest-bearing	**82**	115
Non-interest-bearing (includes Card Member credit balances of: 2015, $323 million; 2014, $347 million)	**335**	359
Total customer deposits	**$ 54,997**	$ 44,171

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

(Millions)	2015	2014
U.S. retail deposits:		
Savings accounts Direct	**$ 29,023**	$ 26,159
Certificates of deposit:		
Direct	**281**	333
Third-party (brokered)	**13,856**	7,838
Sweep accounts Third-party (brokered)	**10,942**	8,949
Other retail deposits:		
Non-U.S. deposits and U.S. non-interest bearing deposits	**183**	173
Card Member credit balances U.S. and non-U.S.	**712**	719
Total customer deposits	**$ 54,997**	$ 44,171

The scheduled maturities of certificates of deposit as of December 31, 2015 were as follows:

(Millions)	U.S.	Non-U.S.	Total
2016	**$ 2,486**	**$ 7**	**$ 2,493**
2017	**3,630**		**3,630**
2018	**3,180**		**3,180**
2019	**2,326**		**2,326**
2020	**2,515**		**2,515**
Total	**$ 14,137**	**$ 7**	**$ 14,144**

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

(Millions)	2015	2014
U.S.	**$ 105**	$ 111

Non-U.S.	**1**	17
Total	**$ 106**	$ 128

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NOTE 9

DEBT

SHORT-TERM BORROWINGS

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

	2015		2014	
(Millions, except percentages)	Outstanding Balance	Year-End Stated Rate on Debt [(a)]	Outstanding Balance	Year-End Stated Rate on Debt [(a)]
Commercial paper	**$ 2,120**	**0.38%**	$ 769	0.29%
Other short-term borrowings [(b)(c)]	**2,692**	**1.11**	2,711	0.81
Total	**$ 4,812**	**0.79%**	$ 3,480	0.69%

(a) For floating-rate issuances, the stated interest rates are weighted based on the outstanding balances and floating rates in effect as of December 31, 2015 and 2014.

(b) Includes interest-bearing overdrafts with banks of $410 million and $470 million as of December 31, 2015 and 2014, respectively. In addition, balances include a partially drawn secured borrowing facility (maturing on September 15, 2017), certain book overdrafts (i.e., primarily timing differences arising in the ordinary course of business), short-term borrowings from banks, as well as interest-bearing amounts due to merchants in accordance with merchant service agreements. The secured borrowing facility gives the Company the right to sell up to $2.0 billion face amount of eligible certificates issued from the Lending Trust.

(c) The Company paid $6.7 million and $7.0 million in fees to maintain the secured borrowing facility in 2015 and 2014, respectively.

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LONG-TERM DEBT

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

		2015			2014		
(Millions, except percentages)	Original Contractual Maturity Dates	Outstanding Balance (a)	Year-End Stated Rate on Debt (b)	Year-End Effective Interest Rate with Swaps (b)(c)	Outstanding Balance (a)	Year-End Stated Rate on Debt (b)	Year-End Effective Interest Rate with Swaps (b)(c)
American Express Company (Parent Company only)							
Fixed Rate Senior Notes	**2016-2042**	**$ 7,546**	**5.15%**	**4.25%**	$ 7,535	5.15%	4.20%
Floating Rate Senior Notes	**2018**	**850**	**0.97**		850	0.85	
Subordinated Notes [d]	**2024-2036**	**1,347**	**5.39**	**4.47**	1,350	5.39	4.42
American Express Credit Corporation							
Fixed Rate Senior Notes	**2016-2020**	**16,469**	**2.16**	**1.28**	16,260	2.26	1.22
Floating Rate Senior Notes	**2016-2020**	**5,300**	**0.98**		4,400	0.82	
Borrowings under Bank Credit Facilities					3,672	4.25	
American Express Centurion Bank							
Fixed Rate Senior Notes	**2017**	**1,319**	**5.99**	**4.75**	2,089	4.12	3.32
Floating Rate Senior Notes	**2018**	**125**	**0.81**		675	0.68	
American Express Bank, FSB							
Fixed Rate Senior Notes	**2017**	**1,000**	**6.00**		999	6.00	
Floating Rate Senior Notes	**2017**	**300**	**0.62**		300	0.46	
American Express Charge Trust II							
Floating Rate Senior Notes	**2018**	**2,200**	**0.67**		3,700	0.41	
Floating Rate Subordinated Notes	**2018**	**87**	**0.97**		87	0.80	
American Express Lending Trust							
Fixed Rate Senior Notes	**2016-2017**	**4,000**	**1.35**		6,100	1.11	
Floating Rate Senior Notes	**2017-2019**	**7,025**	**0.82**		8,876	0.72	
Fixed Rate Subordinated Notes					300	1.08	
Floating Rate Subordinated Notes	**2017-2019**	**316**	**0.97**		488	0.73	
Other							
Fixed Rate Instruments [e]	**2021-2033**	**29**	**5.62**		143	3.09	
Floating Rate Borrowings	**2016-2019**	**244**	**0.66**	%	247	0.59	%
Unamortized Underwriting Fees		**(96)**			(116)		
Total Long-Term Debt		**$ 48,061**	**2.44%**		$ 57,955	2.34%	

(a) The outstanding balances include (i) unamortized discount and premium, (ii) the impact of movements in exchange rates on foreign currency denominated debt and (iii) the impact of fair value hedge accounting on certain fixed-rate notes that have been swapped to floating rate through the use of interest rate swaps. Under fair value hedge accounting, the outstanding balances on these fixed-rate notes are adjusted to reflect the impact of changes in fair value due to changes in interest rates. Refer to Note 14 for more details on the Company s treatment of fair value hedges.

(b) For floating-rate issuances, the stated and effective interest rates are weighted based on the outstanding balances and floating rates in effect as of December 31, 2015 and 2014.

(c) Effective interest rates are only presented when swaps are in place to hedge the underlying debt.

(d) For the $750 million of subordinated debentures issued in 2006 and outstanding as of December 31, 2015, the maturity date will automatically be extended to September 1, 2066, except in the case of either (i) a prior redemption or (ii) a default. At the Company s option, the subordinated debentures are redeemable for cash on or after September 1, 2016, at 100 percent of the principal amounts plus any accrued but unpaid interest.

(e) Includes $29 million and $31 million as of December 31, 2015 and 2014, respectively, related to capitalized lease transactions.

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As of December 31, 2015 and 2014, the Company had $750 million principal outstanding of Subordinated Debentures that accrue interest at an annual rate of 6.8 percent until September 1, 2016, and at an annual rate of three-month LIBOR plus 2.23 percent thereafter. As noted above, at the Company s option, these Subordinated Debentures are redeemable for cash after September 1, 2016 at 100 percent of the principal amount plus any accrued but unpaid interest. The Company currently intends to exercise this redemption option subject to business and market conditions. If the Company fails to achieve specified performance measures, it will be required to issue common shares and apply the net proceeds to make interest payments on these Subordinated Debentures. No dividends on the Company s common or preferred shares could be paid until such interest payments are made. The Company would fail to meet these specific performance measures if (i) the Company s tangible common equity is less than 4 percent of total adjusted assets for the most recent quarter or (ii) if the trailing two quarters consolidated net income is equal to or less than zero and tangible common equity as of the trigger determination date, and as of the end of the quarter end six months prior, has in each case declined by 10 percent or more from tangible common equity as of the end of the quarter 18 months prior to the trigger determination date. The Company met the specified performance measures in 2015. The Company issued $600 million of 3.6 percent subordinated notes on December 5, 2014 that are senior in right of payment to the outstanding $750 million of Subordinated Debentures.

Aggregate annual maturities on long-term debt obligations (based on contractual maturity or anticipated redemption dates) as of December 31, 2015 were as follows:

(Millions)	2016	2017	2018	2019	2020	Thereafter	Total
American Express Company (Parent Company only) [(a)]	$ 1,350	$ 1,500	$ 3,851	$ 641	$	$ 3,147	$ 10,489
American Express Credit Corporation	4,931	4,900	3,614	4,150	4,150		21,745
American Express Centurion Bank		1,300	125				1,425
American Express Bank, FSB		1,300					1,300
American Express Charge Trust II			2,287				2,287
American Express Lending Trust	500	6,639	2,885	1,317			11,341
Other	33	83	124	4		29	273
	$ 6,814	$ 15,722	$ 12,886	$ 6,112	$ 4,150	$ 3,176	$ 48,860
Unamortized Underwriting Fees							(96)
Unamortized Discount and Premium							(890)
Impacts due to Fair Value Hedge Accounting							187
Total Long-Term Debt							$ 48,061

(a) The Company currently intends to exercise its redemption option related to the $750 million of Subordinated Debentures, subject to business and market conditions.

As of December 31, 2015, the Company maintained a bank line of credit of $3.0 billion compared to bank lines of credit of $6.7 billion as of December 31, 2014. Of the total credit lines, $3.0 billion was undrawn as of both December 31, 2015 and 2014. These undrawn amounts support commercial paper borrowings and contingent funding needs. The availability of the credit line is subject to the Company s compliance with certain financial covenants, principally the maintenance by American Express Credit Corporation (Credco) of a 1.25 ratio of combined earnings and fixed charges, to fixed charges. As of December 31, 2015 and 2014, the Company was not in violation of any of its debt covenants.

Additionally, the Company maintained a 3-year committed, revolving, secured borrowing facility that gives the Company the right to sell up to $3.0 billion face amount of eligible notes issued from the Charge Trust at any time through July 15, 2018. As of December 31, 2015 and 2014, $1.0 billion and $2.5 billion, respectively, were drawn on this facility.

The Company paid $35.1 million and $49.9 million in fees to maintain these lines in 2015 and 2014, respectively. These committed facilities do not contain material adverse change clauses, which might otherwise preclude borrowing under the credit facilities, nor are they dependent on the Company s credit rating.

The Company paid total interest, primarily related to short- and long-term debt, corresponding interest rate swaps and customer deposits, of $1.6 billion, $1.7 billion and $2.0 billion in 2015, 2014 and 2013, respectively.

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NOTE 10

OTHER LIABILITIES

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

(Millions)	2015	2014
Membership Rewards liability	**$ 6,721**	$ 6,521
Employee-related liabilities [(a)]	**2,097**	2,258
Card Member rebate and reward accruals [(b)]	**2,238**	2,073
Deferred card and other fees, net	**1,343**	1,308
Book overdraft balances	**409**	647
Other [(c)]	**4,764**	5,044
Total	**$ 17,572**	$ 17,851

(a) Employee-related liabilities include employee benefit plan obligations and incentive compensation.

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

(c) Other includes accruals for general operating expenses, client incentives, merchant rebates, payments to third-party card-issuing partners, advertising and promotion, restructuring and reengineering reserves, QAH unfunded commitments and derivatives.

MEMBERSHIP REWARDS

The Membership Rewards program allows enrolled Card Members to earn points that can be redeemed for a broad range of rewards including travel, entertainment, retail certificates and merchandise. The Company records a balance sheet liability that represents management s best estimate of the cost of points earned that are expected to be redeemed in the future. The weighted average cost (WAC) per point and the Ultimate Redemption Rate (URR) are key assumptions used to estimate the Membership Rewards liability.

The expense for Membership Rewards points is included in marketing, promotion, rewards and Card Member services expenses. The Company periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors.

DEFERRED CARD 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:

(Millions)	2015	2014
Deferred card and other fees [(a)]	**$ 1,652**	$ 1,615
Deferred direct acquisition costs	**(173)**	(176)
Reserves for membership cancellations	**(136)**	(131)
Deferred card and other fees, net	**$ 1,343**	$ 1,308

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

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NOTE 11

STOCK PLANS

STOCK OPTION AND AWARD PROGRAMS

Under the 2007 Incentive Compensation Plan and previously under the 1998 Incentive Compensation Plan, awards may be granted to employees and other key individuals who perform services for the Company and its participating subsidiaries. These awards may be in the form of stock options, restricted stock awards or units (RSAs), portfolio grants (PGs) or other incentives, and similar awards designed to meet the requirements of non-U.S. jurisdictions.

For the Company s Incentive Compensation Plans, there were a total of 33 million common shares unissued and available for grant as of December 31, 2015, and 35 million common shares unissued and available for grant as of December 31, 2014 and 2013, as authorized by the Company s Board of Directors and shareholders.

A summary of stock option and RSA activity as of December 31, 2015, and changes during the year is presented below:

	Stock Options		RSAs	
(Shares in thousands)	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Grant Price
Outstanding as of December 31, 2014 [(a)]	13,416	$ 44.88	7,874	$ 64.48
Granted	**301**	**83.30**	**3,069**	**81.99**
Exercised/vested	**(2,921)**	**49.96**	**(3,003)**	**55.17**
Forfeited	**(10)**	**49.22**	**(507)**	**75.99**
Expired	**34**	**50.04**		
Outstanding as of December 31, 2015	**10,820**	**44.60**	**7,433**	**$ 74.67**
Options vested and expected to vest as of December 31, 2015	**10,820**	**44.60**		
Options exercisable as of December 31, 2015	**9,809**	**$ 41.78**		

(a) Outstanding as of December 31, 2014, includes CEO market-based stock options of 687,000 that were previously disclosed separately.

The Company recognizes the cost of employee stock awards granted in exchange for employee services based on the grant-date fair value of the award, net of expected forfeitures. Those costs are recognized ratably over the vesting period.

STOCK OPTIONS

Each stock option has an exercise price equal to the market price of the Company s common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 100 percent on the third anniversary of the grant date.

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of the Company s stock exceeds the exercise price of the option) of the stock options outstanding, exercisable, vested, and expected to vest as of December 31, 2015, are as follows:

	Outstanding	Exercisable

			Vested and Expected to Vest
Weighted-average remaining contractual life *(in years)*	**3.4**	**2.9**	**3.4**
Aggregate intrinsic value *(millions)*	**$ 279**	**$ 273**	**$ 279**

The intrinsic value of options exercised during 2015, 2014 and 2013 was $87 million, $245 million and $374 million, respectively, (based upon the fair value of the Company s stock price at the date of exercise). Cash received from the exercise of stock options in 2015, 2014 and 2013 was $146 million, $283 million and $580 million, respectively. The tax benefit realized from income tax deductions from stock option exercises, which was recorded in additional paid-in capital, in 2015, 2014 and 2013 was $18 million, $54 million and $84 million, respectively.

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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 2015, 2014 and 2013, the majority of which were options granted in the beginning of each year:

	2015	2014	2013
Dividend yield	**1.1%**	1.1%	1.4%
Expected volatility [(a)]	**37%**	38%	39%
Risk-free interest rate	**1.7%**	2.2%	1.3%
Expected life of stock option *(in years)* [(b)]	**6.7**	6.7	6.3
Weighted-average fair value per option	**$ 29.20**	$ 32.36	$ 21.11

(a) The expected volatility is based on both weighted historical and implied volatilities of the Company s common stock price.
(b) In 2015, 2014 and 2013, the expected life of stock options was determined using both historical data and expectations of option exercise behavior.

RESTRICTED STOCK AWARDS

RSAs are valued based on the stock price on the date of grant, contain either a) service conditions or b) both service and performance conditions, and generally vest 25 percent per year beginning with the first anniversary of the grant date. RSAs 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 RSA holders receive non-forfeitable dividends or dividend equivalents. The total fair value of shares vested during 2015, 2014 and 2013 was $247 million, $298 million and $336 million, respectively (based upon the Company s stock price at the vesting date).

The weighted-average grant date fair value of RSAs granted in 2015, 2014 and 2013, is $81.99, $86.65 and $60.13, respectively.

LIABILITY-BASED AWARDS

Certain employees are awarded PGs and other incentive awards that can be settled with cash or equity shares at the Company s discretion and final Compensation and Benefits Committee payout approval. These awards earn value based on performance, market and service conditions, and vest over periods of one to three years.

PGs and other incentive awards are generally settled with cash and thus are classified as liabilities; 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 2015, 2014 and 2013 was $74 million, $62 million and $43 million, respectively.

Summary of Stock Plan Expense

The components of the Company s total stock-based compensation expense (net of forfeitures) for the years ended December 31, are as follows:

(Millions)	2015	2014	2013
Restricted stock awards [(a)]	**$ 190**	$ 193	$ 208
Stock options [(a)]	**12**	13	23
Liability-based awards	**32**	84	119
Total stock-based compensation expense [(b)]	**$ 234**	$ 290	$ 350

(a) As of December 31, 2015, the total unrecognized compensation cost related to unvested RSAs and options of $214 million and $3 million, respectively, will be recognized ratably over the weighted-average remaining vesting period of 2.1 years and 1.2 years, respectively.

(b) The total income tax benefit recognized in the Consolidated Statements of Income for stock-based compensation arrangements for the years ended December 31, 2015, 2014 and 2013 was $83 million, $104 million and $127 million, respectively.

NOTE 12

RETIREMENT PLANS

DEFINED CONTRIBUTION RETIREMENT PLANS

The Company sponsors defined contribution retirement plans, the principal plan being the Retirement Savings Plan (RSP), a 401(k) savings plan with a profit-sharing component. The RSP is a tax-qualified retirement plan subject to 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 $224 million, $272 million and $281 million in 2015, 2014 and 2013, respectively.

DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company s 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. The Company complies with minimum funding requirements in all countries. The Company sponsors unfunded other postretirement benefit plans that provide health care and life insurance to certain retired U.S. employees. The total expense for these plans was $23 million, $24 million and $59 million in 2015, 2014 and 2013, respectively.

The Company recognizes the funded status of its 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, in the Consolidated Balance Sheets. As of December 31, 2015 and 2014, the funded status related to the defined benefit pension plans and other postretirement benefit plans was underfunded by $770 million and $767 million, respectively, and is recorded in Other liabilities.

NOTE 13

COMMITMENTS AND CONTINGENCIES

LEGAL CONTINGENCIES

In the ordinary course of business, the Company and its subsidiaries are subject to various claims, investigations, examinations, pending and potential legal actions, and other matters relating to compliance with laws and regulations (collectively, legal proceedings). The Company discloses its material legal proceedings under Legal Proceedings .

The Company has recorded reserves for certain of its outstanding legal proceedings. A reserve 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 recorded reserve. The Company evaluates, on a quarterly basis, developments in legal proceedings that could cause an increase or decrease in the amount of the reserve that has been previously recorded, or a revision to the disclosed estimated range of possible losses, as applicable.

The Company s legal proceedings range from cases brought by a single plaintiff to class actions with millions of putative class members. These legal proceedings involve various lines of business of the Company and a variety of claims (including, but not limited to, common law tort, contract, antitrust and consumer protection claims), some of which present novel factual allegations and/or unique legal theories. While some matters pending against the Company specify the damages claimed by the plaintiff or class, 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 the Company are stated, the claimed amount may be exaggerated and/or unsupported. As a result, some matters have not yet progressed sufficiently through discovery and/or development of important factual information and legal issues to enable the Company to estimate an amount of loss or a range of possible loss, while other matters have progressed sufficiently such that the Company is able to estimate an amount of loss or a range of possible loss.

For those disclosed material legal proceedings where a loss is reasonably possible in future periods, whether in excess of a related reserve for legal contingencies or where there is no such reserve, and for which the Company is able to estimate a range of possible loss, the current estimated range is zero to $350 million in excess of any reserves related to these matters. This range represents management s estimate based on currently available information and does not represent the Company s maximum loss exposure; actual results may vary significantly. As such proceedings evolve, including the merchant claims described under Legal Proceedings, the Company may need to increase its range of possible loss or reserves for legal contingencies.

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Based on its current knowledge, and taking into consideration its litigation-related liabilities, the Company believes it is not a party to, nor are any of its properties the subject of, any legal proceeding that would have a material adverse effect on the Company s consolidated financial condition or liquidity. However, in light of the uncertainties involved in such matters, it is possible that the outcome of legal proceedings, including the possible resolution of merchant claims, could have a material impact on the Company s results of operations.

OTHER COMMITMENTS

The Company also has obligations to make payments under contractual agreements with certain cobrand partners. The Company expects to fully satisfy these obligations over the remaining term of these agreements as part of the ongoing operations of its business.

As of December 31, 2015, the obligations under such arrangements were as follows:

(Millions)	
2016	**$ 212**
2017	**76**
2018	**62**
2019	**43**
2020	**20**
Thereafter	**204**
Total	**$ 617**

The Company leases certain facilities and equipment under non-cancelable and cancelable agreements, for which total rental expense was $187 million, $237 million and $281 million in 2015, 2014 and 2013, respectively.

As of December 31, 2015, the minimum aggregate rental commitment under all non-cancelable operating leases (net of subleases of $37 million) was as follows:

(Millions)	
2016	**$ 165**
2017	**149**
2018	**129**
2019	**105**
2020	**82**
Thereafter	**863**
Total	**$ 1,493**

As of December 31, 2015, the Company s future minimum lease payments under capital leases or other similar arrangements is approximately $4 million in 2016 through 2020, and $14 million thereafter.

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NOTE 14

DERIVATIVES AND HEDGING ACTIVITIES

The Company uses derivative financial instruments (derivatives) to manage exposures to various market risks. These instruments derive their value from an underlying variable or multiple variables, including interest rates, foreign exchange rates, and equity index or price, 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 the Company s market risk management. The Company does 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. The Company s market risk exposures include:

Interest rate risk due to changes in the relationship between interest rates on the Company s assets (such as loans, receivables and investment securities) and interest rates on the Company s 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.

The Company centrally monitors market risks using market risk limits and escalation triggers as defined in its Asset/Liability Management Policy. The Company s market exposures are in large part byproducts of the delivery of its products and services.

Interest rate risk 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 and LIBOR. Interest rate exposure within the Company s charge card and fixed-rate lending products is managed by varying the proportion of total funding provided by short-term and variable-rate debt and deposits compared to fixed-rate debt and deposits. In addition, interest rate swaps are used from time to time to economically convert fixed-rate debt obligations to variable-rate obligations, or to convert variable-rate debt obligations to fixed-rate obligations. The Company may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors. As of December 31, 2015 and 2014, the Company did not have any designated cash flow hedges.

Foreign exchange risk is generated by Card Member cross-currency charges, foreign currency balance sheet exposures, foreign subsidiary equity and foreign currency earnings in entities outside the United States. The Company s foreign exchange risk is managed primarily by entering into agreements to buy and sell currencies on a spot basis or by hedging this market exposure, to the extent it is economically justified, through various means, including the use of derivatives such as foreign exchange forwards and cross-currency swap contracts.

In addition to the exposures mentioned previously, effective August 1, 2011, the Company entered into a total return contract (TRC) to hedge its exposure to changes in the fair value of its equity investment in ICBC in local currency. Under the terms of the TRC, the Company received from the TRC counterparty an amount equivalent to any reduction in the fair value of its investment in ICBC in local currency, and the Company paid to the TRC counterparty an amount equivalent to any increase in the fair value of its investment in local currency, along with all dividends paid by ICBC, as well as ongoing hedge costs. The TRC was fully unwound on July 18, 2014 upon the sale of the remaining underlying ICBC shares.

Derivatives may give rise to counterparty credit risk, which is the risk that a derivative counterparty will default on, or otherwise be unable to perform pursuant to, an uncollateralized derivative exposure. The Company manages this risk by considering the current exposure, which is the replacement cost of contracts on the measurement date, as well as estimating the maximum potential value of the contracts over the next 12 months, considering such factors as the volatility of the underlying or reference index. To mitigate derivative credit risk, counterparties are required to be pre-approved by the Company and rated as investment grade, and counterparty risk exposures are centrally monitored.

Additionally, in order to mitigate the bilateral counterparty credit risk associated with derivatives, the Company has in certain instances entered into master netting agreements with its derivative counterparties, which provide a right of offset for certain exposures between the parties. A majority of the Company s derivative assets and liabilities as of December 31, 2015 and 2014 are subject to such master netting agreements with its derivative counterparties, and there are no instances in which management makes an accounting policy election to not net assets and liabilities subject to an enforceable master netting agreement on the Company s Consolidated Balance Sheets. To further mitigate bilateral counterparty credit risk, the Company exercises its rights under executed credit support agreements with certain of its derivative counterparties. These

agreements require that, in the event the fair value change in the net derivatives position between the two parties exceeds certain dollar thresholds, the party in the net liability position posts collateral to its counterparty. All derivative contracts cleared through a central clearinghouse are collateralized to the full amount of the fair value of the contracts.

In relation to the Company s credit risk, under the terms of the derivative agreements it has with its various counterparties, the Company is not required to either immediately settle any outstanding liability balances or post collateral upon the occurrence of a specified credit risk-related event. Based on the assessment of credit risk of the Company s derivative counterparties as of December 31, 2015 and 2014, the Company does not have derivative positions that warrant credit valuation adjustments.

The Company s derivatives are carried at fair value on the Consolidated Balance Sheets. The accounting for changes in fair value depends on the instruments intended use and the resulting hedge designation, if any, as discussed below. Refer to Note 15 for a description of the Company s methodology for determining the fair value of derivatives.

The following table summarizes the total fair value, excluding interest accruals, of derivative assets and liabilities as of December 31:

	Other Assets Fair Value		Other Liabilities Fair Value	
(Millions)	**2015**	**2014**	**2015**	**2014**
Derivatives designated as hedging instruments:				
Interest rate contracts				
Fair value hedges	**$ 236**	$ 314	**$ 9**	$ 4
Foreign exchange contracts				
Net investment hedges	**191**	492	**57**	46
Total derivatives designated as hedging instruments	**427**	806	**66**	50
Derivatives not designated as hedging instruments:				
Foreign exchange contracts, including certain embedded derivatives [(a)]	**117**	185	**135**	114
Total derivatives, gross	**544**	991	**201**	164
Less: Cash collateral netting [(b)]	**(155)**	(158)		(4)
Derivative asset and derivative liability netting [(c)]	**(107)**	(122)	**(107)**	(122)
Total derivatives, net [(d)]	**$ 282**	$ 711	**$ 94**	$ 38

(a) Includes foreign currency derivatives embedded in certain operating agreements.

(b) Represents the offsetting of derivative instruments and the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) executed with the same counterparty under an enforceable master netting arrangement. From time to time, the Company also receives non-cash collateral from counterparties in the form of security interests in U.S. Treasury securities, which reduces the Company s risk exposure, but does not reduce the net exposure on the Company s Consolidated Balance Sheets. The Company had such non-cash collateral, with a fair value of $91 million as of December 31, 2014, none of which was sold or repledged. The Company did not have any such non-cash collateral as of December 31, 2015. Additionally, the Company posted $149 million and $114 million as of December 31, 2015 and 2014, respectively, as initial margin on its centrally cleared interest rate swaps; such amounts are recorded within Other receivables on the Company s Consolidated Balance Sheets and are not netted against the derivative balances.

(c) Represents the amount of netting of derivative assets and derivative liabilities executed with the same counterparty under an enforceable master netting arrangement.

(d) The Company has no individually significant derivative counterparties and therefore, no significant risk exposure to any single derivative counterparty. The total net derivative assets and derivative liabilities are presented within Other assets and Other liabilities on the Company s Consolidated Balance Sheets.

A majority of the Company s derivative assets and liabilities as of December 31, 2015 and 2014, are subject to master netting agreements with its derivative counterparties. As noted previously, the Company has no derivative amounts subject to enforceable master netting arrangements that are not offset on the Consolidated Balance Sheets.

DERIVATIVE FINANCIAL INSTRUMENTS THAT QUALIFY FOR HEDGE ACCOUNTING

Derivatives executed for hedge accounting purposes are documented and designated as such when the Company enters into the contracts. In accordance with its risk management policies, the Company structures its hedges with terms similar to those of the item being hedged. The Company formally assesses, at inception of the hedge accounting relationship and on a quarterly basis, whether derivatives designated as hedges

are highly effective in offsetting the fair value or cash flows of the hedged items. These assessments usually are made through the application of a regression analysis method. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

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FAIR VALUE HEDGES

A fair value hedge involves a derivative designated to hedge the Company s exposure to future changes in the fair value of an asset or a liability, or an identified portion thereof, that is attributable to a particular risk.

Interest Rate Contracts

The Company is exposed to interest rate risk associated with its fixed-rate long-term debt. The Company uses interest rate swaps to economically convert certain fixed-rate debt obligations to floating-rate obligations at the time of issuance. As of December 31, 2015 and 2014, the Company hedged $18.8 billion and $17.6 billion, respectively, of its fixed-rate debt to floating-rate debt using interest rate swaps.

To the extent the fair value hedge is effective, the gain or loss on the hedging instrument offsets the loss or gain on the hedged item attributable to the hedged risk. Any difference between the changes in the fair value of the derivative and the hedged item is referred to as hedge ineffectiveness and is reflected in earnings as a component of Other expenses. Hedge ineffectiveness may be caused by differences between a debt instrument s interest coupon and the benchmark rate, primarily due to credit spreads at inception of the hedging relationship that are not reflected in the valuation of the interest rate swap. Furthermore, hedge ineffectiveness may be caused by changes in the relationship between 3-month LIBOR and 1-month LIBOR, as well as between the overnight indexed swap rate (OIS) and 1-month LIBOR, as spreads between these rates may impact the valuation of the interest rate swap without causing an offsetting impact in the value of the hedged debt.

If a fair value hedge is de-designated or no longer considered to be effective, changes in fair value of the derivative continue to be recorded through earnings but the hedged asset or liability is no longer adjusted for changes in fair value resulting from changes in interest rates. The existing basis adjustment of the hedged asset or liability is amortized or accreted as an adjustment to yield over the remaining life of that asset or liability.

Total Return Contract

The Company hedged its exposure to changes in the fair value of its equity investment in ICBC in local currency. The Company used a TRC to transfer its exposure to its derivative counterparty. On July 18, 2014, the Company sold its remaining shares in ICBC and terminated the TRC.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company s fair value hedges of its fixed-rate long-term debt and its investment in ICBC for the years ended December 31:

	Gains (losses) recognized in income										
(Millions)	Derivative contract				Hedged item				Net hedge ineffectiveness		
	Income Statement	Amount			Income Statement	Amount					
Derivative relationship	**Line Item**	**2015**	**2014**	**2013**	**Line Item**	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Interest rate contracts	Other expenses	**$ (83)**	$ (143)	$ (370)	Other expenses	**$ 93**	$ 148	$ 351	**$ 10**	$ 5	$ (19)
Total return contract	Other non-interest revenues	**$**	$ 11	$ 15	Other non-interest revenues	**$**	$ (11)	$ (15)	**$**	$	$

The Company also recognized a net reduction in interest expense on long-term debt of $284 million, $283 million and $346 million for the years ended December 31, 2015, 2014 and 2013, respectively, primarily related to the net settlements (interest accruals) on the Company s interest rate derivatives designated as fair value hedges.

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NET INVESTMENT HEDGES

A net investment hedge is used to hedge future changes in currency exposure of a net investment in a foreign operation. The Company primarily designates foreign currency derivatives, typically foreign exchange forwards, and on occasion foreign currency denominated debt, as hedges of net investments in certain foreign operations. These instruments reduce exposure to changes in currency exchange rates on the Company s investments in non-U.S. subsidiaries. The effective portion of the gain on net investment hedges, net of taxes, recorded in Accumulated Other Comprehensive Income (Loss) as part of the cumulative translation adjustment, was $577 million, $455 million and $253 million for the years ended 2015, 2014 and 2013, respectively, with any ineffective portion recognized in Other expenses during the period of change.

	Gains (losses) recognized in income							
	Amount reclassified from AOCI into income				Net hedge ineffectiveness			
Description ***(Millions)***	**Income Statement Line Item**	**2015**	**2014**	**2013**	**Income Statement Line Item**	**2015**	**2014**	**2013**
Net investment hedges:								
Foreign exchange contracts	Other expenses	**$**	$ 10	$	Other expenses	**$ 1**	$	$

DERIVATIVES NOT DESIGNATED AS HEDGES

The Company has derivatives that act as economic hedges, but are not designated as such for hedge accounting purposes. Foreign currency transactions and non-U.S. dollar cash flow exposures from time to time may be partially or fully economically hedged through foreign currency contracts, primarily foreign exchange forwards, options and cross-currency swaps. These hedges generally mature within one year. Foreign currency contracts involve the purchase and sale of designated currencies at an agreed upon rate for settlement on a specified date. The changes in the fair value of the derivatives effectively offset the related foreign exchange gains or losses on the underlying balance sheet exposures. From time to time, the Company also may enter into interest rate swaps to specifically manage funding costs related to its proprietary card business.

The Company also has certain operating agreements containing payments that may be linked to a market rate or price, primarily foreign currency rates. The payment components of these agreements may meet the definition of an embedded derivative, in which case the embedded derivative is accounted for separately and is classified as a foreign exchange contract based on its primary risk exposure.

For derivatives that are not designated as hedges, changes in fair value are reported in current period earnings.

The following table summarizes the impact on the Consolidated Statements of Income associated with the Company s derivatives not designated as hedges for the years ended December 31:

		Pretax gains (losses)		
			Amount	
Description ***(Millions)***	**Income Statement Line Item**	**2015**	**2014**	**2013**
Interest rate contracts	Other expenses	**$**	$	$ 1
Foreign exchange contracts [(a)]	Other expenses	**(39)**	194	72
	Cost of Card Member services	**5**	4	
Total		**$ (34)**	$ 198	$ 73

(a) Foreign exchange contracts include forwards and embedded foreign currency derivatives.

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NOTE 15

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 Company s principal or, in the absence of a principal, most advantageous market for the specific asset or liability.

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

Level 1 Inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity can access.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability, including:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in markets that are not active;

Inputs other than quoted prices that are observable for the asset or liability; 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 the Company s 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). The Company 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, 2015 and 2014, although the disclosed fair value of certain assets that are not carried at fair value, as presented later in this Note, are classified within Level 3.

The Company monitors the market conditions and evaluates the fair value hierarchy levels at least quarterly. For any transfers in and out of the levels of the fair value hierarchy, the Company discloses the fair value measurement at the beginning of the reporting period during which the transfer occurred. For the years ended December 31, 2015 and 2014, there were no significant transfers between levels.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT FAIR VALUE

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

	2015				2014			
(Millions)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Investment securities: [a]								
Equity securities	**$ 1**	**$ 1**	**$**	**$**	$ 1	$ 1	$	$

Debt securities and other	**3,758**	**409**	**3,349**		4,430	350	4,080	
Derivatives [a]	**544**		**545**		991		991	
Total assets	**4,303**	**410**	**3,894**		5,422	351	5,071	
Liabilities:								
Derivatives [a]	**201**		**201**		164		164	
Total liabilities	**$ 201**	**$**	**$ 201**	**$**	$ 164	$	$ 164	$

(a) Refer to Note 5 for the fair values of investment securities and to Note 14 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) the Company applies 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 the Company s investment securities are obtained primarily from pricing services engaged by the Company, and the Company receives one price for each security. The fair values provided by the pricing services are estimated using pricing models, where the inputs to those models are based on observable market inputs or recent trades of similar securities. Such investment securities are classified within Level 2 of the fair value hierarchy. The inputs to the valuation techniques applied by the pricing services vary depending on the type of security being priced but are typically benchmark yields, benchmark security prices, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. The pricing services did not apply any adjustments to the pricing models used. In addition, the Company did not apply any adjustments to prices received from the pricing services.

The Company reaffirms its understanding of the valuation techniques used by its pricing services at least annually. In addition, the Company corroborates the prices provided by its pricing services for reasonableness by comparing the prices from the respective pricing services to valuations obtained from different pricing sources. In instances where price discrepancies are identified between different pricing sources, the Company evaluates such discrepancies to ensure that the prices used for its valuation represent the fair value of the underlying investment securities. Refer to Note 5 for additional fair value information.

Derivative Financial Instruments

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

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

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

Credit valuation adjustments are necessary when the market parameters, such as a benchmark curve, used to value derivatives are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure. Refer to Note 14 for additional fair value information.

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FINANCIAL ASSETS AND FINANCIAL LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The following table summarizes the estimated fair values of the Company s financial assets and financial liabilities that are not required to be carried at fair value on a recurring basis, as of December 31, 2015 and 2014. The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of December 31, 2015 and 2014, and require management judgment. These figures may not be indicative of future fair values, nor can the fair value of the Company be estimated by aggregating the amounts presented.

2015 *(Billions)*	**Carrying Value**	**Total**	**Corresponding Fair Value Amount Level 1**	**Level 2**	**Level 3**
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents	**$ 23**	**$ 23**	**$ 22**	**$ 1**[a]	**$**
Other financial assets [b]	**47**	**47**		**47**	
Financial assets carried at other than fair value					
Card Member loans and receivables HFS [d]	**15**	**15**			**15**
Loans, net	**59**	**60**[c]			**60**
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	**67**	**67**		**67**	
Financial liabilities carried at other than fair value					
Certificates of deposit [e]	**14**	**14**		**14**	
Long-term debt	**$ 48**	**$ 49**[c]	**$**	**$ 49**	**$**

2014 *(Billions)*	**Carrying Value**	**Total**	**Corresponding Fair Value Amount Level 1**	**Level 2**	**Level 3**
Financial Assets:					
Financial assets for which carrying values equal or approximate fair value					
Cash and cash equivalents	$ 22	$ 22	$ 21	$ 1[a]	$
Other financial assets [b]	48	48		48	
Financial assets carried at other than fair value					
Loans, net	70	71[c]			71
Financial Liabilities:					
Financial liabilities for which carrying values equal or approximate fair value	61	61		61	
Financial liabilities carried at other than fair value					
Certificates of deposit [e]	8	8		8	
Long-term debt	$ 58	$ 60[c]	$	$ 60	$

(a) Reflects time deposits.
(b) Includes accounts receivable (including fair values of Card Member receivables of $6.7 billion and $7.0 billion held by a consolidated VIE as of December 31, 2015 and 2014, respectively), restricted cash and other miscellaneous assets.
(c) Includes fair values of Card Member loans of $23.5 billion and $29.9 billion, and long-term debt of $13.6 billion and $19.5 billion held by consolidated VIEs as of December 31, 2015 and 2014, respectively.
(d) Does not include any fair value associated with the Card Member account relationships. Refer to Note 2 for additional information.
(e) Presented as a component of customer deposits on the Consolidated Balance Sheets.

The fair values of these financial instruments are estimates based upon the market conditions and perceived risks as of December 31, 2015, and require management judgment. These figures may not be indicative of future fair values. The fair value of the Company cannot be reliably estimated by aggregating the amounts presented.

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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) the Company applies the following valuation techniques to measure fair value:

Financial Assets For Which Carrying Values Equal Or Approximate Fair Value

Financial assets for which carrying values equal or approximate fair value include cash and cash equivalents, 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 loans and receivables HFS

As described in Note 2, Card Member loans and receivables HFS are recorded at the lower of cost or fair value on the Consolidated Balance Sheets. As a result, the estimation of fair value included in the previous table does not reflect any fair value associated with the Card Member account relationships and follows the technique described under *Loans, net* below.

Loans, net

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

Long-term Debt

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

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NONRECURRING FAIR VALUE MEASUREMENTS

The Company has 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 determined to be impaired. During the fourth quarter of 2015, the Company recorded a $384 million impairment charge, consisting of a $219 million write-down of the entire balance of goodwill in the Prepaid Services business and a $165 million write-down of technology and other assets to fair value, which was insignificant for the year ended December 31, 2015. Refer to Note 2 for a description of the Company s 2015 impairment charges. During the year ended December 31, 2014, the Company did not have any material assets that were measured at fair value due to impairment.

NOTE 16

GUARANTEES

The Company provides Card Member protection plans that cover losses associated with purchased products, as well as certain other guarantees and indemnifications in the ordinary course of business. For the Company, guarantees primarily consist of card and travel protection programs, including:

Return Protection refunds the price of qualifying purchases made with the 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 bankruptcy or liquidation of a merchant. When this occurs, the Card Member may dispute the transaction for which the Company will generally credit the Card Member s account. If the Company is unable to collect the amount from the merchant, it will bear the loss for the amount credited to the Card Member. The largest component of the maximum potential future payments relates to Card Member transactions associated with travel-related merchants, primarily through business arrangements where the Company has remitted payment to such merchants for a Card Member travel purchase that has not yet been used or flown.

In relation to its maximum potential undiscounted future payments as shown in the table that follows, to date the Company has not experienced any significant losses related to guarantees or indemnifications. The Company s initial recognition of these instruments is at fair value. In addition, the Company establishes reserves when a loss is probable and the amount can be reasonably estimated.

The following table provides information related to such guarantees and indemnifications as of December 31:

	Maximum potential undiscounted future payments [(a)] *(Billions)*		Related liability [(b)] *(Millions)*	
Type of Guarantee	**2015**	**2014**	**2015**	**2014**
Return and Merchant Protection	**$ 42**	$ 37	**$ 49**	$ 44
Other [(c)]	**6**	8	**37**	67
Total	**$ 48**	$ 45	**$ 86**	$ 111

(a) Represents the notional amounts that could be lost under the guarantees and indemnifications if there were a total default by the guaranteed or indemnified parties. The maximum potential undiscounted future payments for Merchant Protection are measured using management s best estimate of maximum exposure, which is based on all eligible claims in relation to annual billed business volumes.

(b) Included in Other liabilities on the Company s Consolidated Balance Sheets.

(c) Primarily includes guarantees related to the Company s purchase protection, real estate and business dispositions.

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NOTE 17

COMMON AND PREFERRED SHARES

The following table shows authorized shares and provides a reconciliation of common shares issued and outstanding for the years ended December 31:

(Millions, except where indicated)	**2015**	**2014**	**2013**
Common shares authorized *(billions)* [(a)]	**3.6**	3.6	3.6
Shares issued and outstanding at beginning of year	**1,023**	1,064	1,105
Repurchases of common shares	**(59)**	(49)	(55)
Other, primarily stock option exercises and restricted stock awards granted	**5**	8	14
Shares issued and outstanding as of December 31	**969**	1,023	1,064

(a) Of the common shares authorized but unissued as of December 31, 2015, approximately 51 million shares are reserved for issuance under employee stock and employee benefit plans.

On May 12, 2015, the Board of Directors authorized the repurchase of 150 million of common shares over time in accordance with the Company s capital distribution plans submitted to the Federal Reserve and subject to market conditions. This authorization replaces all prior repurchase authorizations. During 2015 and 2014, the Company repurchased 59 million common shares with a cost basis of $4.5 billion and 49 million common shares with a cost basis of $4.4 billion, respectively. The cost basis includes commissions paid of $1.1 million and $1.0 million in 2015 and 2014, respectively. As of December 31, 2015, the Company has 106 million common shares remaining under the Board share repurchase authorization. Such authorization does not have an expiration date.

Common shares are generally retired by the Company upon repurchase (except for 3.0 million, 3.2 million and 3.5 million shares held as treasury shares as of December 31, 2015, 2014 and 2013, 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 $242 million, $280 million and $260 million as of December 31, 2015, 2014 and 2013, 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 the Company to issue up to 20 million Preferred Shares at a par value of 1.66^{2/3}$ without further shareholder approval. The Company has the following perpetual Fixed Rate/Floating Rate Noncumulative Preferred Share series issued and outstanding as of December 31, 2015:

	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 the Company s 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. The Company 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 preferred shares issued and outstanding as of December 31, 2013. There were no warrants issued and outstanding as of December 31, 2015, 2014 and 2013.

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NOTE 18

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated Other Comprehensive (Loss) Income is a balance sheet item in the Shareholders Equity section of the Company s Consolidated Balance Sheets. It is comprised of items that have not been recognized in earnings but may be recognized in earnings in the future when certain events occur. Changes in each component for the three years ended December 31 were as follows:

(Millions), net of tax [(a)]	Net Unrealized Gains (Losses) on Investment Securities	Foreign Currency Translation Adjustments	Net Unrealized Pension and Other Postretirement Benefit Losses (Gains)	Accumulated Other Comprehensive (Loss) Income
Balances as of December 31, 2012	$ 315	$ (754)	$ (488)	$ (927)
Net unrealized losses	(159)			(159)
Decrease due to amounts reclassified into earnings	(93)			(93)
Net translation loss of investments in foreign operations		(589)		(589)
Net gains related to hedges of investments in foreign operations		253		253
Pension and other postretirement benefit gains			89	89
Net change in accumulated other comprehensive (loss) income	(252)	(336)	89	(499)
Balances as of December 31, 2013	63	(1,090)	(399)	(1,426)
Net unrealized gains	104			104
Decrease due to amounts reclassified into earnings	(71)	5		(66)
Net translation loss of investments in foreign operations		(869)		(869)
Net gains related to hedges of investments in foreign operations		455		455
Pension and other postretirement benefit losses			(117)	(117)
Net change in accumulated other comprehensive income (loss)	33	(409)	(117)	(493)
Balances as of December 31, 2014	96	(1,499)	(516)	(1,919)
Net unrealized losses	**(37)**			**(37)**
Decrease due to amounts reclassified into earnings	**(1)**	**(1)**		**(2)**
Net translation loss of investments in foreign operations		**(1,122)**		**(1,122)**
Net gains related to hedges of investment in foreign operations		**578**		**578**
Pension and other postretirement benefit losses			**(32)**	**(32)**
Net change in accumulated other comprehensive loss	**(38)**	**(545)**	**(32)**	**(615)**
Balances as of December 31, 2015	**$ 58**	**$ (2,044)**	**$ (548)**	**$ (2,534)**

(a) The following table shows the tax impact for the three years ended December 31 for the changes in each component of Accumulated Other Comprehensive Income:

(Millions)	Tax expense (benefit)		
	2015	2014	2013

Investment securities	**$ (20)**	$ 19	$ (142)
Foreign currency translation adjustments	**(124)**	(64)	(49)
Net investment hedges	**340**	273	135
Pension and other postretirement benefit losses		(46)	56
Total tax impact	**$ 196**	$ 182	$

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The following table presents the effects of reclassifications out of Accumulated Other Comprehensive (Loss) Income and into the Consolidated Statements of Income for the years ended December 31:

Description *(Millions)*	Income Statement Line Item	Gains (losses) recognized in earnings 2015	2014
Available-for-sale securities			
Reclassifications for previously unrealized net gains on investment securities	Other non-interest revenues	**$ 1**	$ 111
Related income tax expense	Income tax provision		(40)
Reclassification to net income related to available-for-sale securities		**1**	71
Foreign currency translation adjustments			
Reclassification of realized losses on translation adjustments and related hedges	Other expenses	**1**	(9)
Related income tax expense	Income tax provision		4
Reclassification of foreign currency translation adjustments		**1**	(5)
Total		**$ 2**	$ 66

NOTE 19

NON-INTEREST REVENUE AND EXPENSE DETAIL

The following is a detail of Other commissions and fees for the years ended December 31:

(Millions)	2015	2014	2013
Foreign currency conversion fee revenue	**$ 852**	$ 877	$ 877
Delinquency fees	**788**	722	667
Loyalty coalition-related fees	**379**	383	310
Service fees	**361**	366	375
Other [(a)]	**137**	160	185
Total Other commissions and fees	**$ 2,517**	$ 2,508	$ 2,414

(a) Other primarily includes revenues from fees related to Membership Rewards programs.

The following is a detail of Other revenues for the years ended December 31:

(Millions)	2015	2014	2013
Gain on sale of investment in Concur Technologies	**$**	$ 744	$
Global Network Services partner revenues	**640**	694	650
Gross realized gains on sale of investment securities	**1**	100	136
Other [(a)]	**1,392**	1,451	1,488
Total Other revenues	**$ 2,033**	$ 2,989	$ 2,274

(a) Other includes revenues arising from net revenue earned on cross-border Card Member spending, merchant-related fees, insurance premiums earned from Card Member travel and other insurance programs, Travelers Cheques-related revenues, revenues related to the GBT JV transition services agreement, earnings from equity method investments (including the GBT JV) and other miscellaneous revenue and fees.

The following is a detail of Other expenses for the years ended December 31:

(Millions)	**2015**	**2014**	**2013**
Professional services	**$ 2,750**	$ 3,008	$ 3,102
Occupancy and equipment	**1,854**	1,807	1,904
Goodwill and long-lived asset impairment [(a)]	**384**		
Card and merchant-related fraud losses [(b)]	**308**	369	278
Communications	**345**	383	379
Gain on business travel joint venture transaction		(630)	
Other [(c)]	**1,152**	1,152	1,133
Total Other expenses	**$ 6,793**	$ 6,089	$ 6,796

(a) Refer to Note 2 for additional information.
(b) Beginning January 1, 2015, merchant-related fraud losses are reported within Other expenses.
(c) Other expense includes general operating expenses, gains (losses) on sale of assets or businesses not classified as discontinued operations, litigation, certain internal and regulatory review-related reimbursements and insurance costs or settlements, certain loyalty coalition-related expenses and foreign currency-related gains and losses (including the favorable impact from the reassessment of the functional currency of certain UK legal entities in the year ended December 31, 2015). Effective December 1, 2015, Other expenses includes the valuation allowance adjustment associated with the HFS portfolios.

NOTE 20

RESTRUCTURING

From time to time, the Company initiates restructuring programs to become more efficient and effective, and to support new business strategies. In connection with these programs, the Company typically will incur severance and other exit costs.

During 2015, the Company recorded a net reduction of $26 million in restructuring charges, consisting of a reduction of $61 million in revisions to prior estimates, partially offset by $35 million in net restructuring charges for EG recorded in the fourth quarter.

During 2014, the Company recorded $411 million of restructuring charges, net of revisions to prior estimates. The 2014 activity primarily relates to $313 million and $133 million of restructuring charges recorded in the fourth quarter and second quarter, respectively.

Restructuring charges related to severance obligations are included in salaries and employee benefits in the Company s Consolidated Statements of Income, while charges pertaining to other exit costs are included in occupancy and equipment and other expenses.

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The following table summarizes the Company s restructuring reserves activity for the years ended December 31, 2015, 2014 and 2013:

(Millions)	Severance	Other [(a)]	Total
Liability balance as of December 31, 2012	$ 412	$ 58	$ 470
Restructuring charges, net of $4 in revisions [(b)]	(7)	3	(4)
Payments	(206)	(23)	(229)
Other non-cash [(c)]	(3)	(1)	(4)
Liability balance as of December 31, 2013	196	37	233
Restructuring charges, net of $35 in revisions [(b)]	383	28	411
Payments	(93)	(22)	(115)
Other non-cash [(d)]	(51)	(8)	(59)
Liability balance at December 31, 2014	435	35	470
Restructuring charges, net of $61 in revisions [(b)]	**(33)**	**7**	**(26)**
Payments	**(141)**	**(14)**	**(155)**
Other non-cash [(c)]	**(23)**	**(5)**	**(28)**
Liability balance as of December 31, 2015 [(e)]	**$ 238**	**$ 23**	**$ 261**

(a) Other primarily includes facility exit and contract termination costs.
(b) Revisions primarily relate to higher than anticipated redeployments of displaced employees to other positions within the Company, business changes and modifications to existing initiatives.
(c) Consists primarily of foreign exchange impacts.
(d) Consists of $42 million reserve transferred to the GBT JV in the second quarter of 2014 as part of the GBT sale and $17 million of foreign exchange and other non-cash charges.
(e) The majority of cash payments related to the remaining restructuring liabilities are expected to be completed in 2016, and to a lesser extent certain contractual long-term severance arrangements and lease obligations are expected to be completed in 2017 and 2020, respectively.

The following table summarizes the Company s restructuring charges, net of revisions, by reportable operating segment and Corporate & Other for the year ended December 31, 2015, and the cumulative amounts relating to the restructuring programs that were in progress during 2015 and initiated at various dates between 2009 and 2015.

	2015	**Cumulative Restructuring Expense Incurred To Date On In-Progress Restructuring Programs**		
(Millions)	**Total Restructuring Charges, net revisions**	**Severance**	**Other**	**Total**
USCS	**$ (7)**	$ 35	$	$ 35
ICS	**(17)**	198		198
GCS	**(16)**	113		113
GNMS	**(1)**	57		57
Corporate & Other	**15**	154	73	227[(a)]
Total	**$ (26)**	$ 557	$ 73	$ 630[(b)]

(a) Corporate & Other includes certain severance and other charges of $151 million related to Companywide support functions which were not allocated to the Company s reportable operating segments, as these were corporate initiatives, which is consistent with how such charges were reported internally.
(b) As of December 31, 2015, the total expenses to be incurred for previously approved restructuring activities that were in progress are not expected to be materially different than the cumulative expenses incurred to date for these programs.

NOTE 21

INCOME TAXES

The components of income tax expense for the years ended December 31 included in the Consolidated Statements of Income were as follows:

(Millions)	**2015**	**2014**	**2013**
Current income tax expense:			
U.S. federal	**$ 2,107**	$ 2,136	$ 1,730
U.S. state and local	**335**	264	288
Non-U.S.	**416**	412	514
Total current income tax expense	**2,858**	2,812	2,532
Deferred income tax expense (benefit):			
U.S. federal	**(23)**	352	113
U.S. state and local	**(5)**	39	4
Non-U.S.	**(55)**	(97)	(120)
Total deferred income tax expense	**(83)**	294	(3)
Total income tax expense	**$ 2,775**	$ 3,106	$ 2,529

A reconciliation of the U.S. federal statutory rate of 35 percent to the Company s actual income tax rate for the years ended December 31 on continuing operations was as follows:

	2015	**2014**	**2013**
U.S. statutory federal income tax rate	**35.0%**	35.0%	35.0%
(Decrease) increase in taxes resulting from:			
Tax-exempt income	**(1.7)**	(1.5)	(1.6)
State and local income taxes, net of federal benefit	**2.8**	2.7	3.1
Non-U.S. subsidiaries earnings [(a)]	**(1.8)**	(2.2)	(2.8)
Tax settlements [(b)]	**(0.2)**	(0.5)	(1.9)
Non deductible expenses [(c)]	**0.9**		
All other		1.0	0.3
Actual tax rates [(a)]	**35.0%**	34.5%	32.1%

(a) Results for all years primarily included tax benefits associated with the undistributed earnings of certain non-U.S. subsidiaries that were deemed to be reinvested indefinitely.

(b) Relates to the resolution of tax matters in various jurisdictions.

(c) Relates to the nondeductible portion of the EG goodwill impairment.

The Company records a deferred income tax (benefit) provision when there are differences between assets and liabilities measured for financial reporting and for income tax return purposes. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse.

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The significant components of deferred tax assets and liabilities as of December 31 are reflected in the following table:

(Millions)	**2015**	**2014**
Deferred tax assets:		
Reserves not yet deducted for tax purposes	**$ 3,771**	$ 3,926
Employee compensation and benefits	**648**	789
Other	**520**	266
Gross deferred tax assets	**4,939**	4,981
Valuation allowance	**(58)**	(75)
Deferred tax assets after valuation allowance	**4,881**	4,906
Deferred tax liabilities:		
Intangibles and fixed assets	**1,547**	1,597
Deferred revenue	**509**	498
Deferred interest	**323**	350
Asset securitization		162
Investment in joint ventures	**231**	223
Other	**120**	62
Gross deferred tax liabilities	**2,730**	2,892
Net deferred tax assets	**$ 2,151**	$ 2,014

A valuation allowance is established when management determines that it is more likely than not that all or some portion of the benefit of the deferred tax assets will not be realized. The valuation allowances as of December 31, 2015 and 2014 are associated with net operating losses and other deferred tax assets in certain non-U.S. operations of the Company.

Accumulated earnings of certain non-U.S. subsidiaries, which totaled approximately $9.9 billion as of December 31, 2015, are intended to be permanently reinvested outside the United States. The Company does not provide for federal income taxes on foreign earnings intended to be permanently reinvested outside the United States. Accordingly, federal taxes, which would have aggregated approximately $3.0 billion as of December 31, 2015, have not been provided on those earnings.

Net income taxes paid by the Company during 2015, 2014 and 2013, were approximately $3.4 billion, $2.5 billion and $2.0 billion, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

The Company is subject to the income tax laws of the United States, its states and municipalities and those of the foreign jurisdictions in which the Company operates. These tax laws are complex, and the manner in which they apply to the taxpayer s facts is sometimes open to interpretation. Given these inherent complexities, the Company must make judgments in assessing the likelihood that a tax position will be sustained upon examination by the taxing authorities based on the technical merits of the tax position. A tax position is recognized only when, based on management s judgment regarding the application of income tax laws, it is more likely than not that the tax position will be sustained upon examination. The amount of benefit recognized for financial reporting purposes is based on management s best judgment of the largest amount of benefit that is more likely than not to be realized on ultimate settlement with the taxing authority given the facts, circumstances and information available at the reporting date. The Company adjusts the level of unrecognized tax benefits when there is new information available to assess the likelihood of the outcome.

The Company is under continuous examination by the Internal Revenue Service (IRS) and tax authorities in other countries and states in which the Company has significant business operations. The tax years under examination and open for examination vary by jurisdiction. The IRS has completed its field examination of the Company s federal tax returns for years through 2007; however, refund claims for certain years continue to be reviewed by the IRS. In addition, the Company is currently under examination by the IRS for the years 2008 through 2011.

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The following table presents changes in unrecognized tax benefits:

(Millions)	**2015**	**2014**	**2013**
Balance, January 1	**$ 909**	$ 1,044	$ 1,230
Increases:			
Current year tax positions	**81**	4	124
Tax positions related to prior years	**177**	111	176
Decreases:			
Tax positions related to prior years	**(256)**	(181)	(371)
Settlements with tax authorities	**(15)**	(67)	(94)
Lapse of statute of limitations	**(26)**	(1)	(21)
Effects of foreign currency translations		(1)	
Balance, December 31	**$ 870**	$ 909	$ 1,044

Included in the unrecognized tax benefits of $0.9 billion, $0.9 billion and $1.0 billion for December 31, 2015, 2014 and 2013 are approximately $502 million, $412 million and $427 million, respectively that, if recognized, would favorably affect the effective tax rate in a future period.

The Company believes it is reasonably possible that its unrecognized tax benefits could decrease within the next 12 months by as much as $231 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 $231 million of unrecognized tax benefits, approximately $21 million relates to amounts that, if recognized, would be recorded in shareholders equity and would not impact the Company s results of operations or its effective tax rate.

Interest and penalties relating to unrecognized tax benefits are reported in the income tax provision. For the year ended December 31, 2015, the Company recognized approximately $38 million in expenses for interest and penalties. For the years ended December 31, 2014 and 2013, the Company recognized benefits of approximately, $19 million and $31 million, respectively, of interest and penalties. The Company has approximately $164 million and $126 million accrued for the payment of interest and penalties as of December 31, 2015 and 2014, respectively.

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NOTE 22

EARNINGS PER COMMON SHARE (EPS)

The computations of basic and diluted EPS for the years ended December 31 were as follows:

(Millions, except per share amounts)	2015	2014	2013
Numerator:			
Basic and diluted:			
Net income	**$ 5,163**	$ 5,885	$ 5,359
Preferred dividends	**(62)**		
Net income available to common shareholders	**5,101**	5,885	5,359
Earnings allocated to participating share awards [a]	**(38)**	(46)	(47)
Net income attributable to common shareholders	**$ 5,063**	$ 5,839	$ 5,312
Denominator: [a]			
Basic: Weighted-average common stock	**999**	1,045	1,082
Add: Weighted-average stock options [b]	**4**	6	7
Diluted	**1,003**	1,051	1,089
Basic EPS	**$ 5.07**	$ 5.58	$ 4.91
Diluted EPS	**$ 5.05**	$ 5.56	$ 4.88

(a) The Company s unvested restricted stock awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered participating securities. Calculations of EPS under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(b) The dilutive effect of unexercised stock options excludes from the computation of EPS 0.5 million, 0.2 million and 0.1 million of options for the years ended December 31, 2015, 2014 and 2013, respectively, because inclusion of the options would have been anti-dilutive.

For the years ended December 31, 2015, 2014 and 2013, the Company met specified performance measures related to the $750 million of Subordinated Debentures issued in 2006, and maturing in 2036. If the performance measures were not achieved in any given quarter, the Company would be required to issue common shares and apply the proceeds to make interest payments.

NOTE 23

REGULATORY MATTERS AND CAPITAL ADEQUACY

The Company is supervised and regulated by the Federal Reserve and is subject to the Federal Reserve s requirements for risk-based capital and leverage ratios. The Company s two U.S. bank operating subsidiaries, American Express Centurion Bank (Centurion Bank) and American Express Bank, FSB (FSB) (together, the Banks), are subject to supervision and regulation, including similar regulatory capital requirements by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC), respectively.

Under the risk-based capital guidelines of the Federal Reserve, the Company is required to maintain minimum ratios of Common Equity Tier 1 (CET1), Tier 1 and Total (Tier 1 plus Tier 2) capital to risk-weighted assets, as well as a minimum leverage ratio (Tier 1 capital to average adjusted on-balance sheet assets).

Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators, that, if undertaken, could have a direct material effect on the Company s and the Banks operating activities.

As of December 31, 2015 and 2014, the Company and the Banks met all capital requirements to which each was subject and maintained regulatory capital ratios in excess of those required to qualify as well capitalized.

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The following table presents the regulatory capital ratios for the Company and the Banks:

(Millions, except percentages)	CET1 capital	Tier 1 capital	Total capital	CET1 capital ratio	Tier 1 capital ratio	Total capital ratio	Tier 1 leverage ratio
December 31, 2015: [a]							
American Express Company	**$ 16,747**	**$ 18,265**	**$ 20,551**	**12.4%**	**13.5%**	**15.2%**	**11.7%**
American Express Centurion Bank	**6,013**	**6,013**	**6,460**	**16.9**	**16.9**	**18.2**	**17.7**
American Express Bank, FSB	**6,927**	**6,927**	**7,601**	**13.7**	**13.7**	**15.1**	**13.2**
December 31, 2014: [a]							
American Express Company	$ 17,525	$ 18,176	$ 20,801	13.1%	13.6%	15.6%	11.8%
American Express Centurion Bank	6,174	6,174	6,584	18.8	18.8	20.1	18.7
American Express Bank, FSB	6,722	6,722	7,604	14.2	14.2	16.0	15.1
Well-capitalized ratios [b]				6.5%(c)	8.0%	10.0%	5.0%(d)
Minimum capital ratios [b]				4.5%	6.0%	8.0%	4.0%

(a) Beginning in 2015, as a Basel III Advanced Approaches institution, capital ratios are reported using Basel III capital definitions, inclusive of transition provisions, and risk-weighted assets using the Basel III Standardized Approaches. As of December 31, 2014, capital ratios were reported using Basel III capital definitions, inclusive of transition provisions and Basel I risk-weighted assets.

(b) As defined by the regulations issued by the Federal Reserve, OCC and FDIC for the year ended December 31, 2015.

(c) Beginning January 1, 2015, Basel III CET1 well-capitalized ratios became relevant capital measures under the prompt and corrective action requirements defined by the regulations for Advanced Approaches institutions.

(d) Represents requirements for banking subsidiaries to be considered well-capitalized pursuant to regulations issued under the Federal Deposit Insurance Corporation Improvement Act. There is no well-capitalized definition for the Tier 1 leverage ratio for a bank holding company.

RESTRICTED NET ASSETS OF SUBSIDIARIES

Certain of the Company s subsidiaries are subject to restrictions on the transfer of net assets under debt agreements and regulatory requirements. These restrictions have not had any effect on the Company s shareholder dividend policy and management does not anticipate any impact in the future. Procedures exist to transfer net assets between the Company and its subsidiaries, while ensuring compliance with the various contractual and regulatory constraints. As of December 31, 2015, the aggregate amount of net assets of subsidiaries that are restricted to be transferred to the Company was approximately $11.3 billion.

BANK HOLDING COMPANY DIVIDEND RESTRICTIONS

The Company is limited in its ability to pay dividends by the Federal Reserve, which could prohibit a dividend that would be considered an unsafe or unsound banking practice. It is the policy of the Federal Reserve that bank holding companies generally should pay dividends on 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, the Company is required to develop and maintain a capital plan, which includes planned dividends over a two-year horizon, and to submit the capital plan to the Federal Reserve.

BANKS DIVIDEND RESTRICTIONS

In the years ended December 31, 2015 and 2014, Centurion Bank paid dividends from retained earnings to its parent of $2.0 billion and $1.9 billion, respectively, and FSB paid dividends from retained earnings to its parent of $2.2 billion and $2.1 billion, respectively.

The Banks are subject to statutory and regulatory limitations on their ability to pay dividends. The total amount of dividends that may be paid at any date, subject to supervisory considerations of the Banks regulators, is generally limited to the retained earnings of the respective bank. As of December 31, 2015 and 2014, the Banks retained earnings, in the aggregate, available for the payment of dividends were $3.2 billion and $3.6 billion, respectively. In determining the dividends to pay their parent, the Banks must also consider the effects on applicable risk-based capital and leverage ratio requirements, as well as policy statements of the federal regulatory agencies. In addition, the Banks banking regulators have authority to limit or prohibit the payment of a dividend by the Banks under a number of circumstances, including if, in the banking regulator s

opinion, payment of a dividend would constitute an unsafe or unsound banking practice in light of the financial condition of the banking organization.

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NOTE 24

SIGNIFICANT CREDIT CONCENTRATIONS

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to American Express total credit exposure. The Company s customers operate in diverse industries, economic sectors and geographic regions.

The following table details the Company s maximum credit exposure by category, including the credit exposure associated with derivative financial instruments, as of December 31:

(Billions)	**2015**	**2014**
On-balance sheet:		
Individuals [(a)]	**$ 104**	$ 101
Financial institutions [(b)]	**25**	25
U.S. Government and agencies [(c)]	**4**	4
All other [(d)]	**17**	17
Total on-balance sheet [(e)]	**150**	147
Unused lines-of-credit individuals[(f)]	**$ 297**	$ 278

(a) Individuals primarily include Card Member receivables and loans, including the HFS portfolios.
(b) Financial institutions primarily include debt obligations of banks, broker-dealers, insurance companies and savings and loan associations.
(c) U.S. Government and agencies represent debt obligations of the U.S. Government and its agencies, states and municipalities and government-sponsored entities.
(d) All other primarily includes Card Member receivables from other corporate institutions.
(e) Certain distinctions between categories require management judgment.
(f) Because charge card products generally have no preset spending limit, the associated credit limit on charge products is not quantifiable. Therefore, the quantified unused line-of-credit amounts only include the approximate credit line available on lending products.

As of December 31, 2015 and 2014, the Company s most significant concentration of credit risk was with individuals, including Card Member receivables and loans. These amounts are generally advanced on an unsecured basis. However, the Company reviews each potential customer s credit application and evaluates the applicant s financial history and ability and willingness to repay. The Company also considers credit performance by customer tenure, industry and geographic location in managing credit exposure.

The following table details the Company s Card Member loans and receivables exposure (including unused lines-of-credit on Card Member loans) in the United States and outside the United States as of December 31:

(Billions)	**2015**	**2014**
On-balance sheet:		
U.S. [(a)]	**$ 99**	$ 94
Non-U.S.	**19**	21
On-balance sheet [(b)(c)]	**118**	115
Unused lines-of-credit individuals:		
U.S. [(a)]	**259**	234
Non-U.S.	**38**	44

Total unused lines-of-credit individuals	**$ 297**	$ 278

(a) Includes on-balance sheet Card Member loans and receivables HFS and unused lines-of-credit for Card Member loans HFS, as of December 31, 2015.
(b) Represents Card Member loans to individuals as well as receivables from individuals and corporate institutions as discussed in footnotes (a) and (d) from the previous table.
(c) The remainder of the Company s on-balance sheet exposure includes cash, investments, other loans, other receivables and other assets including derivative financial instruments. These balances are primarily within the United States.

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NOTE 25

REPORTABLE OPERATING SEGMENTS AND GEOGRAPHIC OPERATIONS

REPORTABLE OPERATING SEGMENTS

The Company is a global services company that is principally engaged in businesses comprising four reportable operating segments: USCS, ICS, GCS and Global Network & Merchant Services (GNMS).

The Company considers a combination of factors when evaluating the composition of its reportable operating segments, including the results reviewed by the chief operating decision maker, economic characteristics, products and services offered, classes of customers, product distribution channels, geographic considerations (primarily United States versus outside the United States), and regulatory environment considerations.

The following is a brief description of the primary business activities of the Company s four reportable operating segments:

USCS offers a wide range of card products and services to consumers and small businesses in the United States, provides travel services to Card Members and other consumers, and operates a coalition loyalty business.

ICS offers a wide range of card products and services to consumers and small businesses outside the United States, provides travel services to Card Members and other consumers, and operates a coalition loyalty business in various countries.

GCS offers global corporate payment services to large and mid-sized companies. The Company s business travel operations, which had been included in GCS, were deconsolidated effective June 30, 2014 in connection with the formation of the GBT JV, discussed previously. Therefore, there is a lack of comparability against periods prior to the deconsolidation. The Company s proportional share of the GBT JV net income or loss is reported within Other revenues.

GNMS operates a global payments network that processes and settles proprietary and non-proprietary card transactions. GNMS acquires merchants; leverages the Company s global closed-loop network to offer multi-channel marketing programs and capabilities, services and reporting and analytical data to the Company s merchants around the world; and provides financing products for qualified merchants. It also enters into partnership agreements with third-party card issuers and acquirers to license the American Express brand and broaden the Card Member and merchant base for the Company s network worldwide.

Corporate functions and certain other businesses, including the Company s EG business, as well as other Company operations are included in Corporate & Other.

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The following table presents certain selected financial information for the Company s reportable operating segments and Corporate & Other as of or for the years ended December 31, 2015, 2014 and 2013:

(Millions, except where indicated)	USCS	ICS	GCS	GNMS	Corporate & Other [(a)]	Consolidated
2015						
Non-interest revenues	**$ 13,180**	**$ 4,321**	**$ 3,513**	**$ 5,236**	**$ 646**	**$ 26,896**
Interest income	**6,267**	**939**	**14**	**98**	**227**	**7,545**
Interest expense	**654**	**242**	**185**	**(194)**	**736**	**1,623**
Total revenues net of interest expense	**18,793**	**5,018**	**3,342**	**5,528**	**137**	**32,818**
Total provisions [(b)]	**1,453**	**329**	**148**	**54**	**4**	**1,988**
Pretax income (loss) from continuing operations	**5,355**	**508**	**1,073**	**2,775**	**(1,773)**	**7,938**
Income tax provision (benefit)	**1,942**	**87**	**407**	**1,004**	**(665)**	**2,775**
Net income (loss)	**3,413**	**421**	**666**	**1,771**	**(1,108)**	**5,163**
Total assets *(billions)* [(c)]	**117**	**35**	**18**	**24**	**(33)**	**161**
Total equity *(billions)*	**10.3**	**2.9**	**3.7**	**2.4**	**1.4**	**20.7**
2014						
Non-interest revenues	12,628	4,737	5,173	5,426	752	28,716
Interest income	5,786	1,085	15	52	241	7,179
Interest expense	604	330	240	(269)	802	1,707
Total revenues net of interest expense	17,810	5,492	4,948	5,747	191	34,188
Total provisions	1,396	370	180	93	5	2,044
Pretax income (loss) from continuing operations	5,100	449	2,408	2,620	(1,586)	8,991
Income tax provision (benefit)	1,900	38	865	960	(657)	3,106
Net income (loss)	3,200	411	1,543	1,660	(929)	5,885
Total assets *(billions)* [(c)]	113	31	19	18	(22)	159
Total equity *(billions)*	10.4	3.0	3.8	2.0	1.5	20.7
2013						
Non-interest revenues	12,019	4,644	5,085	5,229	846	27,823
Interest income	5,565	1,118	13	32	277	7,005
Interest expense	693	361	245	(252)	911	1,958
Total revenues net of interest expense	16,891	5,401	4,853	5,513	212	32,870
Total provisions	1,250	388	129	67	(2)	1,832
Pretax income (loss) from continuing operations	4,994	643	1,244	2,469	(1,462)	7,888
Income tax provision (benefit)	1,801	12	384	894	(562)	2,529
Net income (loss)	3,193	631	860	1,575	(900)	5,359
Total assets *(billions)* [(c)]	$ 104	$ 31	$ 19	$ 17	$ (18)	$ 153
Total equity *(billions)*	$ 9.3	$ 3.1	$ 3.7	$ 2.0	$ 1.4	$ 19.5

(a) Corporate & Other includes adjustments and eliminations for intersegment activity.

(b) Effective December 1, 2015, in the USCS segment, total provisions does not include credit costs related to Card Member loans and receivables HFS, which are now reported in Other expenses through a valuation allowance adjustment.

(c)

As of September 30, 2015, and prospectively, certain intercompany balances have been reclassified between operating segments, as a result of systems enhancements.

Total Revenues Net of Interest Expense

The Company allocates discount revenue and certain other revenues among segments using a transfer pricing methodology. Within the USCS, ICS and GCS segments, discount revenue reflects the issuer component of the overall discount revenue generated by each segment s Card Members; within the GNMS segment, discount revenue reflects the network and acquirer component of the overall discount revenue. Net card fees and travel commissions and fees 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 Losses

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

Expenses

Marketing and promotion expenses are included in each segment based on actual expenses incurred, with the exception of brand advertising, which is primarily reflected in the GNMS and USCS segments. Rewards and Card Member services expenses are included in each segment based on actual expenses incurred within each segment.

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Salaries and employee benefits and other operating expenses includes expenses such as professional services, occupancy and equipment and communications incurred directly within each segment. In addition, expenses related to support services, such as technology costs, are allocated to each segment primarily based on support service activities directly attributable to the segment. Other overhead expenses, such as staff group support functions, are allocated from Corporate & Other to the other segments based on a mix of each segment s direct consumption of services and relative level of pretax income.

Capital

Each business segment is allocated capital based on established business model operating requirements, risk measures and regulatory capital requirements. The business model operating requirements include capital needed to support operations and specific balance sheet items. The risk measures include considerations for credit, market and operational risk.

Income Taxes

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

GEOGRAPHIC OPERATIONS

The following table presents the Company s total revenues net of interest expense and pretax income (loss) from continuing operations in different geographic regions:

(Millions)	United States	EMEA (a)	JAPA (a)	LACC (a)	Other Unallocated (b)	Consolidated
2015 (c)						
Total revenues net of interest expense	**$ 24,791**	**$ 3,161**	**$ 2,649**	**$ 2,384**	**$ (167)**	**$ 32,818**
Pretax income (loss) from continuing operations	**8,010**	**534**	**456**	**658**	**(1,720)**	**7,938**
2014 (c)						
Total revenues net of interest expense	$ 24,751	$ 3,767	$ 2,934	$ 2,888	$ (152)	$ 34,188
Pretax income (loss) from continuing operations	8,869	525	463	683	(1,549)	8,991
2013 (c)						
Total revenues net of interest expense	$ 23,641	$ 3,700	$ 2,952	$ 2,900	$ (323)	$ 32,870
Pretax income (loss) from continuing operations	7,679	524	488	701	(1,504)	7,888

(a) EMEA represents Europe, the Middle East and Africa; JAPA represents Japan, Asia/Pacific and Australia; and LACC represents Latin America, Canada and the Caribbean.
(b) Other Unallocated includes net costs which are not directly allocable to specific geographic regions, including costs related to the net negative interest spread on excess liquidity funding and executive office operations expenses.
(c) The data in the above table is, in part, based upon internal allocations, which necessarily involve management s judgment.

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NOTE 26

PARENT COMPANY

PARENT COMPANY CONDENSED STATEMENTS OF INCOME

Years Ended December 31 *(Millions)*	2015	2014	2013
Revenues			
Non-interest revenues			
Gain on sale of securities	$	$ 99	$ 135
Other	**400**	270	5
Total non-interest revenues	**400**	369	140
Interest income	**172**	141	134
Interest expense	**(526)**	(543)	(583)
Total revenues net of interest expense	**46**	(33)	(309)
Expenses			
Salaries and employee benefits	**341**	275	206
Other	**443**	357	261
Total	**784**	632	467
Pretax loss	**(738)**	(665)	(776)
Income tax benefit	**(268)**	(249)	(297)
Net loss before equity in net income of subsidiaries and affiliates	**(470)**	(416)	(479)
Equity in net income of subsidiaries and affiliates	**5,633**	6,301	5,838
Net income	**$ 5,163**	$ 5,885	$ 5,359

PARENT COMPANY CONDENSED BALANCE SHEETS

As of December 31 *(Millions)*	2015	2014
Assets		
Cash and cash equivalents	**$ 6,400**	$ 8,824
Investment securities	**1**	1
Equity in net assets of subsidiaries and affiliates	**19,856**	20,123
Accounts receivable, less reserves	**311**	134
Premises and equipment, less accumulated depreciation: 2015, $140; 2014, $106	**133**	139
Loans to subsidiaries and affiliates	**11,762**	7,809
Due from subsidiaries and affiliates	**896**	1,477
Other assets	**275**	365
Total assets	**39,634**	38,872
Liabilities and Shareholders Equity		
Liabilities		

Accounts payable and other liabilities	**1,603**	1,590
Due to subsidiaries and affiliates	**716**	964
Short-term debt of subsidiaries and affiliates	**6,923**	5,937
Long-term debt	**9,719**	9,708
Total liabilities	**18,961**	18,199
Shareholders Equity		
Preferred Shares		
Common shares	**194**	205
Additional paid-in capital	**13,348**	12,874
Retained earnings	**9,665**	9,513
Accumulated other comprehensive loss	**(2,534)**	(1,919)
Total shareholders equity	**20,673**	20,673
Total liabilities and shareholders equity	**$ 39,634**	$ 38,872

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PARENT COMPANY CONDENSED STATEMENTS OF CASH FLOWS

Years Ended December 31 *(Millions)*	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 5,163**	$ 5,885	$ 5,359
Adjustments to reconcile net income to cash provided by operating activities:			
Equity in net income of subsidiaries and affiliates	**(5,633)**	(6,301)	(5,838)
Dividends received from subsidiaries and affiliates	**5,331**	5,455	4,768
Gain on sale of securities		(99)	(135)
Other operating activities, primarily with subsidiaries and affiliates	**332**	173	324
Net cash provided by operating activities	**5,193**	5,113	4,478
Cash Flows from Investing Activities			
Sales of available-for-sale investment securities		111	157
Purchase of investments	**(3)**		
Purchase of premises and equipment	**(29)**	(39)	(39)
Loans to subsidiaries and affiliates	**(3,952)**	(2,574)	1,498
Investments in subsidiaries and affiliates			
Net cash (used in) provided by investing activities	**(3,984)**	(2,502)	1,616
Cash Flows from Financing Activities			
(Principal payments on)/issuance of long-term debt		(655)	843
Short-term debt of subsidiaries and affiliates	**986**	5,118	(1,497)
Issuance of American Express preferred shares	**841**	742	
Issuance of American Express common shares and other	**192**	362	721
Repurchase of American Express common shares	**(4,480)**	(4,389)	(3,943)
Dividends paid	**(1,172)**	(1,041)	(939)
Net cash provided by (used in) financing activities	**(3,633)**	137	(4,815)
Net increase (decrease) in cash and cash equivalents	**(2,424)**	2,748	1,279
Cash and cash equivalents at beginning of year	**8,824**	6,076	4,797
Cash and cash equivalents at end of year	**$ 6,400**	$ 8,824	$ 6,076
Supplemental cash flow information			
Non-cash financing activities			
Gain on business travel joint venture transaction	**$**	$ 630	$

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NOTE 27

QUARTERLY FINANCIAL DATA (UNAUDITED)

(Millions, except per share amounts)	**2015**				2014			
Quarters Ended	**12/31**	**9/30**	**6/30**	**3/31**	12/31	9/30	6/30	3/31
Total revenues net of interest expense	**$ 8,391**	**$ 8,193**	**$ 8,284**	**$ 7,950**	$ 9,081	$ 8,303	$ 8,631	$ 8,173
Pretax income	**1,454**	**1,938**	**2,230**	**2,316**	2,225	2,246	2,312	2,208
Net income	**899**	**1,266**	**1,473**	**1,525**	1,447	1,477	1,529	1,432
Earnings Per Common Share Basic:								
Net income attributable to common shareholders [(a)]	**$ 0.89**	**$ 1.24**	**$ 1.43**	**$ 1.49**	$ 1.40	$ 1.41	$ 1.44	$ 1.34
Earnings Per Common Share Diluted:								
Net income attributable to common shareholders [(a)]	**0.89**	**1.24**	**1.42**	**1.48**	1.39	1.40	1.43	1.33
Cash dividends declared per common share	**0.29**	**0.29**	**0.29**	**0.26**	0.26	0.26	0.26	0.23
Common share price:								
High	**77.85**	**81.66**	**81.92**	**93.94**	94.89	96.24	96.04	94.35
Low	**$ 67.57**	**$ 71.71**	**$ 76.53**	**$ 77.12**	$ 78.41	$ 85.75	$ 83.99	$ 82.63

(a) Represents net income, less (i) earnings allocated to participating share awards of $6 million, $10 million, $11 million and $11 million for the quarters ended December 31, September 30, June 30 and March 31, 2015, respectively, and $11 million, $11 million, $12 million and $12 million for the quarters ended December 31, September 30, June 30 and March 31, 2014, respectively, and (ii) dividends on preferred shares of $20 million, $22 million and $20 million, for the quarters ended December 31, September 30 and June 30, 2015, respectively, and nil for all other comparative periods.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company s fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Management s Report on Internal Control over Financial Reporting, which sets forth management s evaluation of internal control over financial reporting, and the Report of Independent Registered Public Accounting Firm on the effectiveness of the Company s internal control over financial reporting as of December 31, 2015 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 2016 (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 2, 2016, 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 Board s Independence

Information included under the caption Corporate Governance at American Express Board Committees Board Committee Responsibilities

Information included under the caption Proxy Summary and Voting Roadmap Item 1 Election of Directors For a Term of One Year 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

Information under the caption Stock Ownership Information Section 16(a) Beneficial Ownership Reporting Compliance

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

We have adopted a set of Corporate Governance Principles, which together with the charters of the six standing committees of the Board of Directors (Audit and Compliance; Compensation and Benefits; Innovation and Technology; Nominating and Governance; 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 Comptroller, but also to all our other employees) 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. You may also access our Investor Relations website through our main website at www.americanexpress.com by clicking on the About American Express link, which is located at the bottom of the Company s homepage. (Information from such sites is not incorporated by reference into this Report.) You may also obtain free copies of these materials by writing to our Secretary at our headquarters.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information set forth under the heading Item 2 Ratification of Appointment of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP Fees and Services, which will appear in our definitive proxy statement in connection with our Annual Meeting of Shareholders to be held May 2, 2016, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, 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 list of exhibits required to be filed as exhibits to this Report is listed on pages E-1 through E-4 hereof under Exhibit Index.

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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

Executive Vice President and Chief Financial Officer

February 19, 2016

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/ KENNETH I. CHENAULT

Kenneth I. Chenault
Chairman, Chief Executive Officer and Director

/s/ JEFFREY C. CAMPBELL

Jeffrey C. Campbell
Executive Vice President and Chief Financial Officer

/s/ LINDA ZUKAUCKAS

Linda Zukauckas
Executive Vice President and Corporate Comptroller

/s/ CHARLENE BARSHEFSKY

Charlene Barshefsky
Director

/s/ URSULA M. BURNS

Ursula M. Burns
Director

/s/ PETER CHERNIN

/s/ MICHAEL O. LEAVITT

Michael O. Leavitt
Director

/s/ THEODORE J. LEONSIS

Theodore J. Leonsis
Director

/s/ RICHARD C. LEVIN

Richard C. Levin
Director

/s/ SAMUEL J. PALMISANO

Samuel J. Palmisano
Director

/s/ DANIEL VASELLA

Daniel Vasella
Director

/s/ ROBERT D. WALTER

Peter Chernin **Director**	**Robert D. Walter** **Director**
/s/ Anne Lauvergeon	/s/ Ronald A. Williams
Anne Lauvergeon **Director**	**Ronald A. Williams** **Director**

February 19, 2016

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GUIDE 3 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. The disclosures presented are excluding amounts associated with Card Member loans and receivables HFS, unless otherwise indicated.

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 the Company s financial position or results of operations.

Distribution of Assets, Liabilities, and Shareholders Equity; Interest Rates and Interest Differential

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

Years Ended December 31,	2015			2014			2013		
(Millions, except percentages)	**Average Balance (a)**	**Interest Income**	**Average Yield**	**Average Balance (a)**	**Interest Income**	**Average Yield**	**Average Balance (a)**	**Interest Income**	**Average Yield**
Interest-earning assets									
Interest-bearing deposits in other banks (b)									
U.S.	**$ 19,255**	**$ 50**	**0.3%**	$ 16,851	$ 41	0.2%	$ 19,230	$ 49	0.3%
Non-U.S.	**2,137**	**16**	**0.7**	2,091	18	0.9	2,409	26	1.1
Federal funds sold and securities purchased under agreements to resell									
Non-U.S.	**188**	**6**	**3.2**	235	8	3.4	136	5	3.7
Short-term investment securities									
U.S.	**12**			62			154		
Non-U.S.	**393**	**3**	**0.8**	272	1	0.4	204	1	0.5
Card Member loans, including loans HFS (c)(d)									
U.S.	**61,911**	**6,258**	**10.1**	57,826	5,778	10.0	54,845	5,555	10.1
Non-U.S.	**7,093**	**930**	**13.1**	8,211	1,072	13.1	8,431	1,111	13.2
Other loans (c)									
U.S.	**891**	**93**	**10.4**	547	49	9.0	329	29	8.8
Non-U.S.	**154**	**28**	**18.2**	209	30	14.4	235	23	9.8
Taxable investment securities (e)									
U.S.	**607**	**10**	**1.7**	611	10	1.7	596	12	2.1
Non-U.S.	**535**	**14**	**2.7**	329	13	4.1	255	11	4.5
Non-taxable investment securities (e)									
U.S.	**3,083**	**133**	**6.9**	3,806	154	6.4	4,331	175	6.3
Other assets (f)									
Primarily U.S.	**1**	**4**	**n.m.**	45	5	n.m.	222	8	n.m.
Total interest-earning assets (g)	**$ 96,260**	**$ 7,545**	**7.9%**	$ 91,095	$ 7,179	8.0%	$ 91,377	$ 7,005	7.8%
U.S.	**85,760**	**6,548**		79,748	6,037		79,707	5,828	
Non-U.S.	**10,500**	**997**		11,347	1,142		11,670	1,177	

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Years Ended December 31, *(Millions, except percentages)*	2015 Average Balance (a)	2014 Average Balance (a)	2013 Average Balance (a)
Non-interest-earning assets			
Cash and due from banks			
U.S.	**$ 2,501**	$ 2,125	$ 2,082
Non-U.S.	**565**	671	580
Card Member receivables, net, including receivables HFS [(d)]			
U.S.	**22,126**	21,679	21,197
Non-U.S.	**21,667**	22,701	21,386
Other receivables, net			
U.S.	**1,678**	1,585	1,553
Non-U.S.	**1,032**	1,618	1,733
Reserves for Card Member and other loans losses			
U.S.	**(1,004)**	(1,014)	(1,172)
Non-U.S.	**(153)**	(173)	(185)
Other assets [(h)]			
U.S.	**10,218**	10,686	10,868
Non-U.S.	**3,837**	3,453	2,862
Total non-interest-earning assets	**62,467**	63,331	60,904
U.S.	**35,519**	35,061	34,528
Non-U.S.	**26,948**	28,270	26,376
Total assets	**$ 158,727**	$ 154,426	$ 152,281
U.S.	**121,279**	114,809	114,235
Non-U.S.	**37,448**	39,617	38,046
Percentage of total average assets attributable to non-U.S. activities	**23.6%**	25.7%	25.0%

(a) Averages based on month end balances.

(b) Amounts include (i) average interest-bearing restricted cash balances of $818 million, $945 million and $832 million for 2015, 2014 and 2013, respectively, which are included in other assets on the Consolidated Balance Sheets, and (ii) the associated interest income.

(c) Average non-accrual loans were included in the average Card Member loan balances in amounts of $202 million, $269 million and $349 million in U.S. as well as nil, nil and $4 million in non-U.S. for 2015, 2014 and 2013, respectively. Average other loan balances for U.S. include average non-accrual loans of $1 million, nil and nil for 2015, 2014 and 2013, respectively. Average non-accrual loans are considered to determine the average yield on loans.

(d) Amount for 2015 include average Card Member loans and average Card Member receivables HFS of $1,143 million and $10 million, respectively, and the associated interest income.

(e) 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 35 percent.

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

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

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

Years Ended December 31,		2015			2014			2013	
(Millions, except percentages)	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	**$ 36,706**	**$ 283**	**0.8%**	$ 34,689	239	0.7%	$ 31,650	232	0.7%
Time	**10,171**	**185**	**1.8**	6,961	129	1.9	9,047	206	2.3
Demand	**185**	**1**	**0.5**	176	1	0.6	228	1	0.4
Non-U.S.									
Other time and savings	**21**	**2**	**9.5**	7	1	14.3	3		6.4
Other demand	**87**	**4**	**4.6**	104	3	2.9	121	3	2.6
Short-term borrowings									
U.S.	**1,416**	**4**	**0.3**	1,060	2	0.2	767	1	0.1
Non-U.S.	**2,198**	**15**	**0.7**	2,534	21	0.8	2,454	21	0.9
Long-term debt (b)									
U.S.	**51,623**	**1,092**	**2.1**	52,476	1,226	2.3	52,125	1,392	2.7
Non-U.S.	**1,271**	**29**	**2.3**	2,206	60	2.7	2,553	78	3.1
Other liabilities (c)									
Primarily U.S.	**133**	**8**	**n.m.**	353	25	n.m.	325	24	n.m.
Total interest-bearing liabilities	**$ 103,811**	**$ 1,623**	**1.6%**	$ 100,566	$ 1,707	1.7%	$ 99,273	$ 1,958	2.0%
U.S.	**100,234**	**1,573**		95,715	1,622		94,142	1,856	
Non-U.S.	**3,577**	**50**		4,851	85		5,131	102	
Non-interest-bearing liabilities									
Travelers Cheques and other prepaid products									
U.S.	**3,160**			3,641			4,075		
Non-U.S.	**110**			128			129		
Accounts payable									
U.S.	**7,238**			7,321			7,225		
Non-U.S.	**4,589**			5,084			4,989		
Customer Deposits (d)									
U.S.	**386**			349			167		
Non-U.S.	**324**			358			229		
Other liabilities									
U.S.	**13,302**			12,350			12,507		
Non-U.S.	**4,313**			4,375			4,433		
Total non-interest-bearing liabilities	**33,422**			33,606			33,754		
U.S.	**24,086**			23,661			23,974		
Non-U.S.	**9,336**			9,945			9,780		
Total liabilities	**137,233**			134,172			133,027		
U.S.	**124,320**			119,376			118,116		
Non-U.S.	**12,913**			14,796			14,911		
Total shareholders equity	**21,494**			20,254			19,254		
Total liabilities and shareholders equity	**$ 158,727**			$ 154,426			$ 152,281		
Percentage of total average liabilities attributable to non-U.S. activities	**9.4%**			11.0%			11.2%		
Interest rate spread			**6.3%**			6.3%			5.8%
Net interest income and net average yield on interest-earning assets (e)		**$ 5,922**	**6.2%**		$ 5,472	6.1%		$ 5,047	5.6%

(a) Averages based on month end balances.
(b) Interest expense incurred on derivative instruments in qualifying hedging relationships has been reported along with the related interest expense incurred on the hedged debt instrument.
(c) Amounts include (i) average deferred compensation liability balances, which are included in other liabilities on the Consolidated Balance Sheets, and (ii) the associated interest expense. The average rate on other liabilities has not been shown as it would not be meaningful (n.m.).
(d) U.S. non-interest-bearing Customer deposits include average Card Member credit balances of $326 million, $313 million and $150 million for 2015, 2014 and 2013, respectively, and non-U.S. non-interest-bearing Customer deposits include average Card Member credit balances of $311 million, $344 million and $219 million for 2015, 2014 and 2013, respectively.
(e) 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 (e) from the previous table.

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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.

	2015 vs. 2014			2014 vs. 2013		
	Increase (Decrease) due to change in:			Increase (Decrease) due to change in:		
Years Ended December 31, ***(Millions)***	**Average Volume**	**Average Rate**	**Net Change**	**Average Volume**	**Average Rate**	**Net Change**
Interest-earning assets						
Interest-bearing deposits in other banks						
U.S.	**$ 6**	**$ 3**	**$ 9**	$ (6)	$ (2)	$ (8)
Non-U.S.		**(2)**	**(2)**	(3)	(5)	(8)
Federal funds sold and securities purchased under agreements to resell						
Non-U.S.	**(2)**		**(2)**	4	(1)	3
Short-term investment securities						
U.S.						
Non-U.S.		**2**	**2**			
Card Member loans, including loans HFS						
U.S.	**408**	**72**	**480**	302	(79)	223
Non-U.S.	**(146)**	**4**	**(142)**	(29)	(10)	(39)
Other loans						
U.S.	**31**	**13**	**44**	19	1	20
Non-U.S.	**(8)**	**6**	**(2)**	(3)	10	7
Taxable investment securities						
U.S.					(2)	(2)
Non-U.S.	**8**	**(7)**	**1**	3	(1)	2
Non-taxable investment securities						
U.S.	**(30)**	**9**	**(21)**	(23)	2	(21)
Other assets						
Primarily U.S.	**(5)**	**4**	**(1)**	(6)	3	(3)
Change in interest income	**262**	**104**	**366**	258	(84)	174
Interest-bearing liabilities						
Customer deposits						
U.S.						
Savings	**14**	**30**	**44**	22	(15)	7
Time	**59**	**(3)**	**56**	(47)	(30)	(77)
Demand						
Non-U.S.						
Other time and savings	**2**	**(1)**	**1**		1	1
Other demand		**1**	**1**			
Short-term borrowings						
U.S.	**1**	**1**	**2**		1	1
Non-U.S.	**(3)**	**(3)**	**(6)**	1	(1)	
Long-term debt						
U.S.	**(20)**	**(114)**	**(134)**	9	(175)	(166)
Non-U.S.	**(25)**	**(6)**	**(31)**	(11)	(7)	(18)
Other liabilities						
Primarily U.S.	**(16)**	**(1)**	**(17)**	2	(1)	1

Change in interest expense	**12**	**(96)**	**(84)**	(24)	(227)	(251)
Change in net interest income	**$ 250**	**$ 200**	**$ 450**	$ 282	$ 143	$ 425

(a) Refer to footnotes from Distribution of Assets, Liabilities and Shareholders Equity for additional information.

Loans and Card Member Receivables Portfolios

The following table presents gross loans and Card Member receivables by customer type, segregated between U.S. and non-U.S., based on the domicile of the borrowers. Refer to Notes 3 and 4 to the Consolidated Financial Statements for additional information.

December 31, *(Millions)*	2015	2014	2013	2012	2011
Loans [(a) (b)]					
U.S. loans					
Card Member [(c) (d)]	**$ 51,446**	$ 62,592	$ 58,530	$ 56,104	$ 53,850
Other [(e)]	**1,073**	726	411	285	108
Non-U.S. loans					
Card Member [(c) (d)]	**7,127**	7,793	8,708	9,125	8,771
Other [(e)]	**201**	206	210	286	329
Total loans	**$ 59,847**	$ 71,317	$ 67,859	$ 65,800	$ 63,058
Card Member receivables [(a) (b)]					
U.S. Card Member receivables					
Consumer [(f)]	**23,255**	22,468	21,842	21,124	20,645
Commercial [(g)]	**8,961**	9,082	8,480	7,924	7,495
Non-U.S. Card Member receivables					
Consumer [(f)]	**7,101**	7,800	7,930	7,967	7,412
Commercial [(g)]	**4,816**	5,501	5,911	5,751	5,338
Total Card Member receivables	**$ 44,133**	$ 44,851	$ 44,163	$ 42,766	$ 40,890

(a) As of December 31, 2015, the Company had approximately $211 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. The Company s charge card products generally have no preset spending limit, the associated credit limit on charge products is not quantifiable, and therefore is not reflected in unused credit available to Card Members.

(b) As of December 31, 2015, the Company s exposure to any concentration of gross loans and Card Member receivables combined, which exceeds 10 percent of total loans and Card Member receivables is further split between $89 billion for individuals and $15 billion for commercial. Loans and Card Member receivables concentrations are defined as loans and Card Member receivables due from multiple borrowers engaged in similar activities that would cause these borrowers to be impacted similarly to certain economic or other related conditions. Refer to Note 24 to the Consolidated Financial Statements for additional information on concentrations.

(c) Card Member loans include unamortized net card fees of $140 million for 2011. Beginning in 2012, unamortized net card fees are reported under Other liabilities.

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

(e) Other loans primarily represent loans to merchants.

(f) Represents receivables from individual and small business charge card consumers.

(g) Represents receivables from corporate charge card clients.

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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. 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)*				**2015**
	Within 1 year (a) (b)	**1-5 years (b) (c)**	**After 5 years (c)**	**Total**
Loans				
U.S. loans				
Card Member	**$ 51,393**	**$ 53**	**$**	**$ 51,446**
Other	**646**	**248**	**179**	**1,073**
Non-U.S. loans				
Card Member	**7,125**	**1**	**1**	**7,127**
Other	**119**	**82**		**201**
Total loans	**$ 59,283**	**$ 384**	**$ 180**	**$ 59,847**
Loans due after one year at fixed interest rates		**$ 308**	**$ 79**	**$ 387**
Loans due after one year at variable interest rates		**76**	**101**	**177**
Total loans		**$ 384**	**$ 180**	**$ 564**
Card Member receivables				
U.S. Card Member receivables				
Consumer	**$ 23,252**	**$ 3**	**$**	**$ 23,255**
Commercial	**8,961**			**8,961**
Non-U.S. Card Member receivables				
Consumer	**7,101**			**7,101**
Commercial	**4,816**			**4,816**
Total Card Member receivables	**$ 44,130**	**$ 3**	**$**	**$ 44,133**

(a) Card Member loans have no stated maturity and are therefore included in the due within one year category. However, many of the Company s Card Members will revolve their balances, which may extend their repayment period beyond one year for balances due at December 31, 2015.

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

(c) Card Member and other loans due after one year primarily represent installment loans and approximately $55 million of TDRs.

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Risk Elements

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

December 31, *(Millions)*	2015	2014	2013	2012	2011
Loans					
Non-accrual loans [a]					
U.S.	**$ 154**	$ 241	$ 294	$ 433	$ 529
Non-U.S.			4	8	9
Total non-accrual loans	**154**	241	298	441	538
Loans contractually 90 days past-due and still accruing interest [b]					
U.S.	**164**	162	174	77	64
Non-U.S.	**52**	58	54	61	70
Total loans contractually 90 days past-due and still accruing interest	**216**	220	228	138	134
Restructured loans [c]					
U.S.	**279**	286	351	627	736
Non-U.S.			5	6	8
Total restructured loans	**279**	286	356	633	744
Total non-performing loans	**$ 649**	$ 747	$ 882	$ 1,212	$ 1,416
Card Member receivables					
Restructured Card Member receivables [c]					
U.S.	**33**	48	50	117	174
Total restructured Card Member receivables	**$ 33**	$ 48	$ 50	$ 117	$ 174

(a) Non-accrual loans not in modification programs primarily include certain Card Member loans placed with outside collection agencies for which the Company has ceased accruing interest.

(b) The Company s policy is generally to accrue interest through the date of write-off (typically 180 days past due). The Company establishes reserves for interest that it believes will not be collected. Amounts presented exclude loans classified as a TDR.

(c) The Company may modify, through various programs, Card Member loans and receivables in instances where the Card Member is experiencing financial difficulty in order to minimize losses and improve collectability, while providing Card Members with temporary or permanent financial relief. The Company has classified Card Member loans and receivables in these modification programs as 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 the Company s TDR disclosures), (ii) placing the Card Member on a fixed payment plan not to exceed 60 months and (iii) suspending delinquency fees until the Card Member exits the modification program. Beginning January 1, 2015, on a prospective basis the Company continues to classify Card Member accounts that have exited a modification program as a TDR, with such accounts identified as Out of Program TDRs . Refer to Note 3 to the Consolidated Financial Statements for additional information.

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Impact of Non-performing Loans on Interest Income

The following table presents the gross interest income for both non-accrual and restructured loans for 2015 that would have been recognized if such loans had been current in accordance with their original contractual terms, and had been outstanding throughout the period or since origination if held for only part of 2015. The table also presents the interest income related to these loans that was actually recognized for the period. These amounts are segregated between U.S. and non-U.S. borrowers.

Year Ended December 31, *(Millions)*	U.S.	Non-U.S.	2015 Total
Gross amount of interest income that would have been recorded in accordance with the original contractual terms [(a)]	$ 66	$	$ 66
Interest income actually recognized	17		17
Total interest revenue foregone	$ 49	$	$ 49

(a) The Company determines the original effective interest rate as the interest rate in effect prior to the imposition of any penalty interest rate.

Potential Problem Loans and Receivables

This disclosure presents outstanding amounts as well as specific reserves for certain loans and receivables where information about possible credit problems of the borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present repayment terms. At December 31, 2015, the Company did not identify any potential problem loans or receivables within the Card Member loans and receivables portfolio that were not already included in the Risk Elements section.

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Cross-border Outstandings

Cross-border disclosure is based upon the Federal Financial Institutions Examination Council s (FFIEC) guidelines governing the determination of cross-border risk, which have been revised effective December 31, 2013, and this disclosure has been revised accordingly.

The primary differences between the FFIEC and Guide 3 guidelines for reporting cross-border exposure are: i) the FFIEC methodology includes mark-to-market exposures of derivative assets which are excluded under Guide 3; and ii) investments in unconsolidated subsidiaries are included under FFIEC but excluded under Guide 3.

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

The table separately presents the amounts of cross-border outstandings by type of borrower including Governments and official institutions, Banks and other financial institutions, Non-Bank Financial Institutions (NBFIs) and Other.

Years Ended December 31, (*Millions*)		Governments and official institutions	Banks and other financial institutions	NBFIs	Other	Total cross-border outstandings	Gross foreign-office liabilities	Total exposure (net of liabilities)	Cross-border commitments
Australia	**2015**	**$**	**$ 193**	**$**	**$ 2,786**	**$ 2,979**	**$ 419**	**$ 2,560**	**$ 5,410**
	2014		287		3,089	3,376	488	2,888	5,915
	2013	8	227		3,499	3,734	529	3,205	6,648
Canada	**2015**	**$ 356**	**$ 705**	**$ 36**	**$ 2,433**	**$ 3,530**	**$ 1,383**	**$ 2,147**	**$ 11,845**
	2014	710	353	52	3,416	4,531	1,731	2,800	17,763
	2013	513	890	57	4,271	5,731	3,027	2,704	19,927
United Kingdom	**2015**	**$ 107**	**$ 2,068**	**$ 32**	**$ 3,422**	**$ 5,629**	**$ 3,174**	**$ 2,455**	**$ 12,293**
	2014	23	2,415	16	3,466	5,920	3,465	2,455	11,183
	2013	37	2,164	17	3,205	5,423	3,318	2,105	10,291
Mexico	**2015**	**$ 98**	**$ 61**	**$ 8**	**$ 1,890**	**$ 2,057**	**$ 552**	**$ 1,505**	**$ 1,053**
	2014	115	241	5	1,997	2,358	622	1,736	1,154
	2013	128	191	7	2,133	2,459	647	1,812	1,313
Japan	**2015**	**$ 4**	**$ 56**	**$ 92**	**$ 2,058**	**$ 2,210**	**$ 2,071**	**$ 139**	**$ 79**
	2014	1	41	62	1,824	1,928	1,804	124	66
	2013	1	64	31	1,812	1,908	1,794	114	68
Other countries [(a)]	**2015**	**$ 81**	**$ 154**	**$ 11**	**$ 4,025**	**$ 4,271**	**$ 835**	**$ 3,436**	**$ 613**
	2014	105	208	17	4,951	5,281	976	4,305	706
	2013	127	203	16	4,351	4,697	1,034	3,663	832

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

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Summary of Loan Loss Experience Analysis of the Allowance for Loan Losses

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

Years Ended December 31, *(Millions, except percentages)*	2015	2014	2013	2012	2011
Card Member loans					
Allowance for loan losses at beginning of year					
U.S. loans	**$ 1,036**	$ 1,083	$ 1,274	$ 1,611	$ 3,153
Non-U.S. loans	**165**	178	197	263	493
Total allowance for losses	**1,201**	1,261	1,471	1,874	3,646
Card Member lending provisions [(a)]					
U.S. loans	**1,032**	944	916	882	79
Non-U.S. loans	**158**	194	199	148	66
Total Card Member lending provisions	**1,190**	1,138	1,115	1,030	145
Write-offs					
U.S. loans	**(1,321)**	(1,346)	(1,463)	(1,621)	(2,105)
Non-U.S. loans	**(226)**	(269)	(280)	(309)	(394)
Total write-offs	**(1,547)**	(1,615)	(1,743)	(1,930)	(2,499)
Recoveries					
U.S. loans	**359**	356	368	395	477
Non-U.S. loans	**59**	72	84	98	101
Total recoveries	**418**	428	452	493	578
Net write-offs [(b)]	**(1,129)**	(1,187)	(1,291)	(1,437)	(1,921)
Transfer of reserves on HFS loans portfolios					
U.S. loans	**(224)**				
Other [(c)]					
U.S. loans		(1)	(12)	7	7
Non-U.S. loans	**(10)**	(10)	(22)	(3)	(3)
Total other	**(10)**	(11)	(34)	4	4
Allowance for loan losses at end of year					
U.S. loans	**882**	1,036	1,083	1,274	1,611
Non-U.S. loans	**146**	165	178	197	263
Total allowance for losses	**$ 1,028**	$ 1,201	$ 1,261	$ 1,471	$ 1,874
Principal only net write-offs / average Card Member loans outstanding [(d) (e)]	**1.4%**	1.5%	1.8%	2.1%	2.9%
Principal, interest and fees net write-offs / average Card Member loans outstanding [(d) (e)]	**1.7%**	1.8%	2.0%	2.3%	3.3%

(a) Refer to Note 4 to the Consolidated Financial Statements for a discussion of management s process for evaluating the allowance for loan losses.
(b) Net write-offs include principal, interest and fees balances.
(c) Includes foreign currency translation adjustments and other items. Additionally, 2014 includes an adjustment related to reserves for card-related fraud losses of $(6) million, which was reclassified to Other liabilities.
(d) The net write-off rate presented is on a worldwide basis and is based on principal losses only (i.e., excluding interest and fees) to be consistent with industry convention. In addition, because the Company considers uncollectible interest and fees in estimating its reserves for credit losses, a net write-off rate including principal, interest and fees is also presented. The year ended December 31, 2015, reflects the impact of a change in the timing of charge-offs for Card Member loans in certain modification programs from 180 days past due to 120 days past due, which was fully recognized during the three months ended March 31, 2015.
(e) Average Card Member loans outstanding are based on month end balances.

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

Years Ended December 31, *(Millions, except percentages)*	2015	2014	2013	2012	2011
Other loans					
Allowance for loan losses at beginning of year					
U.S. loans	**$ 8**	$ 8	$ 8	$ 3	$ 2
Non-U.S. loans	**4**	5	12	15	22
Total allowance for losses	**12**	13	20	18	24
Provisions for other loan losses (a)					
U.S. loans	**21**	5	3	6	2
Non-U.S. loans	**1**	3	4	7	11
Total provisions for other loan losses	**22**	8	7	13	13
Write-offs					
U.S. loans	**(15)**	(7)	(7)	(1)	(2)
Non-U.S. loans	**(3)**	(7)	(13)	(16)	(24)
Total write-offs	**(18)**	(14)	(20)	(17)	(26)
Recoveries					
U.S. loans	**3**	2	4		1
Non-U.S. loans	**1**	3	3	5	6
Total recoveries	**4**	5	7	5	7
Net write-offs	**(14)**	(9)	(13)	(12)	(19)
Other (b)					
Non-U.S. loans			(1)	1	
Total other			(1)	1	
Allowance for loan losses at end of year					
U.S. loans	**17**	8	8	8	3
Non-U.S. loans	**3**	4	5	12	15
Total allowance for losses	**$ 20**	$ 12	$ 13	$ 20	$ 18
Net write-offs/average other loans outstanding (c)	**1.3%**	1.2%	2.3%	2.5%	4.7%

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

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

Years Ended December 31, ***(Millions, except percentages)***	**2015**	**2014**	**2013**	**2012**	**2011**
Card Member receivables					
Allowance for losses at beginning of year					
U.S. receivables					
Consumer	**$ 276**	$ 216	$ 273	$ 293	$ 193
Commercial	**53**	35	37	33	79
Total U.S. receivables	**329**	251	310	326	272
Non-U.S. receivables					
Consumer	**93**	98	86	86	84
Commercial	**43**	37	32	26	30
Total non-U.S. receivables	**136**	135	118	112	114
Total allowance for losses	**465**	386	428	438	386
Provisions for losses (a)					
U.S. receivables					
Consumer	**420**	451	336	372	438
Commercial	**76**	98	53	57	7
Total U.S. provisions	**496**	549	389	429	445
Non-U.S. receivables					
Consumer	**169**	172	188	128	130
Commercial	**72**	71	71	44	29
Total non-U.S. provisions	**241**	243	259	172	159
Total provisions for losses	**737**	792	648	601	604
Write-offs					
U.S. receivables					
Consumer	**(698)**	(618)	(662)	(674)	(576)
Commercial	**(123)**	(120)	(92)	(92)	(90)
Total U.S. write-offs	**(821)**	(738)	(754)	(766)	(666)
Non-U.S. receivables					
Consumer	**(204)**	(211)	(227)	(190)	(187)
Commercial	**(89)**	(92)	(90)	(67)	(56)
Total non-U.S. write-offs	**(293)**	(303)	(317)	(257)	(243)
Total write-offs	**$ (1,114)**	$ (1,041)	$ (1,071)	$ (1,023)	$ (909)

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Years Ended December 31, *(Millions, except percentages)*	2015	2014	2013	2012	2011
Card Member receivables					
Recoveries					
U.S. receivables					
Consumer	**$ 271**	$ 230	$ 279	$ 267	$ 225
Commercial	**45**	41	38	37	42
Total U.S. recoveries	**316**	271	317	304	267
Non-U.S. receivables					
Consumer	**57**	58	57	54	59
Commercial	**28**	29	28	25	23
Total non-U.S. recoveries	**85**	87	85	79	82
Total recoveries	**401**	358	402	383	349
Net write-offs [(b)]	**(713)**	(683)	(669)	(640)	(560)
Other [(c)]					
U.S. receivables					
Consumer	**(1)**	(3)	(10)	15	13
Commercial		(1)	(1)	3	(5)
Total U.S. other	**(1)**	(4)	(11)	18	8
Non-U.S. receivables					
Consumer	**(22)**	(24)	(6)	7	
Commercial	**(4)**	(2)	(4)	4	
Total non-U.S. other	**(26)**	(26)	(10)	11	
Total other	**(27)**	(30)	(21)	29	8
Allowance for losses at end of year					
U.S. receivables					
Consumer	**268**	276	216	273	293
Commercial	**51**	53	35	37	33
Total U.S. receivables	**319**	329	251	310	326
Non-U.S. receivables					
Consumer	**93**	93	98	86	86
Commercial	**50**	43	37	32	26
Total non-U.S. receivables	**143**	136	135	118	112
Total allowance for losses	**$ 462**	$ 465	$ 386	$ 428	$ 438
Net write-offs / average Card Member receivables outstanding [(d) (e)]	**1.6%**	1.5%	1.6%	1.5%	1.4%

(a) Refer to Note 4 to the Consolidated Financial Statements for a discussion of management s process for evaluating the allowance for receivable losses.

(b) Net write-offs include principal and fees balances.

(c) Includes foreign currency translation adjustments and other items. Additionally, 2015 includes the impact of transfer of the HFS receivables portfolio, which was not significant and 2014 includes an adjustment related to reserves for card-related fraud losses of $(7) million, which was reclassified to Other liabilities.

(d) The net write-off rate presented is on a worldwide basis and is based on write-offs of principal and fees. The year ended December 31, 2015, reflects the impact of a change in the timing of charge-offs for Card Member receivables in certain modification programs from 180 days past due to 120 days past due, which was fully recognized during the three months ended March 31, 2015.

(e) Average Card Member receivables outstanding are based on month end balances.

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Allocation of Allowance for Losses

The following table presents an allocation of the allowance for loans and Card Member receivables and the percentage of allowance for losses on loans and Card Member receivables in each category, to the total allowance, respectively, by customer type. The table segregates allowance for losses on loans and Card Member receivables between U.S. and non-U.S. borrowers.

December 31, *(Millions, except percentages)* **Allowance for losses**	**2015**		**2014**		**2013**		**2012**		**2011**	
at end of year applicable to	**Amount**	**Percentage (a)**	**Amount**	**Percentage (a)**	**Amount**	**Percentage (a)**	**Amount**	**Percentage (a)**	**Amount**	**Percentage (a)**
Loans										
U.S. loans										
Card Member	**$ 882**	**84%**	$ 1,036	85%	$ 1,083	85%	$ 1,274	85%	$ 1,611	85%
Other	**17**	**2**	8	1	8	1	8	1	3	
Non-U.S. loans										
Card Member	**146**	**14**	165	14	178	14	197	13	263	14
Other	**3**		4		5		12	1	15	1
	$ 1,048	**100%**	$ 1,213	100%	$ 1,274	100%	$ 1,491	100%	$ 1,892	100%
Card Member receivables										
U.S. Card Member receivables										
Consumer	**$ 268**	**58%**	$ 276	59%	$ 216	56%	$ 273	64%	$ 293	67%
Commercial	**51**	**11**	53	12	35	9	37	8	33	7
Non-U.S. Card Member receivables										
Consumer	**93**	**20**	93	20	98	25	86	20	86	20
Commercial	**50**	**11**	43	9	37	10	32	8	26	6
	$ 462	**100%**	$ 465	100%	$ 386	100%	$ 428	100%	$ 438	100%

(a) Percentage of allowance for losses on loans and Card Member receivables in each category to the total allowance.

Time Certificates of Deposit of $100,000 or More

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

	By remaining maturity as of December 31, 2015				
(Millions)	**3 months or less**	**Over 3 months but within 6 months**	**Over 6 months but within 12 months**	**Over 12 months**	**Total**
U.S. time certificates of deposit ($100,000 or more)	**$ 97**	**$ 14**	**$ 32**	**$ 53**	**$ 196**

As of December 31, 2015, time certificates of deposit and other time deposits in amounts of $100,000 or more issued by non-U.S. offices was $3 million.

EXHIBIT INDEX

The following exhibits are filed as part of this Annual Report. The exhibit numbers preceded by an asterisk (*) indicate exhibits electronically filed herewith. All other exhibit numbers indicate exhibits previously filed and are hereby incorporated herein by reference. Exhibits numbered 10.1 through 10.44 are management contracts or compensatory plans or arrangements.

3.1	Company s Amended and Restated Certificate of Incorporation as amended through February 27, 2015 (incorporated by reference to Exhibit 3.1 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 October 20, 2014, (incorporated by reference to Exhibit 3.1 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated October 20, 2014).
4.1	The instruments defining the rights of holders of long-term debt securities of the Company and its subsidiaries are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Company hereby agrees to furnish copies of these instruments to the SEC upon request.
10.1	American Express Company 1998 Incentive Compensation Plan, as amended through July 25, 2005 (incorporated by reference to Exhibit 10.4 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2005).
10.2	American Express Company 1998 Incentive Compensation Plan Master Agreement, dated April 27, 1998 (for awards made prior to January 22, 2007) (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 2004).
10.3	Amendment of American Express Company 1998 Incentive Compensation Plan Master Agreement, dated April 27, 1998 (for awards made prior to January 22, 2007) (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2000).
10.4	American Express Company 1998 Incentive Compensation Plan Master Agreement, dated January 22, 2007 (for awards made on or after such date) (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.4 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.5	American Express Company 2007 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated April 23, 2007 (filed April 27, 2007)).
10.6	American Express Company 2007 Incentive Compensation Plan Master Agreement (as amended and restated effective January 1, 2011), (incorporated by reference to Exhibit 10.8 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
10.7	Form of award agreement for executive officers in connection with Performance Grant awards (a/k/a Incentive Awards) under the American Express Company 2007 Incentive Compensation Plan (as amended and restated effective January 1, 2009) (incorporated by reference to Exhibit 10.11 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.8	American Express Company Deferred Compensation Plan for Directors and Advisors, as amended through March 23, 2015 (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, 2015).
10.9	American Express Company 2007 Pay-for-Performance Deferral Program Document (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated November 20, 2006 (filed November 22, 2006)).

10.10	Description of amendments to 1994 2006 Pay-for-Performance Deferral Programs (incorporated by reference to Exhibit 10.13 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2006).
10.11	American Express Company 2006 Pay-for-Performance Deferral Program Guide (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated November 21, 2005 (filed November 23, 2005)).
10.12	American Express Company 2005 Pay-for-Performance Deferral Program Guide (incorporated by reference to Exhibit 10.10 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2004).

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10.13	Description of American Express Company Pay-for-Performance Deferral Program (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K (Commission File No. l-7657), dated November 22, 2004 (filed January 28, 2005)).
10.14	Amendment to the Pre-2008 Nonqualified Deferred Compensation Plans of American Express Company (incorporated by reference to Exhibit 10.19 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2008).
10.15	American Express Company Retirement Plan for Non-Employee Directors, as amended (incorporated by reference to Exhibit 10.12 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1988).
10.16	Certificate of Amendment of the American Express Company Retirement Plan for Non-Employee Directors dated March 21, 1996 (incorporated by reference to Exhibit 10.11 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1995).
10.17	American Express Key Executive Life Insurance Plan, as amended (incorporated by reference to Exhibit 10.12 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the fiscal year ended December 31, 1991).
10.18	Amendment to American Express Company Key Executive Life Insurance Plan (incorporated by reference to Exhibit 10.3 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 1994).
10.19	Amendment to American Express Company Key Executive Life Insurance Plan, effective as of January 22, 2007 (incorporated by reference to Exhibit 10.22 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2006).
10.20	Amendment to American Express Company Key Executive Life Insurance Plan, effective as of January 1, 2011 (incorporated by reference to Exhibit 10.24 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
10.21	American Express Key Employee Charitable Award Program for Education (incorporated by reference to Exhibit 10.13 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1990).
10.22	American Express Directors Charitable Award Program (incorporated by reference to Exhibit 10.14 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1990).
10.23	American Express Company Salary/Bonus Deferral Plan (incorporated by reference to Exhibit 10.20 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1988).
10.24	Amendment to American Express Company Salary/Bonus Deferral Plan (incorporated by reference to Exhibit 10.4 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 1994).
10.25	American Express Company 1993 Directors Stock Option Plan, as amended (incorporated by reference to Exhibit 10.11 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2000).
10.26	American Express Senior Executive Severance Plan, effective January 1, 1994 (as amended and restated through January 1, 2011) (incorporated by reference to Exhibit 10.30 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
10.27	First Amendment to the American Express Senior Executive Severance Plan (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 2012).
10.28	Second Amendment to the American Express Senior Executive Severance Plan (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated July 22, 2013 (filed July 25, 2013)).

10.29	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).
10.30	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).
10.31	Third Amendment to the American Express Retirement Restoration Plan (f/k/a Supplemental Retirement Plan) (as amended and restated effective as of January 1, 2012) (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2012).
10.32	Fourth Amendment to the American Express Retirement Restoration Plan (f/k/a Supplemental Retirement Plan) (as amended and restated effective as of January 1, 2013) (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).
10.33	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).
10.34	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).
10.35	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).
10.36	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).
10.37	American Express Annual Incentive Award Plan (as amended and restated effective January 1, 2011) (incorporated by reference to Exhibit 10.34 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2010).
*10.38	American Express Company 2003 Share Equivalent Unit Plan for Directors, as amended and restated, effective January 1, 2015.
10.39	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).
10.40	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)).
10.41	Form of award agreement for executive officers in connection with Performance Grant awards (a/k/a Incentive Awards) under the American Express Company 2007 Incentive Compensation Plan (for awards made after January 29, 2013) (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, 2012).
10.42	Form of award agreement for executive officers in connection with Portfolio Grant awards under the American Express Company 2007 Incentive Compensation Plan (for awards made after January 29, 2013) (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, 2012).

*10.43	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)
*10.44	Form of restricted stock unit award agreement for executive officers under the American Express Company 2007 Incentive Compensation Plan (for awards made after January 26, 2016)
10.45	Agreement dated February 27, 1995 between the Company and Berkshire Hathaway Inc. (incorporated by reference to Exhibit 10.43 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 1994).
10.46	Agreement dated July 20, 1995 between the Company and Berkshire Hathaway Inc. and its subsidiaries (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended September 30, 1995).
10.47	Amendment dated September 8, 2000 to the agreement dated February 27, 1995 between the Company and Berkshire Hathaway Inc. (incorporated by reference to Exhibit 99.3 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated January 22, 2001 (filed January 22, 2001)).
10.48	Tax Allocation Agreement, dated as of September 30, 2005, by and between American Express Company and Ameriprise Financial, Inc. (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K (Commission File No. 1-7657), dated September 30, 2005 (filed October 6, 2005)).
10.49	Amended and Restated Time Sharing Agreement, dated March 26, 2014, by and between American Express Travel Related Services Company, Inc. and Kenneth I. Chenault (incorporated by reference to Exhibit 10.1 of the Company s Quarterly Report on Form 10-Q (Commission File No. 1-7657) for the quarter ended March 31, 2014).
10.50	Amendment No. 1, dated February 12, 2015, to the Amended and Restated Time Sharing Agreement, dated March 26, 2014, by and between American Express Travel Related Services Company, Inc. and Kenneth I. Chenault (incorporated by reference to Exhibit 10.51 of the Company s Annual Report on Form 10-K (Commission File No. 1-7657) for the year ended December 31, 2014).
10.51	Amendment No. 2, dated March 26, 2015, to the Amended and Restated Time Sharing Agreement, dated March 26, 2014, by and between American Express Travel Related Services Company, Inc. and Kenneth I. Chenault (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 March 31, 2015).
*12	Computation in Support of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
*21	Subsidiaries of the Company.
*23.1	Consent of PricewaterhouseCoopers LLP.
*31.1	Certification of Kenneth I. Chenault, Chief Executive Officer, pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
*31.2	Certification of 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 Kenneth I. Chenault, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of 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

*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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, 2015 **Commission File No. 1-7657**

American Express Company

(Exact name of Company as specified in charter)

EXHIBITS