

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>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Income Statement Data					
Revenues	2,601	2,168	2,214	2,064	2,166
Interest expense	1,459	1,130	1,190	1,125	1,117
Provision for doubtful accounts, net of recoveries	689	672	632	584	712
Income tax provision	150	120	128	114	115
Net income	286	223	237	212	215
Balance Sheet Data					
Accounts receivable	24,710	23,325	19,126	19,492	17,259
Reserve for doubtful accounts	(739)	(684)	(597)	(633)	(638)
Total assets	28,326	26,726	23,535	22,936	20,065
Short-term debt	22,972	20,231	17,528	16,582	14,537
Current portion of long-term debt	550	550	353	4	211
Long-term debt	1,811	2,575	3,053	3,264	2,469
Shareholder's equity	2,152	2,061	1,994	1,907	1,845
Cash dividends	200	150	150	150	150

AMERICAN EXPRESS CREDIT CORPORATION

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

Liquidity and Capital Resources

Credco's receivables portfolio consists of Charge Card receivables and revolving credit receivables purchased without recourse from TRS 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, 2000 and 1999, respectively, Credco owned \$22.6 billion and \$20.6 billion of Charge Card receivables and participation in Charge Card receivables, representing 91.3 percent and 88.4 percent, respectively, of the total receivables owned. Revolving credit receivables, representing 8.7 percent and 11.6 percent of the total receivables owned, were \$2.1 billion and \$2.7 billion at December 31, 2000 and 1999, 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 \$18.5 billion for 2000 and \$16.5 billion for 1999.

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. In 2000, Credco renegotiated its credit facilities, increasing available credit lines by \$1 billion. Committed credit line facilities at December 31, 2000 and 1999 totaled \$10 billion and \$9 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 \$84 million and \$36 million at December 31, 2000 and 1999, respectively.

During 2000, 1999 and 1998, Credco's average long-term debt outstanding was \$2.7 billion, \$3.1 billion and \$3.4 billion, respectively. At December 31, 2000, 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. 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, 2000, this program had the ability to issue \$4.4 billion of debt.

In 2000, Credco called \$150 million 1 1/8% 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.

Credco paid dividends of \$200 million and \$150 million to TRS in December 2000 and 1999, respectively.

In 2000, the American Express Credit Account Master Trust (the "Master Trust") securitized an additional \$4.0 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 \$186 million of gross seller's interest (\$181 million, net of reserves) to American Express Receivables Financing Corporation II ("RFCII"), a wholly-owned subsidiary of TRS. In addition, CRC purchased \$370 million of Class C Certificates issued by the Master Trust.

In February and March 2001, the Master Trust securitized an additional \$750 million and \$250 million of loans, respectively. At the time of these issuances, CRC sold \$11.9 million of gross seller's interest (\$11.6 million, net of reserves) to RFCII. In addition, at the time of these issuances, CRC purchased \$90 million of Class C Certificates. The Master Trust expects to securitize an additional \$750 million of loans at a closing expected to occur in April 2001.

In 2000, \$600 million Class A Fixed 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 American Express Master Trust. In addition, \$35 million of Class B Certificates owned by CRC matured in 2000.

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 1.30 in both 2000 and 1999. In 1998, the ratio of earnings to fixed charges was 1.31. The ratio of earnings to fixed charges for American Express, the parent of TRS, for the years ended December 31, 2000 and 1999 was 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 year ended December 31, 2000, 42 days for the year ended December 31, 1999 and 43 days for the year ended December 31, 1998.

Credco's revenues increased in 2000 primarily due to an increase in the volume of receivables purchased. The overall increase in interest income in 2000 was attributable to higher interest rates. Interest expense increased in 2000 due to an increase in the volume of average debt outstanding and higher interest rates. Provision for doubtful accounts increased in 2000 reflecting a higher volume of receivables purchased.

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

	2000	1999	1998
Revenue earned from purchased accounts receivable-changes attributable to:			
Volume of receivables purchased	\$ 364	\$ 230	\$ 97
Discount and interest rates	50	(222)	40
Total	\$ 414	\$ 8	\$ 137
Interest income from affiliates-changes attributable to:			
Volume of average investments outstanding	\$ (43)	\$ (54)	\$ 11
Interest rates	26	(6)	(4)
Total	\$ (17)	\$ (60)	\$ 7
Interest income from investments-changes attributable to:			
Volume of average investments outstanding	\$ 2	\$ 13	\$ 6
Interest rates	33	(6)	0
Total	\$ 35	\$ 7	\$ 6
Interest expense affiliates-changes attributable to:			
Volume of average debt outstanding	\$ 32	\$ (9)	\$ (14)
Interest rates	42	(10)	(1)
Total	\$ 74	\$ (19)	\$ (15)
Interest expense other-changes attributable to:			
Volume of average debt outstanding	\$ 84	\$ 59	\$ 79
Interest rates	171	(100)	1
Total	\$ 255	\$ (41)	\$ 80
Provision for doubtful accounts-changes attributable to:			
Volume of receivables purchased	\$ 157	\$ 95	\$ 50
Provision rates and volume of recoveries	(140)	(55)	(2)
Total	\$ 17	\$ 40	\$ 48

Accounting Developments

In June 1998, the Financial Accounting Standards Board (the "FASB") issued, and subsequently amended, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which Credco adopted on January 1, 2001. This Statement establishes accounting and reporting standards for derivative instruments, including some embedded in other contracts, and hedging activities. It 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 will be recorded in income or directly to equity, depending on the instrument's designated use. Upon adoption, a one-time opportunity to reclassify held-to-maturity investments to available-for-sale is allowed without tainting the remaining securities in the held-to-maturity portfolio. Credco has elected to take this opportunity to reclass its held-to-maturity investments to available-for-sale. As of January 1, 2001, the cumulative impact of applying the Statement's requirements to Credco's results of operations and equity is not significant.

In July 2000, the FASB's Emerging Issues Task Force issued a consensus on Issue 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets." The consensus must be adopted for fiscal quarters beginning after March 15, 2001, with earlier adoption permitted. Issue 99-20 prescribes new procedures for recording interest income and measuring impairment on retained and purchased beneficial interests. Credco does not expect Issue 99-20 to have a material impact on its financial position or results of operations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

American Express management establishes and oversees implementation of Board-approved policies covering its funding, investments and use of derivative financial instruments and monitors aggregate risk exposures on an ongoing basis. Credco's objective is to realize returns commensurate with the level of risk assumed while achieving consistent earnings growth. See note 8 in "Notes to Consolidated Financial Statements" appearing herein for a discussion of Credco's use of derivatives.

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 a central treasury function. 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 products, 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. In 2000 and 1999, 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 \$79 million and \$92 million, based on 2000 and 1999 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. The above detrimental effect that was calculated based on year-end 1999 positions was substantially reduced by additional swaps that were put in place in early 2000. In early 2001, Credco initiated additional interest rate swap transactions designed to offset interest rate exposure related to actual and anticipated growth in Cardmember receivables.

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 2000 and 1999 foreign exchange positions, the effect on Credco's earnings of the hypothetical 10 percent strengthening of the U.S. dollar would be immaterial.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(millions)

Years Ended December 31,	2000	1999	1998
Revenues			
Revenue earned from purchased accounts receivable	\$ 2,315	\$ 1,901	\$ 1,893
Interest income from affiliates	103	120	180
Interest income from investments	178	143	136
Other income	5	4	5
Total	2,601	2,168	2,214
Expenses			
Interest expense – affiliates	219	145	164
Interest expense – other	1,240	985	1,026
Provision for doubtful accounts, net of recoveries of \$178, \$172 and \$168	689	672	632
Other expenses	17	23	27
Total	2,165	1,825	1,849
Income before taxes	436	343	365
Income tax provision	150	120	128
Net income	\$ 286	\$ 223	\$ 237

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED BALANCE SHEETS
(millions)

December 31,	2000	1999
Assets		
Cash and cash equivalents	\$ 1,008	\$ 1,102
Investments	1,266	947
Accounts receivable	24,710	23,325
Less: reserve for doubtful accounts	<u>739</u>	<u>684</u>
	23,971	22,641
Loans and deposits with affiliates	1,742	1,461
Deferred charges and other assets	339	575
Total assets	\$ 28,326	\$ 26,726
Liabilities and shareholder's equity		
Short-term debt with affiliates	\$ 2,285	\$ 1,494
Short-term debt – other	20,687	18,737
Current portion of long-term debt	550	550
Long-term debt with affiliate	910	910
Long-term debt – other	<u>901</u>	<u>1,665</u>
Total debt	25,333	23,356
Due to affiliates	726	1,061
Accrued interest and other liabilities	115	248
Total liabilities	26,174	24,665
Shareholder's equity		
Common stock-authorized 3,000,000 shares of \$.10 par value; issued and outstanding 1,504,938 shares	1	1
Capital surplus	161	161
Retained earnings	1,991	1,905
Other comprehensive loss, net of tax: Net unrealized securities losses	(1)	(6)
Total shareholder's equity	2,152	2,061
Total liabilities and shareholder's equity	\$ 28,326	\$ 26,726

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

Years Ended December 31,	2000	1999	1998
Cash Flows from Operating Activities:			
Net Income	\$ 286	\$ 223	\$ 237
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Provision for doubtful accounts, net of recoveries	689	672	632
Amortization of deferred underwriting fees and bond discount/premium	1	1	5
Changes in operating assets and liabilities:			
Increase in deferred tax assets	(27)	(17)	(28)
Decrease (increase) in interest receivable and other operating assets	385	(20)	(35)
(Decrease) increase in due to affiliates	(29)	(15)	52
(Decrease) increase in accrued interest and other liabilities	(169)	83	42
Net cash and cash equivalents provided by operating activities	1,136	927	905
Cash Flows from Investing Activities:			
Increase in accounts receivable	(1,971)	(4,976)	(1,261)
Recoveries of accounts receivable previously written off	178	172	168
Purchase of participation interest in seller's interest in accounts receivable from an affiliate	(778)	(959)	(312)
Sale of participation interest in seller's interest in accounts receivable to an affiliate	181	247	1,120
Sale of net accounts receivable to an affiliate	153	586	-
Purchase of investments	(370)	(641)	(153)
Maturity of investments	55	36	17
Sale of investments	4	2	-
(Increase) decrease in loans and deposits due from affiliates	(281)	1,892	(201)
(Decrease) increase in due to affiliates	(283)	962	(949)
Net cash and cash equivalents used in investing activities	(3,112)	(2,679)	(1,571)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term debt with affiliates			
with maturities less than ninety days	791	233	(510)
Net increase in short-term debt – other			
with maturities less than ninety days	4,137	350	795
Proceeds from issuance of debt	4,296	10,426	5,492
Redemption of debt	(7,142)	(8,653)	(4,687)
Dividend paid to TRS	(200)	(150)	(150)
Net cash and cash equivalents provided by financing activities	1,882	2,206	940
Net (decrease) increase in cash and cash equivalents	(94)	454	274
Cash and cash equivalents at beginning of year	1,102	648	374
Cash and cash equivalents at end of year	\$ 1,008	\$ 1,102	\$ 648

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
Years Ended December 31, 2000, 1999 and 1998
(millions)

	Total Shareholder's Equity	Common Stock	Capital Surplus	Accumulated Other Comprehensive (Loss)Income	Retained Earnings
Balances at January 1, 1998	\$ 1,907	\$ 1	\$ 161	\$ -	\$ 1,745
Comprehensive income:					
Net income	<u>237</u>				237
Total comprehensive income	237				
Dividend to TRS	<u>(150)</u>	—	—	—	<u>(150)</u>
Balances at December 31, 1998	1,994	1	161	-	1,832
Comprehensive income:					
Net income	223				223
Change in net unrealized securities losses	<u>(6)</u>			(6)	
Total comprehensive income	217				
Dividend to TRS	<u>(150)</u>	—	—	—	<u>(150)</u>
Balances at December 31, 1999	2,061	1	161	(6)	1,905
Comprehensive income:					
Net income	286				286
Change in net unrealized securities losses	<u>5</u>			5	
Total comprehensive income	291				
Dividend to TRS	<u>(200)</u>	—	—	—	<u>(200)</u>
Balances at December 31, 2000	<u>\$ 2,152</u>	<u>\$ 1</u>	<u>\$ 161</u>	<u>\$ (1)</u>	<u>\$ 1,991</u>

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.

Use of Estimates and Assumptions

Credco’s financial statements include amounts determined using estimates and assumptions. For example, estimates and assumptions are used in determining the reserves related to accounts receivable. While these estimates are based on the best judgment of management, actual results could differ from these estimates.

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.

Reserve for Doubtful Accounts

The reserve for doubtful accounts is based on historical collection experience and evaluation of the current status of existing receivable balances. Credco generally writes off against its reserve for doubtful accounts 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 a maturity of ninety days or less at the time of purchase.

Investments

Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as held to maturity when Credco has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost.

Available for sale securities are stated at fair value, with the unrealized gains and losses included in shareholder's equity.

Fair Values of Financial Instruments

The fair values of financial instruments are estimates based upon current market conditions and perceived risks at December 31, 2000 and 1999 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, long-term debt and derivative instruments 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.

3. Investments

At December 31, 2000 and 1999, Credco held \$194 million and \$229 million, respectively, of American Express Master Trust Class B Certificates. These securities are classified as held to maturity and are stated at amortized cost. The fair value of these securities at December 31, 2000 and 1999 was \$196 million and \$225 million, respectively.

Available for sale securities are stated at fair value, with the unrealized gains and losses included in shareholder's equity. At December 31, 2000 and 1999, Credco held American Express Credit Account Master Trust Class C Certificates which were classified as available for sale. The cost approximates the fair value of these available for sale securities which were valued at \$815 million and \$445 million at December 31, 2000 and 1999, respectively. In addition, Credco has a portfolio of corporate and government securities which is managed by American Express Financial Advisors, Inc., a wholly-owned indirect subsidiary of American Express. The book value of these available for sale securities as of December 31, 2000 and 1999 was \$258 million and \$281 million, respectively. The fair value of these investments as of December 31, 2000 and 1999 was \$257 million and \$273 million, respectively. 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.

The change in net unrealized securities losses recognized in Other Comprehensive Loss includes two components: (1) unrealized gains that arose during the period from changes in market value of securities that were held during the period (holding gains), and (2) gains (losses) that were previously unrealized, but have been recognized in current period net income due to sales of available for sale securities (reclassification for realized losses). This reclassification has no effect on total Comprehensive Income or Shareholder's Equity. The components of other

comprehensive losses (net of tax) for the years ended December 31, 2000 and 1999, were \$4.8 million and \$(6.0) million in holding gains (losses), respectively, and \$0.8 million and \$0.3 million in realized losses, respectively.

4. Accounts Receivable

At December 31, 2000 and 1999, respectively, Credco owned \$22.6 billion and \$20.6 billion of Charge Card receivables and participation in Charge Card receivables, representing 91.3 percent and 88.4 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 2000, \$600 million Class A Fixed Rate Accounts Receivable Trust Certificates matured from the Charge Card securitization portfolio which increased the participation interest owned by CRC. In addition, \$35 million of Class B Certificates owned by CRC matured in 2000. At December 31, 2000 and 1999, CRC owned approximately \$4.3 billion and \$3.9 billion, respectively, of participation interests in receivables conveyed to the Trust, representing 17.4 percent and 16.9 percent, respectively, of its total accounts receivable.

At December 31, 2000 and 1999, Credco owned extended payment plan receivables totaling \$2.1 billion and \$2.7 billion, respectively, including revolving credit loans purchased directly from American Express Centurion Bank ("Centurion Bank"), a wholly-owned subsidiary of TRS, representing 8.7 percent and 11.6 percent, respectively, of its total interests in accounts receivable. The extended payment plan receivables owned at December 31, 2000 and 1999 include \$277 million and \$465 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 2000, the Master Trust securitized an additional \$4.0 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 \$186 million of gross seller's interest (\$181 million, net of reserves) to American Express Receivables Financing Corporation II ("RFCII"), a wholly-owned subsidiary of TRS. In addition, in 2000, CRC purchased \$370 million of Class C Certificates issued by the Master Trust.

In February and March 2001, the Master Trust securitized an additional \$750 million and \$250 million of loans, respectively. At the time of these issuances, CRC sold \$11.9 million of gross seller's interest (\$11.6 million, net of reserves) to RFCII. In addition, at the time of these issuances, CRC purchased \$90 million of Class C Certificates. The Master Trust expects to securitize an additional \$750 million of loans at a closing expected to occur in April 2001.

5. Short-term Debt

At December 31, short-term debt consisted of (millions):

	2000	1999
Commercial paper	\$ 20,286	\$ 18,471
Borrowings from affiliates	2,285	1,494
Borrowings under lines of credit	84	36
Borrowing agreements with bank trust departments and others	317	230
Total short-term debt	\$ 22,972	\$ 20,231

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

In 2000, Credco renegotiated its credit line facilities, increasing available credit lines by \$1 billion. Credco had committed credit line facilities totaling \$10 billion and \$9 billion at December 31, 2000 and 1999, 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, 2000 and 1999.

At December 31, 2000 and 1999, Credco, through AEOCC, had short-term borrowings under uncommitted lines of credit totaling \$84 million and \$36 million, respectively.

Credco's annual weighted average short-term interest rate was 5.97 percent, 5.12 percent and 5.62 percent for the years ended December 31, 2000, 1999 and 1998, respectively. These rates include the cost of maintaining credit line facilities for the periods and the impact of interest rate swaps. At December 31, 2000, \$7.2 billion of short-term debt outstanding was modified by interest rate swaps, resulting in a year-end weighted average effective interest rate of 6.02 percent.

Credco paid \$1.3 billion of interest on short-term debt obligations in 2000. In 1999 and 1998, Credco paid \$962 million and \$977 million of interest on short-term debt obligations, respectively.

6. Long-term Debt

December 31, (millions)	2000					1999		
	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt (a,b)	Year-End Effective Interest Rate with Swaps (a,b)	Maturity of Swaps	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt (a,b)
Senior notes due 2001 and 2005	\$ 650	\$ 350	6.57%	7.44%	2001 & 2005	\$ 1,199	\$1,200	6.34%
Variable rate debt with								
American Express due 2004	910	-	6.45%	-	-	910	-	5.84%
Medium-term fixed rate note due 2002	400	400	6.50%	6.83%	2002	400	400	6.50%
Medium-term variable rate note due 2002	400	400	6.81%	6.90%	2002	400	400	6.26%
Swiss franc notes due 2002-2003	1	-	5.13%	-	-	1	-	5.13%
Exchangeable notes	-	-	-	-	-	214	150	1.13%
Other senior notes	-	-	-	-	-	1	-	5.94%
Total	\$2,361	\$1,150				\$3,125	\$2,150	

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

(b) Weighted average rates were determined where appropriate.

The above table includes the current portion of long-term debt of \$550 million at both December 31, 2000 and 1999.

In 2000, Credco called \$150 million 1 1/8% 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 at December 31, 2000 and 1999, was \$2.4 billion and \$3.1 billion, respectively.

Aggregate annual maturities of long-term debt for the five years ending December 31, 2005 are as follows (millions): 2001 - \$550; 2002 - \$800; 2003 - \$1; 2004 - \$910; and 2005 - \$100.

Credco paid \$186 million in 2000, \$175 million in 1999 and \$209 million in 1998 of interest on long-term debt obligations.

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. Derivative Instruments

Credco uses derivative financial instruments for nontrading purposes to manage its exposure to interest and foreign exchange rates, financial indices and its funding costs.

There are a number of risks associated with derivatives. Market risk is the possibility that the value of the derivative financial instrument will change. Credco is not exposed to market risk related to derivatives held for nontrading purposes beyond that inherent in cash market transactions. Credco does not enter into derivative contracts with features that would leverage or multiply its market risk. Credit risk related to derivatives and other off-balance sheet financial instruments is the possibility that the counterparty will not fulfill the terms of the contract. It is monitored through established approval procedures, including setting concentration limits by counterparty and country, reviewing credit ratings and requiring collateral where appropriate. A significant portion of Credco's transactions are with counterparties rated A or better by nationally recognized credit rating agencies. Credco also uses master netting agreements which allows Credco to settle multiple contracts with a single counterparty in one net receipt or payment in the event of counterparty default.

At December 31, 2000 and 1999, the aggregate notional amount of Credco's derivative instruments was \$21.4 billion (\$262 million with affiliates) and \$15.7 billion (\$348 million with affiliates), respectively. Credit risk approximates the fair value of contracts in a gain position (asset) and totaled \$109 million (\$0.1 million with affiliates) at December 31, 2000 and \$127 million (\$0.4 million with affiliates) at December 31, 1999. The fair value represents the replacement cost and is determined by market values, dealer quotes or pricing models.

The following tables detail information regarding Credco's derivatives (millions):

<u>December 31, 2000</u>	<u>Notional Amount</u>	<u>Carrying Value</u>		<u>Fair Value</u>	
		<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Interest rate products:					
Interest rate swaps	\$ 17,568	\$ 91	\$ 27	\$ 106	\$ 184
Interest rate caps	1,000	1	-	-	1
Forward rate agreements	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Interest rate products	18,596	92	27	106	185
Forward contracts	<u>2,813</u>	<u>3</u>	<u>54</u>	<u>3</u>	<u>64</u>
Total	<u>\$ 21,409</u>	<u>\$ 95</u>	<u>\$ 81</u>	<u>\$ 109</u>	<u>\$ 249</u>

<u>December 31, 1999</u>	<u>Notional Amount</u>	<u>Carrying Value</u>		<u>Fair Value</u>	
		<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Interest rate swaps	\$ 12,930	\$ 53	\$ 55	\$ 123	\$ 96
Forward contracts	<u>2,767</u>	<u>29</u>	<u>3</u>	<u>4</u>	<u>27</u>
Total	<u>\$ 15,697</u>	<u>\$ 82</u>	<u>\$ 58</u>	<u>\$ 127</u>	<u>\$ 123</u>

Interest Rate Products

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. In 2000, 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. In early 2001, Credco initiated additional interest rate swap transactions designed to offset interest rate exposure related to actual and anticipated growth in Cardmember receivables.

Credco enters into currency swaps to convert U.S. dollar denominated debt into other currencies in order to match foreign denominated receivables with funding of the same currency and to achieve a desired level of interest rate exposure. Currency swap agreements are contracts to exchange currency and interest payments for a specific period of time.

As interest rate products manage interest rate exposure, interest is accrued and reported in accounts receivable and other assets, or accrued interest and other liabilities, and interest expense, as appropriate.

The following table details information regarding Credco's interest rate products at December 31, 2000 (millions):

Type	Notional Amount	Primary Variable Rate Index	Weighted Average Interest Rate	
			Fixed	Floating
Floating to fixed	\$16,057	30 Day Commercial Paper Rate and 1 month LIBOR	6.83%	6.45%
Fixed to floating	\$ 1,070	1 month LIBOR and 3 month LIBOR	6.39%	6.54%
Floating to floating	\$ 441	1 month LIBOR and 3 month LIBOR	-	6.64%/6.44%
Interest Rate Caps	\$ 1,000	1 month LIBOR	-	-
Forward Rate Agreements	\$ 28	12 month Euro LIBOR	5.12%	4.75%

Foreign Currency Products

Credco uses foreign currency products to manage transactions denominated in foreign currencies.

Foreign currency exposures are hedged, where practical and economical, through foreign currency forward contracts. Foreign currency forward contracts involve the purchase and sale of a designated currency at an agreed-upon rate for settlement on a specified date. As Credco is exposed to transaction risk with regard to receivables denominated in foreign currencies and since foreign currency forward contracts reduce that exposure, the contracts are accounted for as hedges. These foreign currency forward contracts are marked to the current spot rate with the gain or loss recorded in income to offset the transaction gain or loss resulting from the receivables. The receivable or payable with the counterparty to the foreign currency forward contracts which result from this process is reported in other assets or liabilities, as appropriate. The discount or premium on foreign currency forward contracts is reported in other assets or liabilities, as appropriate, and amortized to interest expense over the terms of the contracts.

The following table summarizes Credco's forward contracts by major currencies as of December 31 (millions):

	2000	1999
Pound Sterling	\$ 1,362	\$ 1,413
Canadian Dollar	540	549
Australian Dollar	264	225
German Mark	180	160
Swedish Krona	133	110
Hong Kong Dollar	132	155
Other	202	155
Total forward contracts	\$ 2,813	\$ 2,767

Foreign currency forward contracts generally mature within one year. At December 31, 2000, Credco had no significant unhedged foreign currency exposures.

9. Transactions with Affiliates

In 2000, 1999 and 1998, Credco purchased Cardmember receivables without recourse from TRS and certain of its subsidiaries totaling approximately \$206 billion, \$174 billion and \$155 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, at its 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, 2000 and 1999, CRC owned approximately \$4.3 billion and \$3.9 billion, respectively, of participation interests in receivables conveyed to the Trust, representing 17.4 percent and 16.9 percent, respectively, of Credco's total accounts receivable.

In 2000, \$600 million Class A Fixed 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, 2000 and 1999 include \$277 million and \$465 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 (millions):

	2000	1999	1998
Cash and cash equivalents at December 31	\$ 3	\$ 5	\$ 4
Maximum month-end level of cash and cash equivalents during the year	11	7	17
Secured loans to American Express Centurion Bank at December 31	-	-	2,300
Other loans and deposits to affiliates at December 31	1,742	1,461	1,053
Maximum month-end level of loans and deposits to affiliates during the year	1,742	3,433	3,353
Borrowings at December 31	3,195	2,404	2,171
Maximum month-end level of borrowings during the year	4,840	4,725	5,819
Interest income	103	120	180
Other income	5	4	5
Interest expense	219	145	164

At December 31, 2000, 1999 and 1998, Credco held variable rate loans to American Express due in 2004 of \$850 million. Additionally, Credco had \$448 million, \$605 million and \$199 million of loans to American Express ATM Holdings, Inc., a wholly-owned subsidiary of TRS, at December 31, 2000, 1999 and 1998 respectively. In 2000, CFI had \$330 million of loans to Amex Bank of Canada, a wholly-owned subsidiary of TRS.

At both December 31, 2000 and 1999, Credco had no secured loans to Centurion Bank. At December 31, 1998, Credco had \$2.3 billion of variable rate loans which were secured by certain interest-bearing extended payment plan receivables owned by Centurion Bank.

Interest income from loans and deposits with affiliates were \$103 million, \$120 million and \$180 million for 2000, 1999 and 1998, respectively.

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 income tax expense for the years ended December 31 consists of the following (millions):

	2000	1999	1998
Federal	\$ 140	\$ 110	\$ 126
Foreign	10	10	2
Total	\$ 150	\$ 120	\$ 128

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 consist of the following (millions):

	2000	1999	1998
Current	\$ 179	\$ 134	\$ 156
Deferred	(29)	(14)	(28)
Total income tax provision	\$ 150	\$ 120	\$ 128

Credco's deferred tax assets were \$245 million and \$218 million as of December 31, 2000 and 1999, respectively. These amounts were included in other assets. Credco's deferred tax liabilities were not material as of December 31, 2000 and 1999.

Deferred tax assets for 2000 and 1999 consist primarily of reserve for loan losses of \$245 million and \$216 million, respectively. At December 31, 2000 and 1999, no valuation allowances were required.

Included in due to affiliates is the current federal tax receivable from TRS of \$16 million and a current federal tax payable of \$4 million at December 31, 2000 and 1999, respectively.

In 2000, 1999 and 1998, total net income taxes paid, including taxes paid to TRS, were \$198 million, \$159 million and \$97 million, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

The rate utilized for the income tax provision for the year ended December 31, 2000 is different than that computed using the U.S. Federal statutory income tax rate of 35 percent principally due to the following:

Statutory rate	35%
Foreign Operations	<u>(1)</u>
	<u>34%</u>

The U.S. Statutory tax rate and effective tax rate for 1999 and 1998 were approximately 35%.

The items comprising Comprehensive Income in the Consolidated Statements of Shareholder's Equity are presented net of income tax provision (benefit). The changes in net unrealized securities losses are presented net of tax provision (benefit) of \$3 million for 2000 and (\$3) million for 1999.

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):

	2000	1999	1998
Revenues			
United States	\$ 2,165	\$ 1,811	\$ 1,857
International	436	357	357
Consolidated	\$ 2,601	\$ 2,168	\$ 2,214
Income before taxes			
United States	\$ 367	\$ 295	\$ 316
International	69	48	49
Consolidated	\$ 436	\$ 343	\$ 365

12. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data are as follows (millions):

Quarters Ended	12/31	9/30	6/30	3/31
			2000	
Revenues	\$ 686	\$ 616	\$ 690	\$ 609
Income before taxes	126	85	118	107
Net income	83	57	76	70
			1999	
Revenues	\$ 623	\$ 503	\$ 543	\$ 499
Income before taxes	80	77	93	93
Net income	52	50	61	60

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, 2000 and 1999, 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, 2000. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, 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
February 8, 2001