

AMERICAN EXPRESS CREDIT CORPORATION

SELECTED FINANCIAL DATA

The following summary of certain consolidated financial information of Credco was derived from audited financial statements for the five years ended December 31:

(\$ in millions)	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Income Statement Data					
Revenues	2,842	2,601	2,168	2,214	2,064
Interest expense	1,458	1,459	1,130	1,190	1,125
Provision for doubtful accounts, net of recoveries	937	689	672	632	584
Income tax provision	140	150	120	128	114
Net income	277	286	223	237	212
Balance Sheet Data					
Accounts receivable	23,048	24,710	23,325	19,126	19,492
Reserve for credit losses	(847)	(739)	(684)	(597)	(633)
Total assets	26,542	28,326	26,726	23,535	22,936
Short-term debt	20,584	22,972	20,231	17,528	16,582
Current portion of long-term debt	800	550	550	353	4
Long-term debt	1,030	1,811	2,575	3,053	3,264
Shareholder's equity	2,200	2,152	2,061	1,994	1,907
Cash dividends	-	200	150	150	150

AMERICAN EXPRESS CREDIT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Certain Critical Accounting Policies

In December 2001, the Securities and Exchange Commission issued a financial reporting release, FR-60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies." In this connection, the following information has been provided about certain critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates, assumptions and the application of management's judgment. These policies relate to reserves for Cardmember credit losses and the recognition of impairment within the investment portfolio.

- ?? Provision for credit losses related to Cardmember loans and receivables is one of the largest operating expenses of Credco. Reserves for these credit losses are primarily based upon statistically driven models derived from historical experience, as well as management judgment as to the economic and business environment. In determining the reserves, management evaluates both internal credit metrics, such as migration analysis, write-off rates, recovery rates and net write-off coverage, as well as external economic data, such as unemployment, bankruptcy filings and consumer confidence, among other indicators that may impact the portfolios. To the extent historical credit experience is not indicative of future performance or other assumptions used by management do not prevail, loss experience could differ significantly, resulting in either higher or lower future provision for losses, as applicable.
- ?? Generally, investment securities are carried at fair value on the balance sheet. Gains and losses are recognized in the results of operations upon disposition of the securities. In addition, losses are also recognized when management determines that a decline in value is not temporary, which requires judgment regarding the amount and timing of recovery. Typically, Credco defines an event of impairment for debt securities as issuer default or bankruptcy. Fair value is generally based on quoted market prices.

Liquidity and Capital Resources

Credco's portfolio consists of Charge Card receivables and loans purchased without recourse from Card Issuers throughout the world and participation interests purchased without recourse in the seller's interest in both non-interest-bearing and interest-bearing Cardmember receivables. These participation interests are owned by two master trusts formed by TRS as part of its asset securitization programs. At December 31, 2001 and 2000, respectively, Credco owned \$19.1 billion and \$22.6 billion of Charge Card receivables and participation in Charge Card receivables, representing 83.0 percent and 91.3 percent, respectively, of the total receivables owned. Revolving credit receivables, representing 17.0 percent and 8.7 percent of the total receivables owned, were \$3.9 billion and \$2.1 billion at December 31, 2001 and 2000, respectively.

Credco's assets are financed through a combination of short-term debt, long-term senior notes, equity capital and retained earnings. Daily funding requirements are met primarily by the sale of commercial paper. Credco has readily sold the volume of commercial paper

necessary to meet its funding needs as well as to cover the daily maturities of commercial paper issued. The average amount of commercial paper outstanding was \$18.6 billion for 2001 and \$18.5 billion for 2000.

An alternate source of borrowing consists of committed credit line facilities. The aggregate commitment of these facilities is generally maintained at 50 percent of short-term debt, net of short-term investments and cash equivalents. Committed credit line facilities at December 31, 2001 and 2000 totaled \$10.4 billion and \$9.7 billion, respectively. In addition, Credco, through its wholly-owned subsidiary, American Express Overseas Credit Corporation Limited (“AEOCC”), had short-term borrowings under uncommitted lines of credit totaling \$68 million and \$84 million at December 31, 2001 and 2000, respectively.

The availability of credit lines is subject to Credco’s maintenance of a 1.25 ratio of combined earnings and fixed charges to fixed charges. For the year ended December 31, 2001, this ratio was 1.29. Additionally, Credco’s credit ratings are critical to maintaining its short-term funding sources and containing related interest costs. Rating agencies review factors such as capital adequacy with a view towards maintaining certain levels of capital, liquidity, business volumes, asset quality and economic market trends, among others, in assessing American Express’ and its subsidiaries’ appropriate ratings. Subsequent to the terrorist attacks of September 11th, American Express’ A+ and its subsidiaries’ (including Credco’s) credit ratings were affirmed by Standard & Poor’s and Fitch, two credit rating agencies. At the same time, however, each agency revised its respective rating outlook on American Express and its subsidiaries from stable to negative in light of the ensuing weak climate for business and consumer travel and spending and weaker capital markets. In their statements, the rating agencies indicated that while American Express has significant financial resources to address short-term business volume disruptions, if business volumes remained depressed for an extended period, its credit ratings would be under pressure.

During 2001, 2000 and 1999, Credco’s average long-term debt outstanding was \$2.2 billion, \$2.7 billion and \$3.1 billion, respectively. At December 31, 2001, Credco had approximately \$2.4 billion of medium- and long-term debt and warrants available for issuance under shelf registrations filed with the Securities and Exchange Commission. At March 25, 2002, Credco had \$8 billion of debt securities and warrants available for issuance under such shelf registrations. In addition, Credco, TRS, AEOCC, Centurion Bank and American Express Bank Ltd. (a wholly-owned indirect subsidiary of American Express) have established programs for the issuance, outside the United States, of debt instruments to be listed on the Luxembourg Stock Exchange. The maximum aggregate principal amount of debt instruments outstanding at any one time under the program will not exceed \$6.0 billion. At December 31, 2001, this program had the ability to issue \$4.7 billion of debt.

Credco paid dividends of \$200 million to TRS in December 2000. No dividends were paid to TRS in 2001.

In 2000, Credco called \$150 million 1.125% Cash Exchangeable Notes due 2003. These notes were exchangeable for an amount in cash which was linked to the price of the common shares of American Express. Credco had entered into agreements to fully hedge its obligations. Accordingly, the related hedging agreements were called at the same time.

In early 2002, Credco issued an aggregate of \$2.0 billion of medium-term notes at fixed and floating rates with maturities of one to three years. As of March 25, 2002, Credco had \$8

billion of debt securities and warrants to purchase debt securities available for issuance under a shelf registration statement filed with the Securities and Exchange Commission.

In 2001, the American Express Credit Account Master Trust (the "Master Trust") securitized \$4.3 billion of loans through the public issuances of two classes of investor certificates and privately placed collateral interests in the assets of the Master Trust. At the time of these issuances, CRC sold \$32.5 million of gross seller's interest (\$31.7 million, net of reserves) to American Express Receivables Financing Corporation II ("RFCII"), a wholly-owned subsidiary of TRS. In addition, CRC purchased, as an investment, \$406 million of Class C Certificates issued by the Master Trust collateralized by the revolving credit receivables held by the Master Trust.

In February 2002, the Master Trust securitized an additional \$920 million of loans. At the time of this issuance, CRC sold \$3.1 million of gross seller's interest (\$3.0 million, net of reserves) to RFCII. In addition, at the time of this issuance, CRC purchased, as an investment, \$87.4 million of Class C Certificates collateralized by the revolving credit receivables held by the Master Trust.

In 2001, the American Express Master Trust (the "Trust") securitized \$750 million of Charge Card receivables. At the time of this issuance, CRC sold \$829 million of seller's interest (\$793 million, net of reserves) to American Express Receivables Financing Corporation ("RFC"). In addition, at the time of the issuance, CRC purchased, as an investment, \$60.8 million in Class B Certificates collateralized by the receivables held by the Trust. Additionally, in 2001, \$300 million Class A Fixed Rate Account Receivable Trust Certificates and \$300 million Class A Floating Rate Accounts Receivable Trust Certificates matured from the Charge Card securitization portfolio which increased the participation interest owned by CRC. CRC owns a participation interest in the seller's interest in charge Cardmember receivables that have been conveyed to the Trust. In addition, \$41.7 million of Class B Certificates owned by CRC matured in 2001.

In January 2002, the Trust securitized an additional \$750 million of Charge Card receivables. At the time of this issuance, CRC sold \$829 million of seller's interest (\$797 million, net of reserves) to RFC. In addition, at the time of the issuance, CRC purchased, as an investment, \$60.8 million in Class B Certificates collateralized by the receivables held by the Trust.

Results of Operations

Credco purchases Cardmember receivables without recourse from TRS. Non-interest-bearing charge Cardmember receivables are purchased at face amount less a specified discount agreed upon from time to time, and interest-bearing revolving credit Cardmember receivables are generally purchased at face amount. Non-interest-bearing receivables are purchased under Receivables Agreements that generally provide that the discount rate shall not be lower than a rate that yields earnings of at least 1.25 times fixed charges on an annual basis. The ratio of earnings to fixed charges was 1.29, 1.30 and 1.30 in 2001, 2000 and 1999, respectively. The ratio of earnings to fixed charges for American Express, the parent of TRS, for the years ended December 31, 2001, 2000 and 1999 was 1.52, 2.25 and 2.48, respectively. The Receivables Agreements also provide that consideration will be given from time to time to revising the discount rate applicable to purchases of new receivables to reflect changes in money market interest rates or significant changes in the collectibility of the receivables. Pretax income depends primarily on the volume of Cardmember receivables purchased, the discount rates applicable thereto, the relationship of total discount to Credco's interest

expense and the collectibility of receivables purchased. The average life of Cardmember receivables was 41 days for the years ended December 31, 2001 and 2000, and 42 days for the year ended December 31, 1999.

Credco's increase in revenues during 2001 is primarily attributable to higher discount rates. Interest income in 2001 decreased as a result of lower interest rates. Interest expense is essentially unchanged from the prior year. Provision for doubtful accounts increased in 2001 reflecting an increase in provision rates.

The following is a further analysis of the increase (decrease) in key revenue and expense accounts (millions):

	2001	2000	1999
Revenue earned from purchased accounts			
receivable-changes attributable to:			
Volume of receivables purchased	\$ (39)	\$ 364	\$ 230
Discount and interest rates	340	50	(222)
Total	\$ 301	\$ 414	\$ 8
Interest income from affiliates-changes			
attributable to:			
Volume of average investments outstanding	\$ 21	\$ (43)	\$ (54)
Interest rates	(42)	26	(6)
Total	\$ (21)	\$ (17)	\$ (60)
Interest income from investments-changes			
attributable to:			
Volume of average investments outstanding	\$ 15	\$ 2	\$ 13
Interest rates	(58)	33	(6)
Total	\$ (43)	\$ 35	\$ 7
Interest expense affiliates-changes			
attributable to:			
Volume of average debt outstanding	\$ 36	\$ 32	\$ (9)
Interest rates	(95)	42	(10)
Total	\$ (59)	\$ 74	\$ (19)
Interest expense other-changes			
attributable to:			
Volume of average debt outstanding	\$ (20)	\$ 84	\$ 59
Interest rates	78	171	(100)
Total	\$ 58	\$ 255	\$ (41)
Provision for doubtful accounts-changes			
attributable to:			
Volume of receivables purchased	\$ (8)	\$ 157	\$ 95
Provision rates and volume of recoveries	256	(140)	(55)
Total	\$ 248	\$ 17	\$ 40

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credco's objective is to monitor and control risk exposures to earn returns commensurate with the level of risk assumed. American Express management establishes and oversees implementation of Board-approved policies covering its funding, investments and use of derivative financial instruments. American Express' treasury department, along with various asset and liability committees in the businesses, is responsible for managing financial market risk exposures within the context of Board-approved policies. See Note 8 in Notes to Consolidated Financial Statements appearing herein for a discussion of Credco's use of derivatives.

In the second half of 2001, American Express established the Corporate Risk Management Committee ("CRMC") to supplement the risk management capabilities resident within its business segments by routinely reviewing key market, credit and other risk concentrations across American Express and recommending corrective action where appropriate. The CRMC promotes a rigorous understanding of risks across American Express and supports senior management in making risk-return decisions.

Credco management believes a decline in its long-term credit rating by two levels could result in its having to significantly reduce its commercial paper and other short-term borrowings and replacing them, in part, by taking down existing credit lines. Remaining borrowing requirements would be addressed through other means such as additional securitizations. This would result in higher interest expense on Credco's commercial paper and other debt, as well as higher fees related to unused lines of credit. American Express believes a two level downgrade is unlikely due to its capital position and growth prospects.

The following sections include sensitivity analyses of two different types of market risk and estimate the effects of hypothetical sudden and sustained changes in the applicable market conditions on the ensuing year's earnings, based on year-end positions. The market changes, assumed to occur as of year-end, are a 100 basis point increase in market interest rates and a 10 percent strengthening of the U.S. dollar versus all other currencies. Computations of the prospective effects of hypothetical interest rate and foreign exchange rate changes are based on numerous assumptions, including relative levels of market interest rates and foreign exchange rates, as well as the levels of assets and liabilities. The hypothetical changes and assumptions will be different from what actually occurs in the future. Furthermore, the computations do not incorporate actions that management could take if the hypothetical market changes actually occur. As a result, actual earnings consequences will differ from those quantified below.

Credco's hedging policies are established, maintained and monitored by the American Express treasury department. Credco generally manages its exposures along product lines. A variety of interest rate and foreign exchange hedging strategies are employed to manage interest rate and foreign currency risks.

Credco funds its Charge Card receivables and Cardmember loans using on-balance sheet funding sources such as long- and short-term debt, medium-term notes and commercial paper and other debt. For Credco's Charge Card and fixed rate lending receivables, interest rate exposure is managed through the issuance of long- and short-term debt and the use of interest rate swaps and, to a lesser extent, caps. During 2001, Credco continued its strategy by augmenting its portfolio of interest rate swaps that convert a majority of its domestic funding from floating rate to fixed rate. Credco regularly reviews its strategy and may modify it. For

the majority of Credco's Cardmember loans, which are linked to a floating rate base and generally reprice each month, Credco uses floating rate funding.

The detrimental effect on Credco's pretax earnings of a hypothetical 100 basis point increase in interest rates would be approximately \$40 million and \$79 million, based on 2001 and 2000 year-end positions, respectively. This effect is primarily a function of the extent of variable rate funding of Charge Card and fixed rate lending products, to the degree that interest rate exposure is not managed by derivative financial instruments. With respect to the managed portion of that interest rate exposure, a substantial amount of the \$226 million of Credco's net after-tax unrealized losses recorded in other comprehensive income on the consolidated balance sheet at December 31, 2001 represents the fair value of the related derivative financial instruments. These losses will be recognized in earnings during the terms of those derivative contracts at the same time that Credco realizes the benefits of lower market rates of interest on its funding of Charge Card and fixed rate lending products.

Credco's foreign exchange risk arising from cross-currency charges and balance sheet exposures is managed primarily by entering into agreements to buy and sell currencies on a spot or forward basis.

Based on the year-end 2001 and 2000 foreign exchange positions, the effect on Credco's earnings of the hypothetical 10 percent strengthening of the U.S. dollar would be immaterial.

At December 31, 2001 Credco owned \$31 million, net of USD denominated receivables that it had purchased from the TRS Argentine Card company. At year end, the Argentine government mandated the conversion of dollar denominated assets into pesos and simultaneously devalued the peso. This development has created a foreign exchange transaction exposure that previously did not exist with respect to Credco's receivables portfolio. The devaluation has been given effect in the financial statements as of December 31, 2001 by recording a loss of \$11 million pretax (\$7 million after tax) in the Consolidated Statements of Income. Credco is taking steps to manage this risk to the extent practicable and efficient.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, (Millions)	2001	2000	1999
Revenues			
Revenue earned from purchased accounts receivable	\$ 2,616	\$ 2,315	\$ 1,901
Interest income from investments	135	178	143
Interest income from affiliates	82	103	120
Other	9	5	4
Total	2,842	2,601	2,168
Expenses			
Interest expense – other	1,298	1,240	985
Provision for doubtful accounts, net of recoveries of \$193, \$178 and \$172	937	689	672
Interest expense – affiliates	160	219	145
Other	30	17	23
Total	2,425	2,165	1,825
Pretax income	417	436	343
Income tax provision	140	150	120
Net income	\$ 277	\$ 286	\$ 223

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31, (Millions, except share data)	2001	2000
Assets		
Cash and cash equivalents	\$ 408	\$ 1,008
Investments	1,428	1,266
Accounts receivable, less credit reserves:		
2001, \$847; 2000, \$739	22,201	23,971
Loans and deposits with affiliates	1,907	1,742
Deferred charges and other assets	598	339
Total assets	\$ 26,542	\$ 28,326
Liabilities and shareholder's equity		
Short-term debt – other	\$ 18,370	\$ 20,687
Short-term debt with affiliates	2,214	2,285
Current portion of long-term debt	800	550
Long-term debt with affiliate	910	910
Long-term debt – other	120	901
Total debt	22,414	25,333
Due to affiliates	1,425	726
Accrued interest and other liabilities	503	115
Total liabilities	24,342	26,174
Shareholder's equity		
Common stock-authorized 3 million shares of \$.10 par value; issued and outstanding 1.5 million shares	1	1
Capital surplus	161	161
Retained earnings	2,268	1,991
Other comprehensive loss, net of tax:		
Net unrealized securities losses	(4)	(1)
Net unrealized derivatives losses	(226)	-
Accumulated other comprehensive loss	(230)	(1)
Total shareholder's equity	2,200	2,152
Total liabilities and shareholder's equity	\$ 26,542	\$ 28,326

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, (Millions)	2001	2000	1999
Cash Flows from Operating Activities			
Net Income	\$ 277	\$ 286	\$ 223
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for losses and benefits	937	689	672
Amortization and other	(4)	1	1
Changes in operating assets and liabilities:			
Deferred tax assets	(183)	(27)	(17)
Interest receivable and other operating assets	61	385	(20)
Due to affiliates	316	(29)	(15)
Accrued interest and other liabilities	112	(169)	83
Net cash provided by operating activities	1,516	1,136	927
Cash Flows from Investing Activities			
Accounts receivable	177	(1,971)	(4,976)
Recoveries of accounts receivable previously written off	193	178	172
Purchase of participation interest in seller's interest in accounts receivable from an affiliate	(1,062)	(778)	(959)
Sale of participation interest in seller's interest in accounts receivable to an affiliate	825	181	247
Sale of net accounts receivable to an affiliate	700	153	586
Purchase of investments	(467)	(370)	(641)
Maturity of investments	54	55	36
Sale of investments	249	4	2
Loans and deposits due from affiliates	(165)	(281)	1,892
Due to affiliates	383	(283)	962
Net cash provided by (used in) investing activities	887	(3,112)	(2,679)
Cash Flows from Financing Activities			
Net (decrease) increase in short-term debt with affiliates with maturities of ninety days or less	(71)	791	233
Net (decrease) increase in short-term debt – other with maturities of ninety days or less	(3,515)	4,137	350
Issuance of debt	7,629	4,296	10,426
Redemption of debt	(7,046)	(7,142)	(8,653)
Dividend paid to TRS	-	(200)	(150)
Net cash (used in) provided by financing activities	(3,003)	1,882	2,206
Net (decrease) increase in cash and cash equivalents	(600)	(94)	454
Cash and cash equivalents at beginning of year	1,008	1,102	648
Cash and cash equivalents at end of year	\$ 408	\$ 1,008	\$ 1,102

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Three Years Ended December 31, (Millions)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive (Loss)/Income	Retained Earnings
Balances at December 31, 1998	\$ 1,994	\$ 1	\$ 161	\$ -	\$ 1,832
Comprehensive income:					
Net income	223				223
Change in net unrealized securities losses	(6)			(6)	
Total comprehensive income	217				
Dividend to TRS	(150)				(150)
Balances at December 31, 1999	2,061	1	161	(6)	1,905
Comprehensive income:					
Net income	286				286
Change in net unrealized securities losses	5			5	
Total comprehensive income	291				
Dividend to TRS	(200)				(200)
Balances at December 31, 2000	2,152	1	161	(1)	1,991
Comprehensive income:					
Net income	277				277
Change in net unrealized securities losses	(3)			(3)	
Cumulative effect of adopting SFAS No. 133	(59)			(59)	
Change in net unrealized derivatives losses	(456)			(456)	
Derivatives losses reclassified to earnings	289			289	
Total comprehensive income	48				
Balances at December 31, 2001	\$ 2,200	\$ 1	\$ 161	\$ (230)	\$ 2,268

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

American Express Credit Corporation together with its subsidiaries (“Credco”) is a wholly-owned subsidiary of American Express Travel Related Services Company, Inc. (“TRS”), which is a wholly-owned subsidiary of American Express Company (“American Express”). American Express Overseas Credit Corporation Limited together with its subsidiaries (“AEOCC”), Credco Receivables Corp. (“CRC”) and Credco Finance, Inc. together with its subsidiaries (“CFI”), are wholly-owned subsidiaries of Credco.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Credco and its subsidiaries. All significant intercompany transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Amounts Based on Estimates and Assumptions

Accounting estimates are an integral part of the consolidated financial statements. In part they are based on assumptions concerning future events. Among the more significant are those which relate to reserves for Cardmember credit losses and recognition of other than temporary impairment within the investment portfolio (see Note 3). These reflect the best judgment of management and actual results could differ.

Revenue Earned from Purchased Accounts Receivable

A portion of discount revenue earned on purchases of non-interest-bearing Cardmember receivables equal to the provision for doubtful accounts is recognized as revenue at the time of purchase; the remaining portion is deferred and recorded as revenue ratably over the period that the receivables are outstanding.

Finance charge income on interest-bearing extended payment plan receivables is recognized as it is earned. Credco ceases accruing this income after six contractual payments are past due, or earlier, if deemed uncollectible. Accruals that cease generally are not resumed.

Reserves for Credit Losses

Reserves for credit losses related to Cardmember receivables and loans are primarily based upon statistically driven models derived from historical experience, as well as management judgment as to the business and economic environment. In determining the reserves, management evaluates both internal credit metrics, such as migration analysis, write-off rates, recovery rates and net write-off coverage, as well as external economic data, such as unemployment, bankruptcy filings and consumer confidence, among other indicators that may impact the portfolios.

Credco generally writes off against its reserve for credit losses the total balance in an account for which any portion remains unpaid twelve months from the date of original billing for non-interest-bearing Cardmember receivables and after six contractual payments are past due for interest-bearing Cardmember receivables. Accounts are written off earlier if deemed uncollectible.

Cash and Cash Equivalents

Credco has defined cash and cash equivalents as cash and short-term investments with original maturities of ninety days or less.

Fair Values of Financial Instruments

The fair values of financial instruments are estimates based upon current market conditions and perceived risks at December 31, 2001 and 2000 and require varying degrees of management judgment. The fair values of the financial instruments presented may not be indicative of their future fair values.

The fair values of investments and long-term debt are included in the related footnotes. For all other financial instruments, the carrying amounts in the consolidated balance sheets approximate the fair values.

Interest Rate Transactions

Credco uses interest rate products, principally swaps, primarily to manage funding costs related to its Charge Card receivables and Cardmember loans. For its Charge Card and fixed rate lending products, Credco uses interest rate swaps and, to a lesser extent, caps to achieve a mix of fixed and floating rate funding. For the majority of its Cardmember loans, which are linked to a floating rate base and generally reprice each month, Credco uses floating rate funding. These interest rate products which modify the terms of an underlying debt obligation are accounted for by recording interest expense using the revised interest rate with any fees or other payments amortized as yield adjustments. It is Credco's normal practice not to terminate, sell or dispose of interest rate products or the underlying debt to which the products are designated prior to maturity. In the event Credco terminates, sells or disposes of an interest rate product prior to maturity, the gain or loss would be deferred and recognized as an adjustment of yield over the remaining life of the underlying debt.

Foreign Currency

Foreign currency assets and liabilities are translated into their U.S. dollar equivalents based on rates of exchange prevailing at the end of each year. Revenue and expense accounts are translated at exchange rates prevailing during the year. Credco enters into various foreign exchange contracts as a means of managing foreign exchange exposure.

Recently Adopted Accounting Standards

Effective January 1, 2001, Credco adopted Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of a derivative are recorded in earnings or directly to equity, depending on the instrument's designated use. The adoption of SFAS No. 133 resulted in a cumulative after-tax reduction to other comprehensive income of \$59 million. See Note 8 for further discussion of Credco's derivatives and hedging activities.

3. Investments

At December 31, 2001 and 2000, Credco held American Express Master Trust Class B Certificates with an amortized cost of \$213 million and \$194 million, respectively. These securities were classified as Held-to-Maturity and stated at amortized cost at December 31, 2000. Pursuant to the adoption of SFAS No. 133, as amended, Credco elected to reclassify its Held-to-Maturity investments to Available-for-Sale as of January 1, 2001. The fair value of these securities at December 31, 2001 and 2000 was \$219 million and \$196 million, respectively.

Available-for-Sale securities are stated at fair value, with the unrealized gains and losses included in shareholder's equity. The Available-for-Sale classification does not mean that Credco necessarily expects to sell these securities. They are available to meet possible liquidity needs should there be significant changes in market interest rates, customer demand or funding sources and terms. In addition to the American Express Master Trust Class B Certificates previously mentioned, Credco held American Express Credit Account Master Trust Class C Certificates that were classified as Available-for-Sale at December 31, 2001 and 2000. The fair value of these securities was \$1,209 million and \$815 million at December 31, 2001 and 2000, respectively. In addition, at December 31, 2000, Credco had a portfolio of corporate and government securities that was managed by American Express Financial Advisors, Inc., a wholly-owned indirect subsidiary of American Express. The fair value of these Available-for-Sale securities at December 31, 2000 was \$257 million. These investments were sold in 2001.

The change in net unrealized securities gains (losses) recognized in other comprehensive loss includes two components: (1) unrealized gains (losses) that arose from changes in market value of securities that were held during the period (holding gains (losses)), and (2) gains (losses) that were previously unrealized, but have been recognized in current period net income due to sales of Available-for-Sale securities (reclassification to realized gains (losses)). This reclassification has no effect on total comprehensive income (loss) or shareholder's equity. The components of other comprehensive loss (net of tax) were (\$4.2) million and \$4.8 million in holding gains (losses), for the years ended December 31, 2001 and 2000, respectively, and \$0.8 million in realized losses at both December 31, 2001 and 2000.

4. Accounts Receivable

At December 31, 2001 and 2000, respectively, Credco owned \$19.1 billion and \$22.6 billion of Charge Card receivables and participation in Charge Card receivables, representing 83.0

percent and 91.3 percent, respectively, of the total receivables owned. In connection with TRS' securitization program for U.S. charge Cardmember receivables, CRC purchases from American Express Receivables Financing Corporation ("RFC"), a wholly-owned subsidiary of TRS, a participation interest in RFC's seller's interest in the receivables owned by the American Express Master Trust (the "Trust"), which was formed in 1992 to securitize U.S. charge Cardmember receivables. The gross participation interests represent undivided interests in the receivables conveyed to the Trust by RFC.

In 2001, the Trust securitized \$750 million of Charge Card receivables. At the time of this issuance, CRC sold \$829 million of seller's interest (\$793 million, net of reserves) to RFC. In addition, at the time of the issuance, CRC purchased, as an investment, \$60.8 million in Class B Certificates collateralized by the receivables held by the Trust. Additionally, in 2001, \$300 million Class A Fixed Rate Account Receivable Trust Certificates and \$300 million Class A Floating Rate Accounts Receivable Trust Certificates matured from the Charge Card securitization portfolio which increased the participation interest owned by CRC. CRC owns a participation interest in the seller's interest in charge Cardmember receivables that have been conveyed to the Trust. In addition, \$41.7 million of Class B Certificates owned by CRC matured in 2001. At December 31, 2001 and 2000, CRC owned approximately \$3.8 billion and \$4.3 billion, respectively, of participation interests in receivables conveyed to the Trust, representing 16.6 percent and 17.4 percent, respectively, of its total accounts receivable.

In January 2002, the Trust securitized an additional \$750 million of Charge Card receivables. At the time of this issuance, CRC sold \$829 million of seller's interest (\$797 million, net of reserves) to RFC. In addition, at the time of the issuance, CRC purchased, as an investment, \$60.8 million in Class B Certificates collateralized by the receivables held by the Trust.

At December 31, 2001 and 2000, Credco owned extended payment plan receivables totaling \$3.9 billion and \$2.1 billion, respectively, including revolving credit loans purchased directly from American Express Centurion Bank ("Centurion Bank"), a wholly-owned subsidiary of TRS, representing 17.0 percent and 8.7 percent, respectively, of its total interests in accounts receivable. The extended payment plan receivables owned at December 31, 2001 and 2000 include \$212 million and \$277 million, respectively, of participation interest owned by CRC. This represents a participation interest in the seller's interest in revolving credit receivables that have been conveyed to the American Express Credit Account Master Trust (the "Master Trust"), formed in 1996 to securitize revolving credit loans. In 2001 and 2000, the Master Trust securitized \$4.3 billion and \$4.0 billion, respectively, of loans through the public issuances of two classes of investor certificates and privately placed collateral interests in the assets of the Master Trust. At the time of these issuances, CRC sold \$32.5 million of gross seller's interest (\$31.7 million, net of reserves) to American Express Receivables Financing Corporation II ("RFCII"), a wholly-owned subsidiary of TRS. In addition, in 2001, CRC purchased, as an investment, \$406 million of Class C Certificates issued by the Master Trust, collateralized by the revolving credit receivables held by the Master Trust.

In February 2002, the Master Trust securitized an additional \$920 million of loans. At the time of this issuance, CRC sold \$3.1 million of gross seller's interest (\$3.0 million, net of reserves) to RFCII. In addition, at the time of this issuance, CRC purchased, as an investment, \$87.4 million of Class C Certificates collateralized by the revolving credit receivables held by the Master Trust.

5. Short-term Debt

December 31, (Millions)	2001	2000
Commercial paper	\$ 17,955	\$ 20,286
Borrowings from affiliates	2,214	2,285
Borrowings under lines of credit	68	84
Borrowing agreements with bank trust departments and others	347	317
Total short-term debt	\$ 20,584	\$ 22,972

Credco has various facilities available to obtain short-term credit, including the issuance of commercial paper and agreements with banks.

Credco had committed credit line facilities totaling \$10.4 billion and \$9.7 billion at December 31, 2001 and 2000, respectively. Credco pays fees to the financial institutions that provide these credit line facilities. The fair value of the unused lines of credit is not significant at December 31, 2001 and 2000.

At December 31, 2001 and 2000, Credco, through AEOCC, had short-term borrowings under uncommitted lines of credit totaling \$68 million and \$84 million, respectively.

Credco's annual weighted average short-term interest rate was 6.14 percent, 5.97 percent and 5.12 percent for the years ended December 31, 2001, 2000, and 1999, respectively. These rates include the cost of maintaining credit line facilities for the periods and the impact of interest rate swaps. At December 31, 2001, \$14.9 billion of short-term debt outstanding was modified by interest rate swaps, resulting in a year-end weighted average effective interest rate of 5.88 percent.

Credco paid \$1.3 billion, \$1.3 billion and \$962 million of interest on short-term debt obligations in 2001, 2000 and 1999, respectively.

6. Long-term Debt

December 31, (Millions)	2001					2000				
	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt (a,b)	Year-End Effective Interest Rate with Swaps (a,b)	Maturity of Swaps	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt (a,b)	Year-End Effective Interest Rate with Swaps (a,b)	Maturity of Swaps
Senior notes due 2001 and 2005	\$ 100	\$ 100	7.45%	2.21%	2005	\$ 650	\$ 350	6.57%	7.44%	2001 & 2005
Variable rate debt with American Express due 2004	910	-	1.83%	-	-	910	-	6.45%	-	-
Medium-term fixed rate note due 2002	400	400	6.50%	2.08%	2002	400	400	6.50%	6.83%	2002
Medium-term variable rate note due 2002	400	400	2.28%	2.22%	2002	400	400	6.81%	6.90%	2002
Swiss franc notes due 2002-2003	1	-	5.13%	-	-	1	-	5.13%	-	-
Fair value adjustment	19	-	-	-	-	-	-	-	-	-
Total	\$ 1,830	\$ 900				\$2,361	\$1,150			

(a) For floating rate debt issuances, the stated and effective interest rates were based on the respective rates at December 31, 2001 and 2000; these rates are not an indication of future interest rates.

(b) Weighted average rates were determined where appropriate.

The above table includes the current portion of long-term debt of \$800 million and \$550 million at December 31, 2001 and 2000, respectively.

In 2000, Credco called \$150 million 1.125% Cash Exchangeable Notes due 2003. These notes were exchangeable for an amount in cash which was linked to the price of the common shares of American Express. Credco had entered into agreements to fully hedge its obligations. Accordingly, the related hedging agreements were called at the same time.

The book value of variable rate long-term debt that reprices within a year approximates fair value. The fair value of other long-term debt is based on quoted market price or discounted cash flow. The aggregate fair value of long-term debt, including the current portion outstanding, was \$1.8 billion and \$2.4 billion, at December 31, 2001 and 2000, respectively.

Credco paid interest on long-term debt obligations of \$119 million, \$186 million and \$175 million in 2001, 2000 and 1999, respectively.

Aggregate annual maturities of long-term debt for the five years ending December 31, 2006 are as follows (millions): 2002, \$800; 2003, \$1; 2004, \$910; 2005, \$100 and 2006, \$0.

7. Restrictions as to Dividends and Limitations on Indebtedness

The most restrictive limitation on dividends imposed by the debt instruments issued by Credco is the requirement that Credco maintain a minimum consolidated net worth of \$50 million. There are no limitations on the amount of debt that can be issued by Credco.

8. Derivatives and Hedging Activities

As prescribed by SFAS No. 133, derivative instruments that are designated and qualify as hedging instruments are further classified as either a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation, based upon the exposure being hedged.

For derivative instruments that are designated and qualify as a cash flow hedge, the portion of the gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of other comprehensive income (loss) and reclassified into earnings when the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instrument is recognized currently in earnings. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign operation, the effective portion of the gain or loss on the derivative is reported in other comprehensive income (loss) as part of the cumulative translation adjustment. For derivative instruments not designated as hedging instruments, the gain or loss is recognized currently in earnings.

Cash Flow Hedges

Credco uses interest rate products, primarily swaps, to manage funding costs related to its Charge Card business. For its Charge Card products, Credco uses interest rate swaps to achieve a targeted mix of fixed and floating rate funding. These interest rate swaps are used to protect Credco from the interest rate risk that arises from short-term funding.

At December 31, 2001, Credco expects to reclassify \$144 million of net pretax losses on derivative instruments from accumulated other comprehensive income (loss) to earnings during the next twelve months.

Currently, the longest period of time over which Credco is hedging exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments is 5 years and relates to funding of foreign currency denominated receivables.

Fair Value Hedges

Credco uses interest rate swaps to hedge its fixed rate debt and firm commitments to transfer, at a fixed rate, receivables to trusts established in connection with its asset securitizations.

During 2001, the amount Credco recognized primarily related to the time value element of its fair value hedging instruments was immaterial.

Derivatives not Designated as Hedges Under SFAS No. 133

Credco has economic hedges that either do not qualify or are not designated for hedge accounting treatment under SFAS No. 133. For the year ended December 31, 2001, the net effect on earnings of accounting for the net changes in fair value of the following undesignated derivatives under SFAS No. 133 compared with prior rules was immaterial.

?? Foreign currency transaction exposures are economically hedged, where practical, through foreign currency contracts. Foreign currency contracts involve the purchase and sale of a designated currency at an agreed upon rate for settlement on a specified date. Such foreign currency forward contracts entered into by Credco generally mature within one year.

See Notes 5 and 6 for further information regarding Credco's use of interest rate products related to short- and long-term debt obligations.

9. Transactions with Affiliates

In 2001, 2000 and 1999, Credco purchased Cardmember receivables without recourse from TRS and certain of its subsidiaries totaling approximately \$204 billion, \$206 billion and \$174 billion, respectively.

Agreements for the purchase of non-interest-bearing receivables generally require that Credco purchase such receivables at discount rates which yield to Credco earnings of not less than 1.25 times its fixed charges on an annual basis.

The agreements require TRS and other Card Issuers, at their expense, to perform accounting, clerical and other services necessary to bill and collect all Cardmember receivables owned by Credco. Since settlements under the agreements occur monthly, an amount due from, or payable to, such affiliates may arise at the end of each month.

At December 31, 2001 and 2000, Credco held American Express Master Trust Class B Certificates with a fair value of \$219 million and \$196 million, respectively, and American Express Credit Account Master Trust Class C Certificates with a fair value of \$1,209 million and \$815 million, respectively.

At December 31, 2001 and 2000, CRC owned approximately \$3.8 billion and \$4.3 billion, respectively, of participation interests in receivables conveyed to the Trust, representing 16.6 percent and 17.4 percent, respectively, of Credco's total accounts receivable.

In 2001, \$300 million Class A Fixed Rate Account Receivable Trust Certificates and \$300 million Class A Floating Rate Accounts Receivable Trust Certificates matured from the Charge Card securitization portfolio which increased the participation interest owned by CRC. CRC owns a participation interest in the seller's interest in charge Cardmember receivables that have been conveyed to the Trust.

The extended payment plan receivables owned at December 31, 2001 and 2000 include \$212 million and \$277 million, respectively, of participation interest owned by CRC. This represents a participation interest in the seller's interest in revolving credit receivables that have been conveyed to the Master Trust.

Other transactions with American Express and its subsidiaries for the years ended December 31 were as follows:

December 31, (Millions)	2001	2000	1999
Cash and cash equivalents at December 31	\$ 4	\$ 3	\$ 5
Maximum month-end level of cash and cash equivalents during the year	10	11	7
Other loans and deposits to affiliates at December 31	1,907	1,742	1,461
Maximum month-end level of loans and deposits to affiliates during the year	1,907	1,742	3,433
Borrowings at December 31	3,124	3,195	2,404
Maximum month-end level of borrowings during the year	6,436	4,840	4,725
Interest income	82	103	120
Other income	9	5	4
Interest expense	160	219	145

At December 31, 2001, 2000 and 1999, Credco held variable rate loans to American Express due in 2004 of \$850 million. Additionally, Credco had \$468 million, \$448 million and \$605 million of loans to American Express ATM Holdings, Inc., a wholly-owned subsidiary of TRS, at December 31, 2001, 2000 and 1999, respectively. At both December 31, 2001 and

2000, CFI had \$330 million of loans to Amex Bank of Canada, a wholly-owned subsidiary of TRS.

10. Income Taxes

The taxable income of Credco is included in the consolidated U.S. federal income tax return of American Express. Under an agreement with TRS, taxes are recognized on a stand-alone basis. If benefits for all future tax deductions, foreign tax credits and net operating losses cannot be recognized on a stand-alone basis, such benefits are then recognized based upon a share, derived by formula, of those deductions and credits that are recognizable on a TRS consolidated reporting basis.

The provisions for income taxes were as follows (millions):

	2001	2000	1999
Federal	\$ 128	\$ 140	\$ 110
Foreign	12	10	10
Total	\$ 140	\$ 150	\$ 120

Deferred income tax assets and liabilities result from the recognition of temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in differences between income for tax purposes and income for financial statement purposes in future years. The current and deferred components of the provision (benefit) for income taxes were as follows (millions):

	2001	2000	1999
Current	\$ 200	\$ 179	\$ 134
Deferred	(60)	(29)	(14)
Total income tax provision	\$ 140	\$ 150	\$ 120

Credco's deferred tax assets were \$428 million and \$245 million as of December 31, 2001 and 2000, respectively. These amounts were included in other assets. Credco's deferred tax liabilities were not material as of December 31, 2001 and 2000.

Deferred tax assets for 2001 and 2000 consist primarily of reserve for loan losses of \$305 million and \$245 million, respectively, and deferred taxes related to SFAS No. 133 of \$121 million for 2001. At December 31, 2001 and 2000, no valuation allowances were required.

Included in due to affiliates is the current federal tax payable to TRS of \$15 million and current federal tax receivable from TRS of \$16 million at December 31, 2001 and 2000, respectively.

In 2001, 2000 and 1999, total net income taxes paid, including taxes paid to TRS, were \$166 million, \$198 million and \$159 million, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

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

	2001	2000
Statutory rate	35%	35%
Foreign operations	(1)	(1)
Total	34%	34%

The U.S statutory tax rate and effective tax rate for 1999 was approximately 35%.

The items comprising Comprehensive Income in the Consolidated Statements of Shareholder's Equity are presented net of income tax (benefit) provision. The changes in net unrealized securities are presented net of tax (benefit) provision of (\$2) million for 2001 and \$3 million for 2000. The changes related to cash flow hedges are presented net of tax benefit of \$121 million for 2001.

11. Geographic Segments

Credco is principally engaged in the business of purchasing Cardmember receivables arising from the use of the American Express Card in the United States and foreign locations. The following presents information about operations in different geographic areas (millions):

	2001	2000	1999
Revenues			
United States	\$ 2,353	\$ 2,165	\$ 1,811
International	489	436	357
Consolidated	\$ 2,842	\$ 2,601	\$ 2,168
Pretax income			
United States	\$ 357	\$ 367	\$ 295
International	60	69	48
Consolidated	\$ 417	\$ 436	\$ 343

12. Quarterly Financial Data (Unaudited)

Quarters Ended, (Millions)	2001				2000			
	12/31	9/30	6/30	3/31	12/31	9/30	6/30	3/31
Revenues	\$ 696	\$ 703	\$ 730	\$ 713	\$ 686	\$ 616	\$ 690	\$ 609
Pretax income	63	114	124	116	126	85	118	107
Net income	42	75	83	77	83	57	76	70

REPORT OF INDEPENDENT AUDITORS

The Board of Directors American Express Credit Corporation

We have audited the accompanying consolidated balance sheets of American Express Credit Corporation as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14 (a). These financial statements and schedule are the responsibility of the management of American Express Credit Corporation. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Express Credit Corporation at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

New York, New York
January 28, 2002