American Express Services Europe Limited

Registered number 01833139

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

American Express Services Europe Limited

Report and Financial Statements for the year ended 31 December 2021

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American Express Services Europe Limited

Directors' Report for the year ended 31 December 2021

The Directors present their Directors' report and the audited financial statements of American Express Services Europe Limited ("the Company" or "AESEL") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is registered in England and Wales, domiciled in the United Kingdom and is part of the American Express group of companies ("the Group"). The Company's immediate parent is American Express Holdings Limited. The ultimate parent and controlling entity is American Express Company, incorporated in the United States of America.

The principal activity of the Company is the provision of financial services in relation to payment services.

The Company is engaged in the issuing of a wide range of charge cards and revolving credit cards, including the provision of products and services related to consumer and corporate clients. The Company also offers a range of foreign currency payment solutions, together with a range of rewards schemes, including those which award customers who hold the Company's cards ("Cardmembers") points based on the amount they spend.

The majority of customer services related to the issued cards are provided by the Company through its own organisation. In the past the company operated in many European countries using a combination of passporting and/or its branch structure to issue cards. On 1 March 2019, the Company transferred certain passporting reliant card issuing operations in Europe ("business transfer") to its Spanish subsidiary, American Express Europe S.A. (AEESA) and Italian subsidiary, American Express Italia S.r.l. (AEI). At the reporting date a number of these branches remain but they either only perform activities which are not reliant on passporting or are in the process of being deregistered.

The Company also provides other services to companies within the Group including technology, support, entrepreneurial and strategic services as well as Card Member servicing.

2020 European Insurance back book transfer

On 1 March 2020 the Company disposed of its European insurance back book to an affiliate company, American Express International Inc (Germany Branch) in order to rationalise the European insurance legal entity footprint across the Group. The consideration paid for the underlying back book policies was €4.3m and net assets with a face value of £2.8m were transferred.

Supervision and Regulation

The Company is licensed by the Financial Conduct Authority (FCA) as an authorised payment institution under the Payment Services Regulations 2017. The Company uses this licence to perform regulated payment services in the UK. The Company is also authorised by the FCA to perform regulated consumer credit and insurance mediation activities. The Company uses its Consumer Credit licence to offer consumer credit to UK Cardmembers. As a result of the business transfer on 1 March 2019, regulated payment services and provision of consumer credit outside the UK have been offered by two subsidiaries of the Company, AEI with respect to the card issuing business in Italy and AEESA (and its branches) with respect to the residual card issuing business in the EEA that the Company previously operated outside of the UK and Italy.

The financial services industry in the UK, including the Company, is subject to rigorous scrutiny, high regulatory expectations, and a range of regulations. In addition to the FCA, the Company's activities are subject to regulation and supervision by the Payments Systems Regulator (PSR) and the Information Commissioner's Office (ICO). Regulators have focused, and we believe will continue to focus, considerable attention on reviewing compliance by financial services firms with laws and regulations, and as a result, we continually work to evolve and improve our risk management framework, governance structures, practices and procedures.

American Express Services Europe Limited

Directors' Report for the year ended 31 December 2021 (Continued)

Supervision and Regulation (continued)

Reviews to assess compliance with laws and regulations by regulators, as well as our own internal reviews, have resulted in, and are likely to continue to result in, changes to our products, practices and procedures, restitution to our customers and increased costs related to regulatory oversight, supervision and examination. We have also been subject to regulatory actions and may continue to be the subject of such actions, including governmental inquiries, investigations, enforcement proceedings and the imposition of fines or civil money penalties, in the event of noncompliance or alleged noncompliance with laws or regulations.

Key regulations and developments:

In 2015, the EU adopted legislation in two parts, covering a wide range of topics across the payments industry. The first part was an EU-wide regulation on interchange fees (the Interchange Fee Regulation); the second consisted of the Revised Payment Services Directive (the PSD2). The Group engages with the regulatory authorities responsible for enforcing this legislation in the UK, the FCA and the PSR, as required, which oversee compliance with this legislation in the UK.

The PSD2 makes revisions to the original Payment Services Directive adopted in 2007 (PSD) and prescribes common rules across the EU for licensing and supervision of payment service providers. It also contains regulatory requirements on strong customer authentication, open access to customer data and payment capabilities, and measures to prevent security incidents. Member States had until 13 January 2018 to transpose the PSD2 into national law. AESEL and the Group have taken steps to comply with the legislation, including the strong customer authentication requirements which required full compliance by March 2022.

American Express was the subject of a £0.09m fine levied by the ICO, due to breaches of the UK Privacy Electronic Communications Regulations 2003 (PECR), in May 2021. This was following an investigation commenced by the ICO in June 2019 and related to a number of "servicing" emails that the ICO deemed to be "marketing". Following the initial investigation changes were made to the governance processes, training materials, and supporting policy and guidance.

The FCA introduced a range of measures in 2020 - 2021 to support customers who experienced a change in financial circumstances due to Covid-19. This included final guidance on improving prudential risk management and the safeguarding of customer funds for payments firms ("Coronavirus and safeguarding customers' funds: additional guidance for payment and e-money firms"). In addition to this, the Company has implemented its own measures to support both Cardmembers impacted by Covid-19, and also those requiring assistance in the future. FCA feedback throughout the pandemic has led the Company to increase the flexibility that it is able to offer cardmembers in financial (and non-financial) difficulties. For example, the offering of Income & Expenditure (I&E) forms is now mandatory for all instances of financial hardship and greater thought is provided to the end-to-end customer journey. This remains a key area of interest for the regulator, with the Company being engaged in several thematic reviews across the year focusing on Borrowers in Financial Difficulty (BifD). As a result, the Company continues to enhance its processes in this area.

American Express has also continued to engage with the FCA throughout 2021 in respect of its implementation of the Senior Managers & Certification Regime (SMCR), with a particular focus on governance arrangements. Given the reporting lines outside of AESEL into the wider group, the FCA queried the independence and challenge available to AESEL Board Members/Advisors. As a result of this, AESEL has adopted a "dual reporting structure" where the relevant Senior Management Functions (SMFs) also have a dotted line into the Country Manager.

The FCA originally consulted on proposals for "Building Operational Resilience" in December 2019, the outcome of which was delayed due to the pandemic. Final rules however were made in March 2021, with an implementation date of March 2022. The new measures are partly as a response to several high-profile IT failures within the UK banking industry. As such, by 31 March 2022, American Express had identified its Important Business Services (IBS), set impact tolerances for each of these and identified any vulnerabilities.

Directors' Report for the year ended 31 December 2021 (Continued)

Key regulations and developments (continued)
American Express will then have until 2025 to ensure that it can stay within these impact tolerances. The Board must assess this on at least an annual basis going forward and prepare a self-assessment document that is regulator ready.

Another significant piece of FCA regulation due to commence in 2022 is the new "Consumer Duty". These rules come into force in July 2022 and aim to improve the outcomes that customers are achieving by introducing a new Principle (PRIN) and focusing on four outcomes (i) Consumer Understanding (ii) Products & Services (iii) Customer Support (iv) Price & Value. This development will require a lot of uplift across 2022 in key areas such Management Information (MI), feedback mechanisms and documentation of outcomes at all stages of the customer journey.

Across 2021, and through 2022, AESEL is also engaging in a large review of its anti-money laundering (AML) framework, and uplifting policies and procedures when improvements are identified. AESEL has been providing the FCA with quarterly updates as to its progress against the action plan that has been set out.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Group is a globally integrated payments organisation that provides customers with access to products, insights and experiences that enrich lives and build business success. American Express' purpose, values and strategies are determined at a global level prior to being communicated to and implemented in local jurisdictions. Given the global nature and complexity of the Group's business operations, the Group has implemented a matrix organisational structure. This is composed of an extensive global network of legal entities from which it conducts its activities. The Company sits within this structure and is primarily responsible for the Group's card issuing activities in the UK, in addition to providing strategic and operational services to other legal entities within the Group. It is the Company Board's responsibility to implement policies, principles and strategies in a manner that aligns with those set at the global level, while taking into account local legislation, operational requirements and opportunities, thereby contributing to a cohesive approach across the organisation.

The Board recognises the importance of good corporate governance and rigorous supervision of the management of the Company to ensure that business operations are conducted competently, with integrity and due regard to the interests of all stakeholders. Consequently, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company applies the Wates Corporate Governance Principles for Large Private Limited Companies (published by the Financial Reporting Council (FRC) in December 2018 and available on the FRC website). Details of the Company's corporate governance arrangements are set out below.

- **Purpose and leadership**

American Express strives to provide the world's best customer experience every day and to become essential to customers by providing differentiated products and services to help them achieve their aspirations. The Board is responsible for overseeing the Company's strategy, decisions, processes and culture in a manner that aligns with the Group's global approach, which provides for the long-term sustainability of both the Company and the Group's business. To this end, the Board hold regular meetings with key stakeholders across the Company's lines of business and other departmental groups to ensure that proper oversight and control of the Company's business is maintained and, where necessary, to provide constructive challenge. This enables the Company's business and wider Group organisation to pursue opportunities in a manner consistent with American Express' principles. American Express' vision and strategies, while initially set at the global level, are designed to take account of the specific circumstances of different jurisdictions. The strategy for the UK (the Company's primary market) is regularly communicated across the UK organisation in various formats such as internal announcements by senior leaders, many of whom sit on the Board, and/or regular leadership presentations ("town halls") that outline the progress of and developments within the UK business. In addition, the Chairperson of the Board is also the UK Country Manager and regularly communicates to the UK organisation on various matters impacting the UK organisation. The UK Country Manager has responsibility for the UK market, ensuring collaboration across multiple UK lines of business in support of the Group's strategic objectives and initiatives.

The brand and attributes – trust, security and service – of American Express are key assets and the Group's continued success depends on its ability to preserve, grow and leverage the values of the brand.

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (Continued)

American Express' ability to attract and retain customers is highly dependent upon the external perceptions of the organisation, including its trustworthiness, business practices and workplace culture. The Group invests heavily in managing, marketing, promoting and protecting the brand, with the Company specifically focusing on developing and enhancing the brand in the UK. The Board, being comprised of senior UK based representatives from each line of business and other critical functions, is well placed to provide the necessary leadership, input and challenge required to manage, market, promote and protect the brand. The Board is also able to ensure that a high level of accountability across the business is maintained so that product offerings and services are consistent with American Express' brand and values. While not legal entity specific, the Company also benefits from American Express internal policies which provide for effective procedures in cases of misconduct, anti-corruption, conflicts of interests, whistleblowing and more. American Express' culture and internal policies align with the overall purpose, strategy and brand of American Express where the Group holds itself to the highest standards of business ethics and integrity.

- **Board composition**

The Board is comprised of seven executive directors and is chaired by the UK Country Manager who plays an important role in promoting open debate and constructive discussion. The UK Country Manager was C Duerden throughout 2021 and H Lewis took over the role in early 2022. The Chair of the Board works closely with the Company Secretary to ensure that the Board receives accurate information in a clear and timely manner necessary for the Board to make informed decisions. The Chair also provides the leadership, guidance and challenge required for the Board, and individual directors, to remain effective in the task of setting and implementing the Company's direction and strategies.

The Company's business activities are comprised of multiple lines of business in a complex and regulated industry. Consequently, it is essential that the Board possesses the necessary collective knowledge, experience and skills in order to operate effectively. As such, the Board is comprised of senior UK based representatives from each line of business and other critical functions thereby enabling increased levels of oversight and accountability at the board level. The Board, together with its advisors, possess significant experience in areas such as general management, finance, sales/marketing, risk management, operations, technology, law, and regulatory compliance necessary to provide effective oversight. The Board's composition is reviewed regularly to ensure that the Board maintains the correct balance of skills and experience necessary to function properly and keep abreast of developments in a dynamic business environment and aligned with the Senior Managers and Certification Regime.

Members of the Board are expected to act with integrity and independence while possessing the energy, forthrightness, analytical skills, and commitment to devote the necessary time and attention to the Company's affairs. Directors are also expected to possess a willingness to challenge senior management and the ability to work collaboratively in an environment of trust. The Chair regularly ensures that time is dedicated for Directors to discuss and, where necessary, provide constructive challenge to management on key decisions the Board is asked to make.

Ensuring a diverse and inclusive environment is a key priority for the Group, Company and the Board. American Express' Global Inclusion and Diversity aspiration is to be a global leader in inclusivity and a company where being yourself matters. American Express' business is sustained by innovation and engaging with and supporting its unique differences helps to drive creative and complex problem solving.

As part of the commitment to inclusion and diversity, American Express Company has signed the Women in Finance Charter, committing to:

- Getting a 50:50 gender balance (with 10% tolerance) of senior management roles in the UK by 2024;
- Continue boosting awareness of gender diversity across the organisation; and
- Continue reviewing our employee development programs to ensure a diverse and fair workforce and foster a culture of inclusion.

As of the signing date, the gender balance of the Board is 4 (female): 3 (male).

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (Continued)

- **Board composition (continued)**

The Employee Engagement Statement included in the Directors' Report provides further details in respect of the Company's commitment to inclusion and diversity including other focus areas such as disability inclusion, gender identity, sexual orientation and ethnicity.

- **Directors responsibilities**

(i) Accountability

Good governance is essential to maintaining rigorous supervision of the management of a company, ensuring that business is done competently, with integrity and with due regard to the interests of all stakeholders. The Company is authorised and regulated by the FCA in the UK. On account of being a consumer credit firm with an annual revenue of £100m or more, it is subject to the SMCR as an Enhanced Firm. The SMCR is part of the FCA's drive to improve culture, governance and accountability within financial services firms. It aims to deter misconduct by improving individual accountability and awareness of conduct issues across firms. As such, each Director of the Company is considered a Senior Manager and has been allocated specific prescribed responsibilities and business activities linked to their role covered by a "Statement of Responsibility". All appointments to the Board are subject to FCA approval and Directors are required to agree to a Statement of Responsibility prior to being appointed to the Board. This means that Directors have a clear understanding of their roles and responsibilities prior to joining the Board, while ensuring that Directors take all reasonable steps in the furtherance of their duties and responsibilities on an ongoing basis.

In addition to the above, each member of the Board is subject to the American Express Code of Conduct (the Code). The Code is intended to focus on areas of potential conflicts of interest and other ethical issues, provide mechanisms to report potential conflicts or unethical conduct and help to foster a culture of openness and accountability. All reporting of conflicts of interest is centrally managed by the Corporate Secretary's Office. Directors are required to review and renew their commitment to the Code annually.

(i) Committees

The Directors are responsible for managing the Company's affairs and for ensuring that the operations of the Company, including those of its branches, are carried out effectively and with due regard to the reputation of the Group and the requirements imposed upon it by law, regulation and relevant regulatory bodies.

To fulfil these responsibilities, the Company maintains a governance framework including the following committees ("the Committees"), each reporting regularly to the Board:

- The Audit and Finance Committee; and
- The Operational Risk Committee.

The Audit and Finance Committee focuses principally on the Company's financial accounting, internal control and integrity of its financial statements. It is chaired by the Chief Financial Officer and membership is made up of representatives from all relevant departments, including Tax, Treasury, Regulatory Compliance, Internal Audit and Controllership. The Audit and Finance Committee meets five times a year to monitor key issues and changes within the Committee's remit, make non-critical decisions and to conclude upon items and/or risks which should be raised for the Board's consideration.

The Operational Risk Committee (ORC) supports the Board by giving oversight to the key operational risks identified for the Company. It is chaired by the Chief Compliance Officer and membership is made up of representatives of each of the Company's lines of business. The ORC has oversight of significant operational and compliance changes and issues arising within the Company. The ORC is also responsible for ensuring that clear, effective and compliant processes are in place for managing third party and affiliate outsourcing arrangements. The ORC meets in advance of every board meeting in order to consider items and/or risks which should be raised for the Board's consideration.

Until December 2021, the Payment Protection Insurance Committee had oversight of the fair assessment, calculation and remediation of potential redress in respect of Payment Protection Insurance (PPI) and reported to the Operational Risk Committee.

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Directors responsibilities (continued)**

Membership was made up of representatives from all relevant departments including Compliance, Legal, Customer Research & Solutions, Marketing, Finance, Operational Excellence and Internal Audit. Following the completion of all significant Payment Protection Insurance redress activities, and approval of the Board, the Payment Protection Insurance Committee was dissolved in December 2021.

The Committees meet regularly and report at Board meetings. Any matters which cannot be resolved by the Committees are escalated to the Board for its consideration. Due to the make-up of the Board, in many instances, items and risks escalated to the Board are already known to individual directors well in advance of Board meetings which leads to a greater upfront understanding of the issues at play. Furthermore, the Board has, or has access to, the right level of subject matter expertise to provide constructive challenge, input and/or take decisive action when called upon to do so. In addition to a Risk Tolerance Statement, the Board has implemented an escalation framework to ensure the effective reporting of risks, issues and changes within the Company to relevant key internal and external stakeholders.

(ii) Integrity of Information

The Board receives information on all areas deemed crucial to maintaining proper oversight and control of the Company's business on a regular and timely basis from a wide group of stakeholders. Such information includes reports from, but is not limited to, the Committees, Line of Business, Compliance, Legal, Internal Audit, Information Technology & Data Security. In order to ensure the correct level of oversight and control over the business is maintained, the Board meets frequently throughout the course of the year.

All information the Board receives is provided by subject matter experts who have the relevant qualifications, experience and skills necessary to ensure the integrity of the information while also advising on developments impacting the Company. The Board has, or has access to, the right level of subject matter expertise to validate the integrity of the information. The Company, and groups supporting the Company, are subject to regular comprehensive reviews undertaken by the Group's Internal Audit Function which reports to the Board on its findings on a regular basis. Furthermore, the Company's financial statements are externally audited by PricewaterhouseCoopers LLP on an annual basis.

- **Opportunity and risk**

The Group follows a consistent approach to strategic decision making and risk management, with the Board overseeing the implementation of strategies for the future growth of the Company.

Due to the size of the Company's business, the Board have taken certain steps to streamline the decision-making process to increase the overall effectiveness of the Company's operations. Consequently, certain decision-making powers have been delegated to the Committees and controls put in place to safeguard the Company and the interests of other key stakeholders. As part of this, the Board has implemented a risk appetite statement which is grounded in the core operating principles of the Group: *"provide superior customer value; enhance the brand respected for service, trust, integrity, and security; create best-in-class economics through long-term business cycles"*. In support of these principles, the Company clearly articulates and maintains a risk profile that would, at a minimum, withstand the stresses of a severe macroeconomic downturn, while at the same time meeting the Company's capital goals. The Company controls its risk profile through its risk management processes, with a system of limits, escalations, and other controls. The Company evaluates its risk capacity and its risk profile and may adjust its risk strategies, its business or capital plan, or its risk limits.

The Company is subject to the requirements of final guidance issued by the FCA in 2020 on improving prudential risk management and the safeguarding of customer funds ("Coronavirus and safeguarding customers' funds: additional guidance for payment and e-money firms").

As an authorised payment institution, the Company is required to maintain capital levels which exceed a prescribed level of minimum capital, as required by the Payment Services Regulations 2009. The Company has an FCA minimum capital requirement for the forthcoming year of £9.8m. Capital monitoring processes are in place to ensure the Company exceeds the minimum capital requirements at all times. The Company performs Company-level capital and liquidity stress testing for both base and severe scenarios, refreshed annually.

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Opportunity and risk (continued)**

The Company remains subject to the requirement to undertake daily safeguarding of relevant funds and in 2021 implemented the FCA's requirement to have the safeguarding process reviewed annually by a third party to ensure compliance. The review confirmed that processes are in place to ensure customer funds are appropriately safeguarded.

The Company also maintains a Company-specific wind down plan, refreshed annually.

Disclosures on future strategies and risk management as well as a business outlook, with a summary of risks and uncertainties are included within the Strategic Report.

The Company has a robust internal control framework with clear roles and responsibilities for escalation and remediation of risks. The Committees, as referenced in the earlier section (Directors' responsibilities), each adhere to Terms of Reference to ensure appropriate escalations to the Board. The framework consists of governance, risk assessment, issue management, and reporting and monitoring by which the Company identifies, assesses, measures, monitors and controls risks facing the business.

The Company has the "three lines of defence" approach to risk management. Independence is maintained from First Line (the business) – functions directly initiating revenue, expense management, or risk decision activities, Second Line (compliance function) - independent functions overseeing risk in the first line and Third Line (internal audit) – independent group providing assurance that the first and second lines are operating effectively.

- **Remuneration**

Executive pay is set by the Compensation and Benefits Committee (CBC) of the Board of Directors of American Express Company. A significant portion of executive pay is given via long term equity awards with payouts that are linked to Group performance and support a long-term, high performance business model. Long term incentives have performance metrics that are tied to stock appreciation which helps create a sense of shared purpose with shareholders. All executive pay structures noted above also apply to the Company, and to all other subsidiaries of American Express Company.

- **Stakeholder relationships and engagement**

The Company considers its primary stakeholders to be its customers, internal and external suppliers, co-brand partners and its workforce. Our engagement with and consideration of these stakeholders is detailed below.

(i) External Impacts

The Corporate Social Responsibility team works closely with the Global Real Estate and the American Express Technologies groups to identify, measure, manage and report on environmental risks, performance and opportunities. Given the scope of our activities (financial products and services), the direct impact of the American Express activities on the environment is limited and no substantial environmental risks and impacts have been identified. American Express is committed to exploring new ways to evolve our products and services to reduce our footprint, help our customers make more informed decisions and collaborate with our partners to promote responsible travel and consumption patterns.

Streamlined Energy and Carbon Reporting (SECR)

Climate change represents one of the greatest challenges facing our planet, and at American Express we are committed to supporting the transition to a low-carbon economy to meet the science-based recommendations of the Intergovernmental Panel on Climate Change (IPCC).

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Stakeholder relationships and engagement (continued)**

In 2018, we became a CarbonNeutral® company and began powering our operations with 100% renewable electricity through on-site solar, renewable energy credits, carbon offsets and reduced greenhouse gas (GHG) emissions. We are committed to maintaining these efforts moving forward.

As part of the Company's commitment to comply with all relevant environmental legislation, this section of our Directors' Report discloses our operational energy consumption and carbon footprint in line with the UK government's SECR initiative, including data from this and the previous financial year (January to December; 2020 and 2021).

Methodology

American Express emissions are calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). The boundaries of the GHG inventory are defined using the operational control approach and cover the emissions we are responsible for across scopes 1, 2 and 3:

> **Scope 1** – Direct emissions from mobile fleet vehicles*, stationary combustion of fuels in buildings, and fugitive hydrofluorocarbon (HFC) emissions from air conditioning systems
> **Scope 2** – Indirect emissions from purchased electricity
> **Scope 3** – Other indirect emissions from business travel in employee-owned vehicles *

The operation of internal data centers, office facilities, mobile fleet vehicles and business travel are our main sources of GHG emissions. Data is gathered on an ongoing basis, with primary evidence being sourced from office managers and managed centrally via the GHG Emissions Reporting Operating Procedure.

*For global reporting, we quantify energy consumption (and therefore GHG emissions) from the vehicle fleet based on the number of vehicles in operation. Specifically, each vehicle in operation is conservatively assumed to travel 15,000 miles per year regardless of actual miles driven. Then, the assumed fuel economy of the vehicle fleet is used to quantify fuel consumption and scope 1 emissions (conversion factors sourced from the US EPA Emissions Factor Hub). For SECR reporting, we quantify energy consumption (and therefore GHG emissions) from the UK vehicle fleet based on actual mile reports for each UK entity. Emissions and fuel economy conversions are sourced from UK DEFRA GHG Conversion Factors 2021 updated on 24 Jan 2022. For reporting purposes, we assume all cars to be average type with unknown fuel.

In order to better reflect the environmental benefit of purchasing renewable energy and in line with the GHG Protocol Scope 2 Guidance, we quantify and report two Scope 2 emissions totals from purchased electricity: using both 'market-based' and 'location-based' methods. Market-based emissions consider the contractual arrangements under which we procure power from specific sources such as renewable energy. Location-based emissions consider the average emission factors for the electricity grids that provide electricity to American Express.

To estimate GHG emissions associated with the fugitive release of hydrofluorocarbon (HFC) gases from space cooling in our buildings, refrigerant charge for each facility is estimated based on the square footage of air-conditioned space, using rules of thumb for cooling capacity required per square foot and refrigerant charge per cooling capacity. To estimate emissions, the total refrigerant charge is multiplied by annual leakage rates from the US EPA. It is conservatively assumed that estimated facilities use the refrigerant HFC-134a.

The primary metric that American Express use for normalising emissions for annual comparison is tCO_2e (tonnes of carbon dioxide equivalent) per employee.

UK Annual Energy & Carbon

Due to the nature of our business, in some instances multiple reporting entities occupy the same office space and so are jointly responsible for energy consumed in that particular space. For SECR purposes, American Express have estimated entity-specific UK energy consumption and GHG emissions based on the proportion of each entity's employee headcount within that space. The following tables summarise the entity-specific energy consumption and subsequent emissions.

As part of our public disclosure, the American Express ESG Report includes a detailed section summarising our global energy consumption and global GHG inventory.

American Express Services Europe Limited

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Stakeholder relationships and engagement (continued)**

The following link provides access to our latest ESG Report:
https://about.americanexpress.com/corporate-responsibility/reports/corporate-responsibility-reports/default.aspx

As shown below (Table 1 and 2), American Express had an increase in both total energy and emissions compared to the previous year. The intensity ratio has also shown an increase when comparing between 2020 and 2021 as shown in Table 3. The increase was predominantly driven by the gradual return to offices in 2021.

UK Annual Energy & Carbon (continued)
Table 1: Annual Energy Consumption

Energy	Unit	2020	2021
Natural Gas	kWh	2,679,833	3,671,114
Fuel Oil	kWh	28,705	3,226
Mobile Fuel	kWh	12,384	666
Total Direct Energy Consumption	**kWh**	**2,720,922**	**3,675,006**
Purchased electricity	kWh	6,984,182	7,243,976
Solar	kWh	10,577	10,891
Total Intermediate Energy Consumption	**kWh**	**6,994,759**	**7,254,867**
Transport	**kWh**	**56,639**	**7,907**
Total	**kWh**	**9,772,318**	**10,937,779**

Table 2: Annual tCO_2e emissions

Greenhouse Gas (GHG) Emissions	Unit	2020	2021
Scope 1 – Direct	tCO_2e	622.52	811.67
Scope 2 (Location) – Indirect	tCO_2e	1,628.29	1,538.11
Scope 2 (Market) – Indirect	tCO_2e	0	0
Scope 3: Category 6 – Business Travel	tCO_2e	22.91	1.95
Total (Location)	**tCO_2e**	**2,273.72**	**2,352.70**
Total (Market)	**tCO_2e**	**645.44**	**814.6**

Table 3: tCO_2e vs normalisation metric

Intensity Ratio	Unit	2020	2021
Market-based	tCO_2e/employees	0.1557	0.2048
Location-based	tCO_2e/ employees	0.5485	0.5919

Efficiency Measures

American Express' Global 2025 Environmental Goals include covering 60% of our operations by Green Building certifications, reducing energy usage by 35% (from a 2011 baseline), continuing to power our operations with 100% renewables and remaining carbon neutral across our operations. American Express has maintained its CarbonNeutral® certification through reducing emissions by investing in internal energy efficiency measures, supporting the production of renewable energy and financing projects to offset emissions.

To help achieve our target of reducing absolute energy consumption, we are making a conscious effort to increase energy efficiency.

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Stakeholder relationships and engagement (continued)**

UK Annual Energy & Carbon (continued)

We have evaluated several cost-effective energy efficiency measures across our portfolio. Some examples of measures identified from recent audits include:

Table 4: Energy efficiency projects

Location	Project name	Savings (kWh)	Savings (£)	Cost (£)	Status	Payback
1 John Street	Monitors Replacement	60,762	8,507	430,000	Implemented	>10 Years
Belgrave House	Refurbishment	128,127	17,938	1,000,000	Implementation started in 2021	
36 Mighell Street	Data centre monitoring and cooling optimization	665,760	93,206	62,000	Implemented	<1 Year
1 John Street	Choosing HVO fuel for generators fuel change project	—	667	2,791	Implemented	3-5 Years
36 Mighell St		—	334	1,208	Implemented	
Sussex House		—	147	550	Implemented	
Belgrave House	LED Lights in toilets on L1	1,019	143	243	Implemented	1-3 Years
Belgrave House	Belgrave House 7 boilers replacement within toilet areas	11,498	1,610	9,100	Implemented	5-10 Years
Belgrave House	UPS Replacement	78,299	10,962	50,000	Implementation started in 2021	3-5 Years
36 Mighell St	UPS Rooms monitoring and cooling optimization	201,480	28,207	15,000		<1 Year

Directors' Report for the year ended 31 December 2021 (Continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

- **Stakeholder relationships and engagement (continued)**

(ii) Stakeholders

External suppliers are identified and managed in accordance with the Company's Third Party Lifecycle Management Policy. The Company's Global Supply Management organisation completes risk assessments on suppliers in its scope and the type and level of risk identified assists to prioritise those relationships along with: (1) the applicable due diligence artefacts to be collected and evaluated; (2) the frequency of any ongoing reviews; and (3) any specific language to be included in the procurement contract (e.g. relating to data security). The Company has an outsourcing policy which is maintained and controlled by the Outsourcing Governance Team which reports into the ORC.

Due to the matrix structure within American Express, other entities within the Group constitute a significant portion of the Company's suppliers. These relationships are governed by American Express internal governance, policies and controls, with arm's length pricing and formal intercompany agreement documentation.

The Company has direct relationships with Cardmembers and businesses, actively working to engage with them through customer service, direct-to-customer channels, and social media. The Company believes that delivering products and services in a fair and transparent manner is critical to providing best-in-class customer service. As part of our fundamental commitment to meet customer credit needs, the Company is dedicated to engaging in customer practices that embody transparency, truthfulness, fairness, and a culture of non-discrimination throughout the credit lifecycle. The Company manages and mitigates customer practices risk through dedicated resources and ongoing monitoring, testing, and oversight. This also applies to third-party vendors and their subcontractors, also known as fourth-party vendors.

The Company's activities are subject to regulation and supervision by various regulatory authorities in the UK, most notably the Financial Conduct Authority, Payment Systems Regulator and Information Commissioner's Office. When providing information to regulators, either through exams, reporting or ad hoc requests, the Company looks to ensure consistency, integrity and transparency. Additionally, the Company may seek to engage with regulators pro-actively to facilitate dialogue on regulatory change, either by taking part in formal consultation processes or through less formal engagement such as ad hoc relationship meetings. The Compliance organisation, with input from the Board, maintains a regular dialogue with the Company's various regulators throughout the year to keep them apprised of developments on existing matters under review or make them aware of new items as and when they arise.

(iii) Workforce

The American Express Workforce within the UK, including, but not limited to, the Company's employees, is split among multiple UK based legal entities. The employing entity is typically determined based on the line of business or the department in which an individual employee sits. Consequently, many of American Express' interactions with the workforce, being cross functional in nature, are dealt with at a centralised level (such as the UK Country Executive Team and the UK Crisis Management Team) rather than at the legal entity level. These centralised teams consist of senior leaders based in the UK, some of whom also sit on the Board of the Company. American Express regularly engages with its workforce to solicit feedback and to share information via a variety of forums, including quarterly global town halls (company-wide and by line of business), regular UK market town halls, an annual Colleague Experience Survey designed to gain insights into workforce engagement and concerns, and telephone and email-based resources, which provide leaders and colleagues with the opportunity to seek advice and guidance on employment matters. Notwithstanding the above, certain decisions/actions which have the potential to impact a significant number of the Company's employees must first be approved by the Board.

Additionally, American Express has an Ethics Hotline, which provides colleagues and suppliers/vendors the opportunity to report concerns without fear of retaliation (i.e., confidentiality and anonymity), as well as a UK Employee Forum, in which UK Employee Representatives meet at least twice annually with senior business leaders to discuss and provide feedback on business strategy, workforce management and financial results. Finally, these policies are aligned to the Group's values and are reviewed regularly to ensure they are in line with statutory requirements and changes.

Directors' Report for the year ended 31 December 2021 (Continued)

RESULTS AND DIVIDENDS

The results for the year are set out on page 32 and show the total profit before taxation was £83m (2020: Loss £76m). The profit for the financial year amounted to £67m (2020: Loss £58m) which has been transferred to reserves. The Directors do not propose the payment of a dividend in 2021 (2020: £Nil). Total Shareholders' funds at 31 December 2021 stood at £1,061m (2020: £988m). The Financial Performance section of the Strategic report gives a more detailed review of the Company's performance indicators.

OPERATIONS OUTSIDE THE UK

The Company has branches in the following European countries: Austria, Finland, Germany, Italy, Norway and Sweden. The Company also has directly owned subsidiaries in Spain, AEE (American Express de Espana S.A.) and AEESA (American Express Europe S.A.) and a subsidiary in Italy, AEI (American Express Italia s.r.l) (refer to Note 14 Investments).

Branches that no longer perform any business activities and have no other requirement to remain will be deregistered in the foreseeable future. The Italian branch is expected to remain indefinitely as it will continue to service AEI.

On 1 March 2022, the Travel & Lifestyle Servicing (TLS) business in the Sweden, Finland and Norway branches was transferred to the corresponding AEESA branch in each market. On 1 May 2022, the TLS business in the Austria branch was transferred to the AEESA Austria branch. All transfers had minimal financial impact.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks. An overview of these risks and how they are managed by the Company is included in the Financial Risk Management section of the Strategic report.

FUTURE DEVELOPMENTS

In line with Group strategy, the Company is focussed on maintaining growth in an uncertain economic, political and regulatory environment whilst managing costs and upholding service quality. The Strategic report includes an Outlook, Risks and Uncertainty section which considers how future developments may impact the Company.

DIRECTORS

The Directors of the Company who served during the year and up to the date of signing the financial statements were:

H Lewis - Chairperson
D Bailey - Chief Financial Officer
L Fenwick
C Duerden (resigned 8 February 2022)
C O'Flaherty (resigned 26 May 2021)
B Sawyers
P Taswell
S Monga
S Sterbenz (appointed 2 December 2021)

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in S.234 of the Companies Act 2006, and as outlined in the Company's Articles of Association. Such a qualifying third-party indemnity provision was in force during the financial year and remains in force as at the date of approving the Directors' report.

Directors' Report for the year ended 31 December 2021 (Continued)

EMPLOYEE ENGAGEMENT STATEMENT

As referenced in the Statement of Corporate Governance Arrangements, the American Express workforce within the UK, including, but not limited to, the Company's employees, is split among multiple UK based legal entities. Consequently, many of the Company's interactions with its employees, being cross functional in nature, are managed at a centralised level.

At American Express, our colleagues are constantly redefining what's possible and we're proud to back each other every step of the way. American Express provides a meaningful career journey, an inclusive and diverse workplace where every voice is valued, learning experiences to allow our colleagues to deliver their best, and holistic well-being support for every stage of their lives and careers. We are proud of our long history of building a diverse, equitable, and inclusive culture that embraces differences and reflects the values we hold true.

In 2021, American Express was once again voted one of the Top 10 Employers in the UK by Working Families, the UK's leading work-life balance organisation. American Express was also voted one of the Top 25 employers in the UK in the Glassdoor Best Places to Work list in 2021.

As the Covid-19 pandemic continued into its second year, American Express has continued the powerful backing of our colleagues. First, American Express continued to put colleagues' safety first and extended guidance to allow colleagues who could work from home, to do so. To enable colleagues to effectively work from home, the company has invested in providing computer peripherals to all who request them. We have also provided colleagues with paid time off to receive their Covid-19 vaccinations and booster shots.

2021 also saw the introduction of Amex Flex – the new way of working for American Express. The new Amex Flex model will have three basic work designations – onsite, hybrid and fully virtual. Most colleagues will be hybrid and typically required to come into the office only two days per week, defined by their business unit. While introduced in 2021, it came into effect when colleagues returned to the office in the UK during 2022. We continue to take a principled approach to re-opening our offices in line with government guidelines, with the safety of our employees our priority at all times.

Finally, American Express has continued to reward and recognize the performance and dedication of its colleagues throughout the pandemic. The majority of colleagues received a 3% pay rise in November and additionally the year end merit pools were doubled, and their effective date brought forward.

The company strives to provide an inclusive and accessible work environment – one where everyone, including colleagues, candidates, and all those who work on behalf of American Express, are treated equally, with dignity and respect. We are working diligently towards our goal to become a leader in disability inclusion, developing inclusive practices, and removing barriers so all colleagues can fully contribute and succeed at work. The Company has a dedicated Workplace Adjustments team and obtains additional advice, assessment, and provision through a specialist external provider. The Company has a well-established Disability Awareness Network (DAN) open to all employees across the organisation, which plays an important role in driving our disability agenda and continues to invite external experts to bring widespread attention to the issues that impact the community. The Group has also established a strategic and multi-functional Disability Council which uses the Business Disability Forum's Disability Standard to ensure the Group continues to work towards becoming a disability-confident organisation. Furthermore, the Group has an active Inclusion & Diversity Council that partners with over thirteen Colleague Networks to enable inclusion and diversity.

In 2021 two new required trainings were added - Managing Unconscious Bias and Building Ally Skills workshops. These supplemented the additional required trainings added in 2020 - Strengthening Our Culture of Inclusion, an online course for all colleagues, and Belonging at American Express, a workshop for all people leaders on how to lead inclusively. There has been steady growth in the participation in the Self-ID initiative which was launched globally in major office locations, including the UK in 2020.

EMPLOYEE ENGAGEMENT STATEMENT (continued)

The purpose of Self-ID is to help enhance programs and resources, inform diversity strategies, and continue to meet Diversity, Equity and Inclusion (DE&I) commitments. Colleagues are invited to voluntarily and confidentially self-identify across four key categories, including gender identity, sexual orientation, ethnicity, and disability status.

Employee mental health is a priority for the Group, and the Company has a number of initiatives and resources to support employee mental wellbeing. The Company has a team dedicated to health and wellbeing, which oversees the Healthy Living Hub (a wellbeing concierge service), the Healthy Minds Employee Assistance Programme with licensed counsellors offering virtual and in person sessions, two Emotional Wellbeing Therapists onsite and virtual, offering therapy education and training, plus an online emotional wellbeing support platform. The Company also offers GP, nurse, Virtual GP and physiotherapy services for fast and easy access to healthcare, as well as providing frequent webinars and virtual wellbeing sessions covering topics such as stress management, resiliency, mindfulness, and work-life balance.

Consultation with employees and their representatives, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests; and ensuring they are aware of the financial and economic performance of their business units and of the Company as a whole, is well established.

Communication continues through regular internal communications, newsletters and briefing groups. The Group carries out an annual employee survey with a strong record of favourable results, which are communicated to all employees, discussed by the Board and acted upon if necessary.

The Company aims to achieve a balance between delivering market competitive remuneration in order to attract and retain talent; and optimising shareholder return. Eligible employees participate in the American Express Company equity-settled share-based payment plans. Eligibility is based on seniority and the awards are performance driven. A description of the plans and performance measures are available in the American Express Company's financial statements. See Note 8 for a summary description of the plans and the awards granted and outstanding during the year.

STAKEHOLDER ENGAGEMENT STATEMENT

The Board recognises that the fostering of good business relationships is crucial to the long-term success of the Company and Group as a whole. To this end, the Company has implemented an escalation framework (via the Committees) so that issues impacting the business and/or key stakeholders (including, but not limited to, the Company's suppliers and customers) are escalated to the Board for its consideration. This helps ensure that the Board has visibility of issues impacting our key stakeholders and that such issues are dealt with and resolved in an effective, timely and appropriate manner. In addition, American Express has a number of policies in place which require that, prior to the Board taking decisions deemed critical to the Company, the impact on a wide group of stakeholders be identified and considered. This better enables the Board to make informed decisions while acting in the best interests of the Company and its key stakeholders.

As directors of a regulated entity, the Board must also adhere to the FCA's Conduct Rules which, in addition to acting with integrity, due skill, care and diligence, includes an obligation to pay due regard to the interests of customers and treat them fairly.

The Company's principal decisions during the financial year ended 31 December 2021 were centered around the Company's response to Covid-19 and recovery out of the pandemic. During the year, the Board spent a significant amount of time and resources on reviewing and mitigating the associated impacts of Covid-19 in order to provide additional support to the Company's key stakeholders. The Company took steps to address issues being faced by Cardmembers, business partners and other stakeholders through the introduction of financial relief and hardship programs (e.g. payment holidays). As part of this, the Company implemented its Customer Crisis Recovery credit plans inline with FCA guidance first issued on 8 April 2020.

Directors' Report for the year ended 31 December 2021 (Continued)

STAKEHOLDER ENGAGEMENT STATEMENT (continued)

In addition, the Company also worked closely with its suppliers to address operational difficulties and challenges they faced as a result of Covid-19. The Company also worked to identify its long term strategy as it begins to recover from the pandemic.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations
In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

CREDITOR PAYMENT POLICY

It is the Company policy to pay vendors 60 days after receipt of a correct, undisputed, timely provided and properly VAT due invoice unless specific payment terms dictate otherwise. The Company's average creditor period, calculated by reference to the ratio of trade creditors at 31 December 2021 to amounts invoiced during the year was 25 days (2020: 36 days).

Directors' Report for the year ended 31 December 2021 (Continued)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made charitable donations amounting to £2,117 to advance the causes of charitable organisations (2020: £373). No donations were made for political purposes (2020: £Nil).

The Company partners with local and national charities, forging impactful partnerships and providing volunteer opportunities for employees. Through our philanthropic and civic participation, the Company serves and empowers the people and organisations that are confronting some of society's most complex issues.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP are deemed to be reappointed as independent auditors under section 487(2) of the Companies Act 2006.

The financial statements on pages 32 to 101 were reviewed by the Board of Directors on 26 May 2022 and approved on the date specified below on its behalf by:

DocuSigned by: Hannah Lewis 694BAE11E02F47E...	DocuSigned by: David Bailey EBCDF257355E4B0...	
H Lewis	D Bailey	Date: 26 May 2022
Chairperson	Chief Financial Officer	

Strategic Report for the year ended 31 December 2021

The Directors present their strategic report of American Express Services Europe Limited ("the Company") for the year ended 31 December 2021.

BUSINESS REVIEW

Objectives of the Company
The key objective of the Company is to generate payment business through its core activity of issuing American Express corporate and consumer cards and providing payment services.

Business Strategy
To generate payment business the Company is focused on acquiring new customers, retaining existing ones, delivering high quality service and incentivising spending through rewards and other benefits.

The core elements of the Company's strategy are:

- Attracting new customers;
- Continuing to monitor the performance of our product range, ensuring good customer outcomes and taking into account the competitive environment;
- Maintaining a competitive, consistent, premium customer experience by ensuring value-added end-to-end service;
- Enhancing customer relationships through partnerships;
- Continuing to invest in incentives attached to card products, including the Membership Rewards program;
- Attracting and retaining talented employees; and
- Focusing on increasing payment business revenues, while controlling costs and improving efficiency.

Employee Strategy
To support business objectives, key employee-related strategies include:

- Deliver a great employee experience, with leading inclusion and diversity practices at the forefront;
- Grow the best talent, including the best-in-class people leaders; and
- Develop new ways of working to unlock enterprise value by focusing on continuous improvement, ensuring that total rewards fuel individual and enterprise performance, and creating an environment where well-being is a focus for all colleagues.

FINANCIAL PERFORMANCE

A number of performance indicators are used to monitor the Company's progress against our strategies and objectives. As part of the monitoring of the Company's financial performance, we review Cardmember billings; the accounts receivable balance and associated credit indicators; reserves for Cardmember losses; revenue; and expenses growth. In addition, non-financial indicators such as cards in force are monitored (net of Cardmember acquisition and attrition).

Despite the continuation of the Covid-19 pandemic into its second year, the Company saw an increase in billings among consumer and corporate customers across its UK business. Total billings for the year to 31 December 2021 increased 27% on the year to 31 December 2020, following the easing of Covid-19 restrictions during 2021.

Cards in force as at 31 December 2021 increased 8% on the year to 31 December 2020. This trend reflects continued efforts to sustain the quality of the Company's Cardmember base, with managed attrition of higher risk and dormant Cardmember accounts, and a focus on attracting and retaining high spending premium Cardmembers.

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL PERFORMANCE (Continued)

Turnover from operations increased by 8% with the Company experiencing a rise across most categories of Turnover. Billing Credit (being the revenue AESEL earns from another group company for the service and functions it provides to the American Express network) increased due to increased UK Cardmember billings following the easing of Covid-19 restrictions in the year, despite a reduction in the billing credit rate itself. The revenue the Company received from services to other Group companies has also increased as a result of improvements in card issuing subsidiary profitability and Cardmember spend in foreign currency. Only amounts charged to Cardmembers in respect of interest have declined slightly, as Cardmembers continued to revolve less in 2021 despite the improvement in billings. However, this interest income saw a steady recovery throughout the second half of 2021 and in to 2022.

Administrative expenses from continuing operations decreased by 6%. These were incurred primarily in relation to both the Company's payment services business and in providing other services to companies within the Group. Expenses attributable to the card issuing business can be both variable and fixed in nature. The main driver for the decrease was the £16m (2020: £160m) loss on the sale of Cardmember loans and receivables to a related party. Despite an increase in the underlying value of the loan and receivable balances sold this fell by 90% due to a decrease in the associated credit risk. Other variable expenses such as Membership Rewards increased in line with billings and were in line with Management's expectations.

Profit before taxation of £83m for the Company represents an increase of £159m, compared to the prior year loss from continuing operations of £76m. This increase was due to UK business growth as the UK emerged from the Covid-19 restrictions, therefore increasing turnover and the aforementioned administrative expense reduction resulting from the favourable variance in respect of the loss on the sale of Cardmember loans and receivables to a related party.

The Company's 2021 tax expense is consistent with the current year profit before taxation.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks. The Company places great significance on ensuring sound management of credit, liquidity and market risk.

The Company primarily adopts the Group's Enterprise-wide Risk Management (ERM) program policies and strategies. The objective of the ERM is to identify, aggregate, monitor and manage risks in order to maintain and continuously improve risk management controls and processes that will enable profitable growth, while delivering outstanding customer service.

Credit Risk

The Company's credit risk comprises two elements, individual and institutional, each with distinct risk management tools and metrics.

(i) Individual Credit Risk

The Company defines Individual Credit Risk as the risk of loss to the Company due to non-payment of an amount contractually owed to the Company by an individual, whether acting as an individual or on behalf of their small business.

The Company adheres to the American Express Individual Credit Risk Policy, which assigns key governance responsibilities, prescribes rules for escalating risks, and sets forth the Company's guidelines for measuring, assessing, and reporting Individual Credit Risk.

Individual Credit Risk arises principally from the Company's portfolio of consumer and small business charge and credit cards. Given that the portfolio comprises a large volume of Cardmembers, the level of Individual Credit Risk losses is driven by general economic conditions rather than by borrower specific events. Individual Credit Risk is managed using various tools including prospecting, approvals, collections and fraud prevention.

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

(i) Individual Credit Risk (continued)

Cardmember loans and receivables are sold for funding purposes. This business model has the primary objective of realising cash flow through the sale of the financial assets, and also mitigates the exposure to individual credit risk.

(ii) Institutional Credit Risk

The Company defines Institutional Credit Risk as the risk of loss to the Company due to the non-payment of an amount contractually owed to the Company by a business or organisation.

The Company adheres to the American Express Institutional Credit Risk Policy which details its approach to managing Institutional Credit Risk and assigns key governance responsibilities, prescribes rules for escalating risks, and sets forth American Express guidelines for measuring, assessing, and reporting institutional credit risk.

Institutional Credit Risk arises indirectly via Cardmembers within the Company's corporate card business. Unlike Individual Credit Risk, Institutional Credit Risk is characterised by a lower loss frequency but higher severity and is affected by both general economic conditions and by borrower specific events.

Cardmember loans and receivables are sold for funding purposes. This business model has the primary objective of realising cash flow through the sale of the financial assets, and also mitigates the exposure to institutional credit risk.

The Company also has various intercompany loans both to and from other Group entities. These facilities and amounts drawn are centrally managed by Treasury. The level of credit risk attached to intercompany positions is limited, given that all entities are part of the same group. In relation to these mid to long term financing arrangements a letter has been secured from American Express Company to express its intention to support the Company's liquidity position and maintain its safe and sound operations for the thirteen months following the signing of the financial statements.

Liquidity Risk

The enterprise wide Liquidity Risk Policy establishes the framework that guides and governs liquidity risk management to ensure the Company maintains franchise continuity during periods when its regular sources of funding including the sale of Cardmember loans and receivables to a related party, become impaired. Franchise continuity includes the ability to fulfil the cash requirements arising from providing its products and services as it would if its funding sources were not impaired, as well as to satisfy its contractual cash obligations in the event it cannot raise new funds. The Company performs annual liquidity stress testing at a Company level (base and severe scenarios) to support franchise continuity assumptions.

The Company understands that the Group will maintain access to diverse liquidity sources, which are available to the Company. The sources will be maintained in amounts sufficient to meet the Company's business requirements and expected future financial obligations for a period of at least twelve months in the event the Company is unable to raise new funds under its regular funding programs during a substantial weakening in economic conditions. The Company actively maintains a mixture of sustainable long-term and short-term finance that is designed to ensure that it has sufficient available funds for business continuity.

Market Risk

The Market Risk Policy objective is to identify and manage market risk exposures within the policy limits in the context of the Group's overall business model while supporting sustainable earnings growth. This is accomplished by identifying, measuring and reporting such exposures on a periodic basis and by managing its exposures within the policy limits.

Strategic Report for the year ended 31 December 2021 (Continued)

FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)
(i) Interest Rate Risk
The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets are primarily cash, intercompany loans and Cardmember loans and receivables. The Company manages its exposure through having a mix of external and intercompany debt at both fixed and short term rates consistent with its business operations and enterprise-wide Market and Liquidity Risk Policies.

Due to uncertainty surrounding the suitability of the London interbank offered rate (LIBOR) as a credible benchmark rate, it is being phased out and will be replaced by alternative reference rates by June 2023. The Group has an enterprise-wide, cross-functional initiative to identify, assess and monitor risks associated with the LIBOR transition, engage with industry participants, customers and regulators and to transition to new alternative reference rates. As part of this global initiative, the Company has worked to ensure that contracts, operational processes, information technology systems and models have been updated to replace references to LIBOR and facilitate a timely transition to alternative rates. All rates were updated effective 1 January 2022.

For further details on amendments to the associated accounting standards, please refer to the basis of preparation section of Note 3 - Summary of significant accounting policies.

For details on the exposures impacted, please refer to the interest risk management section of Note 4 – Financial risk management.

(ii) Foreign Exchange Risk
The Company is not ultimately exposed to any significant transaction foreign exchange risk from its operations as they are borne by a related Group entity. The Company manages foreign exchange translation risk on the financial results and any foreign currency net assets exposure of its European branches by taking out derivative forward foreign exchange contracts designated as net investment hedging instruments.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A Director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. The Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Company. Furthermore, it is important that they understand both the short and long term consequences of these decisions.

Strategic Report for the year ended 31 December 2021 (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

The following paragraphs summarise how the Directors fulfil their duties:

1. Risk management

The Company provides services to its customers in a highly regulated environment. As the Company grows, its business and risk environment become more complex. It is therefore vital that the Board effectively identify, evaluate, manage and mitigate the risks faced by the Company, and that their approach to risk management is continually evolving. For details of the Company's principal risks and uncertainties, and how the Board and wider governance structure manages the Company's risk environment, please refer to the Statement of Corporate Governance Arrangements and Financial Risk Management section of the Directors' and Strategic reports respectively.

The Company has a robust internal control framework with clear roles and responsibilities for escalation and remediation of risks. The framework consists of governance, risk assessment, issue management, and reporting and monitoring by which the Company identifies, assesses, measures, monitors and controls risks facing the business. The Company has the "three lines of defence" approach to risk management (detailed within the opportunity and risk section of the Statement of Corporate Governance Arrangements).

During the year, this framework and risk management approach was utilised in the context of Covid-19 whereby the Board was regularly briefed on the key operational, financial and regulatory risks associated with the ongoing pandemic. In particular, the Board continued to closely monitor the risks to the Company's employees, cardmembers and business partners. Consequently, the Board continued to mitigate these risks and provide support to the aforementioned groups through ongoing facilitation of employees working from home, alongside developing plans for a return to the office when it was safe to do so (including the development of the Amex Flex model) and financial relief and support programs for those cardmembers and business partners suffering financial hardship.

2. Our People

The Company is committed to being a responsible business. The Board's behaviour on behalf of the Company is aligned with the expectations of our people, customers, investors, communities and society as a whole. People are at the heart of what the Company does. For the Company's business to succeed, the Directors are ultimately responsible for managing employee performance and development, bringing through talent whilst ensuring that the Company operates as efficiently as possible. The Board must also ensure that all Company employees share common values that inform and guide their behaviour so they achieve their goals in the right way.

During the year, the Board received regular updates on the steps that were being taken to ensure the safety of the Company's employees in light of the Covid-19 pandemic, including measures to provide a safe work environment in each of our offices and enabling our employees to work from home wherever possible. In order to mitigate the associated risks and keep employees sufficiently informed and reassured throughout this period of uncertainty, the Board ensured that appropriate actions were taken by the relevant departments (e.g. HR, Global Real Estate, Global Security and Global Services Group).

For further details on our people, please refer to the Employee Engagement Statement in the Directors' report.

3. Business relationships

The Company's strategy implemented by the Directors prioritises organic growth, by continually enhancing the Company's customer value propositions, its brand and developing and maintaining strong client relationships. The Company values all of its suppliers and partners and has multi-year contracts with many of them.

The Directors believe that delivering products and services in a fair and transparent manner is critical to providing best-in-class customer service. As part of its fundamental commitment, the Company is dedicated to engaging in customer practices that embody transparency, truthfulness, fairness, and a culture of non-discrimination.

Strategic Report for the year ended 31 December 2021 (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

The Company manages and mitigates customer practices risk through dedicated resources and ongoing monitoring, testing, and oversight. This also applies to third-party vendors and their subcontractors, also known as fourth-party vendors.

Since the outbreak of Covid-19, the Board ensured that steps were taken to proactively engage with our customers, business partners and suppliers to mitigate identified risks. For further details on business relationships and the actions the Board took during 2021 in this regard, please refer to the Stakeholder Engagement Statement within the Directors' report.

During the year, the Board continued to advise upon the implementation of Strong Customer Authentication (SCA) due to the potential of disruption to the Company's business partners. Decisions were made to mitigate the identified risks and careful consideration was made to avoid any detrimental impact to customers, suppliers or partners.

4. Community and environment

The Company's approach is to use our position of strength to create positive change for the people and communities with which we interact. The Board on behalf of the Company wants to leverage the expertise of its people and enable colleagues to support local communities.

The Directors do this in three ways: providing leadership training that empowers local social-sector leaders to create sustainable change; helping citizen volunteers to improve their communities; and preserving diverse, vibrant historic places. By providing critical services that contribute to economic stability and mobility, the non-profit sector plays a vital role in building a healthy society. Through our philanthropic and civic participation, the Company serves and empowers the people and organisations that are confronting some of society's most complex issues.

The Company, along with the Group's approach to environmental stewardship within its operations includes a focus across various themes, such as energy and emissions management, waste management, third-party green building certifications, and responsible sourcing. American Express prioritises the management and improvement of its own footprint, including the environmental impacts of our offices and operations. It is also powering its network and data centres more efficiently and with the use of renewable resources, as well as exploring more sustainable payment solutions, including utilising reclaimed ocean-bound plastic to make its cards. Finally, the Company strives to work with diverse suppliers and source environmentally and socially responsible products and services from approved third-party vendors.

The Board considers the impacts of all its decisions on the community and the environment. However, there were no significant events during the year specifically related to the community or the environment that warranted escalation to the Board or specific consideration by the Company rather than the Group. If such an event were to arise it would be escalated to the Board through the Company's existing risk management and governance framework. For further details concerning the environment please refer to the 'Streamlined Energy and Carbon Reporting' section within the Directors' report.

5. Shareholders

The Company is a wholly owned subsidiary within the American Express group, whose ultimate parent is listed on the New York Stock Exchange. The Board of American Express Company is committed to openly engaging with its shareholders, as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to American Express that shareholders understand our strategy and objectives, so these must be explained clearly, feedback received, and any issues or questions raised and properly considered. The Company Board ensures that it applies consistent shareholder priorities. To this end, the Board regularly reviews its business strategy to ensure the steps being taken in this regard align with shareholder priorities and that said strategies maximise shareholder return.

Strategic Report for the year ended 31 December 2021 (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

The Company's immediate parent, American Express Holdings Limited (AEHL), is represented on the Board by the Company's Chief Financial Officer who is also a director of AEHL.

OUTLOOK, RISKS AND UNCERTAINTIES

In line with Group strategy, the Company is focused on maintaining growth in an uncertain economic, political and regulatory environment whilst managing costs and upholding service quality.

The investments that the Company has made over the past several years have ultimately sustained growth, despite the impacts of the Covid-19 pandemic, positioning the Company well to continue to increase its share in the payments industry sector, and have also enabled operations to be redesigned leading to improved efficiency and customer service. The Company continues to invest carefully in order to capitalise on new opportunities for growth.

The Company offers a broad array of products and services to consumers, small businesses and commercial clients and thus is dependent upon the level of consumer and business activity. Slow economic growth, economic contraction or shifts in broader consumer and business trends significantly impact customer behaviours, including spending on our cards, the ability and willingness of Cardmembers to borrow and pay amounts owed to us, and demand for fee-based products and services. Factors such as consumer spending and confidence, inflation, interest rates, energy costs, household income, unemployment rates and geopolitical instability all affect the economic environment and, ultimately, the Company's profitability. The Company is monitoring the impact of the current high levels of inflation on the behaviour of its card members.

The Covid-19 pandemic has had widespread, rapidly evolving and unpredictable impacts on society, the economy, and consumer and business spending. As a result of the continuing roll out of vaccinations and the relaxation of containment rules and travel restrictions, consumer confidence appears to be increasing and the Company is seeing a return to normal operating conditions and customer behaviour in respect of travel, dining and in-person events.

The current Russia-Ukraine conflict has led to the suspension of all American Express operations in Russia. American Express issued cards will no longer operate at merchants and ATMs in Russia, and cards issued in Russia by Russian bank partners will not operate on the American Express global network. Additionally, American Express has suspended all business operations in Belarus. The Company has minimal exposure to Russia, however Management will continue to monitor the situation.

Strategic Report for the year ended 31 December 2021 (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (continued)

After making enquiries and giving consideration to the Group's intention to provide ongoing support to the Company, as well as the integral nature of the Company's operations to the broader group, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Strategic report was reviewed by the Board of Directors on 26 May 2022 and approved on the date specified below on its behalf by:

DocuSigned by: Hannah Lewis 694BAE11E02F47E...	DocuSigned by: David Bailey EBCDF257355E4BD...	
H Lewis	D Bailey	Date: 26 May 2022
Chairperson	Chief Financial Officer	

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Independent auditors' report to the members of American Express Services Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, American Express Services Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements for the year ended 31 December 2021 (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Income Statement, the Statement of Comprehensive Income, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7 - Profit/(Loss) before taxation, we have provided no non-audit services to the company in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's forecasts and stresses, with a focus on capital and liquidity risk, and testing their reasonableness, including by comparison to historic performance;

- Considering the American Express group's intention to provide ongoing support to the Company as well as the integral nature of the Company's operations to the broader group;
- Assessing the capital and liquidity position of the ultimate parent undertaking; and
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

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Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority, the Payment Services Regulations 2017 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance, including review of minutes of meetings in so far as they related to the financial statements and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of correspondence with the regulators;
- Identifying and testing journal entries, including duplicate journal postings, and backdated journals
- Challenging the assumptions and judgements made by management in their accounting estimates, in particular in relation to the fair value of the undrawn commitment and membership reward liability; and
- Testing of the financial statement disclosures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Luke Hanson

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 May 2022

INCOME STATEMENT
For the year ended 31 December 2021

	Note(s)	2021 Total £000	2020 Total £000
TURNOVER	5	**1,201,035**	1,110,968
Administrative expenses	7, 8	**(1,113,431)**	(1,185,502)
OPERATING PROFIT/(LOSS)		**87,604**	(74,534)
Interest receivable and similar income	10	**4,375**	7,134
Interest payable and similar expenses	11	**(8,579)**	(8,213)
PROFIT/(LOSS) BEFORE TAXATION	7	**83,400**	(75,613)
Tax on profit/(loss)	12	**(16,399)**	17,238
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**67,001**	(58,375)

The notes on pages 37 to 101 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Profit/(Loss) for the financial year		**67,001**	(58,375)
Other comprehensive income/(loss): items that may be reclassified to income statement:			
Foreign exchange gain/(loss)		**5,992**	(4,149)
(Loss)/gain on net investment hedges	16	**(3,548)**	3,190
Total other comprehensive income/(loss)		**2,444**	(959)
Total comprehensive income/(loss) for the year net of tax		**69,445**	(59,334)

The notes on pages 37 to 101 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December 2021

Registered number: 01833139

	Note	**2021** **£000**	2020 Restated £000
FIXED ASSETS			
Tangible assets	13	**118,880**	129,317
Investments	14	**140,793**	140,796
		259,673	270,113
CURRENT ASSETS			
Stocks		**7,254**	9,199
Debtors	17,18	**2,927,599**	2,151,922
Cash at bank and in hand	19	**283,026**	378,766
		3,217,879	2,539,887
TOTAL ASSETS		**3,477,552**	2,810,000
CREDITORS: Amounts falling due within one year	20	**(527,158)**	(1,190,081)
NET CURRENT ASSETS		**2,690,721**	1,349,806
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,950,394**	1,619,919
CREDITORS: Amounts falling due after more than one year	21	**(1,734,107)**	(506,356)
PROVISION FOR LIABILITIES	24	**(155,187)**	(125,542)
NET ASSETS		**1,061,100**	988,021

Footnote:

See Note 18 for details of restatement.

BALANCE SHEET

As at 31 December 2021

Registered number: 01833139

	Note	2021 £000	2020 £000
CAPITAL AND RESERVES			
Called up share capital	26	**211,788**	211,788
Share Premium account		**52,574**	52,574
Share based payment reserve		**18,261**	14,627
Translation reserve		**(5,340)**	(11,332)
Retained earnings		**783,817**	720,364
TOTAL SHAREHOLDERS' FUNDS		**1,061,100**	988,021

The financial statements on pages 32 to 101 were approved by the Board of Directors on 26 May 2022 and signed on its behalf by:

DocuSigned by: Hannah Lewis 694BAE11E02F47E...	DocuSigned by: David Bailey E8CDE257355E4BD...	
H Lewis	D Bailey	Date:
Chairperson	Chief Financial Officer	26 May 2022

The notes on pages 37 to 101 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Registered number: 01833139

	Called-up share capital	Share Premium account	Share based payment reserve	Translation reserve	Retained earnings	Total Shareholders' Funds
	£000	£000	£000	£000	£000	£000
At 1 January 2021	211,788	52,574	14,627	(11,332)	720,364	988,021
Profit for the financial year	—	—	—	—	67,001	67,001
Other comprehensive income	—	—	—	5,992	(3,548)	2,444
Total comprehensive income	—	—	—	5,992	63,453	69,445
Current and Deferred tax movements in equity (Note 12)	—	—	3,705	—	—	3,705
Share-based payments charge	—	—	13,539	—	—	13,539
Recharge paid to parent for share based payments	—	—	(13,610)	—	—	(13,610)
At 31 December 2021	**211,788**	**52,574**	**18,261**	**(5,340)**	**783,817**	**1,061,100**

	Called-up share capital	Share Premium account	Share based payment reserve	Translation reserve	Retained earnings	Total Shareholders' Funds
	£000	£000	£000	£000	£000	£000
At 1 January 2020	211,788	52,574	13,872	(7,183)	775,549	1,046,600
Loss for the financial year	—	—	—	—	(58,375)	(58,375)
Other comprehensive loss	—	—	—	(4,149)	3,190	(959)
Total comprehensive loss	—	—	—	(4,149)	(55,185)	(59,334)
Current and Deferred tax movements in equity (Note 12)	—	—	512	—	—	512
Share based payments charge	—	—	12,988	—	—	12,988
Recharge paid to parent for share based payments	—	—	(12,745)	—	—	(12,745)
At 31 December 2020	**211,788**	**52,574**	**14,627**	**(11,332)**	**720,364**	**988,021**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of American Express Services Europe Limited ("AESEL" or "the Company") is the provision of financial services in relation to payment services.

The Company is engaged in the issuing of a wide range of charge cards and revolving credit cards, including the provision of products and services related to consumer and corporate clients. The Company also offers a range of foreign currency payment solutions, together with a range of rewards schemes, including those which award customers who hold the Company's cards ("Cardmembers") points based on the amount they spend.

On 1 March 2019, the Company, in response to the regulatory risk posed by Brexit in relation to the ability of the Company to passport its card issuing business from the UK into the European Economic Area ("EEA"), transferred certain passporting reliant card issuing operations in Europe ("business transfer") to its Spanish subsidiary, American Express Europe S.A. ("AEESA") and Italian subsidiary, American Express Italia S.r.l. ("AEI"). Branches that no longer perform any business activities and have no other requirement to remain will be deregistered in the foreseeable future.

AESEL is a private company limited by shares, registered in England and Wales, domiciled in the United Kingdom and is part of the American Express group of companies ("the Group"). The address of its registered office is Belgrave House, 76 Buckingham Palace Road, London, SW1W 9AX.

2. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of the Company for the year ended 31 December 2021 were reviewed by the Board of Directors on 26 May 2022 and approved on the Board's behalf by H Lewis and D Bailey.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with applicable accounting standards.

The Company is able to take advantage of certain disclosure exemptions available under FRS 101 as it is a wholly owned subsidiary of American Express Company.

The Company has taken advantage of the exemptions under s401 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of American Express International Inc. ("AEII") incorporated in the United States of America, a larger Group entity incorporated outside of the European Economic Area.

The Company's immediate parent is American Express Holdings Limited, a subsidiary of AEII. American Express Holdings Limited owns 90.15% of the Company, with the remaining 9.85% belonging to Amex NL Holdings 99, LLC (another subsidiary of AEII). AEII is the parent undertaking of the smallest group of undertakings to consolidate these financial statements as at 31 December 2021. The ultimate parent and controlling entity is American Express Company, incorporated in the United States of America. American Express Company is the parent undertaking of the largest group of undertakings to consolidate these financial statements as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101 (continued)

Copies of the American Express Company and American Express International Inc. financial statements can be obtained from American Express Company, American Express Tower, World Financial Center, New York, NY 10285, USA.

The principal accounting policies adopted by the Company are set out in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in the preparation of these financial statements are set out below:

3.1 Basis of preparation
The financial statements are prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101. The financial statements are prepared on a going concern basis under the historical cost convention, modified by the revaluation of certain financial instruments and derivatives to fair value through profit and loss. The Board remain satisfied with the appropriateness of preparing the financial statements on a going concern basis, considering the Group's intention to provide ongoing support to the Company as well as the integral nature of the Company's operations to the broader group. The functional currency is pounds sterling (£) and the financial statements and notes are presented in pounds sterling with values rounded to the nearest thousand (£000) unless otherwise stated.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.26.

The Company has taken advantage of the following disclosure exemptions allowed under FRS 101:
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- the requirements of paragraph 52 of IFRS 16 Leases.
- the requirements of IAS 1 'Presentation of Financial Statements' paragraph 38 to present comparative information in respect of
  - paragraph 79(a)(iv) of IAS 1 (reconciliation of shares outstanding);
  - paragraph 73(e) of IAS 16 Property, plant and equipment;
  - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- the requirements of the following paragraphs of IAS 1 'Presentation of Financial Statements':
  - 10(d) statement of cash flows;
  - 10(f) balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements;
  - 16 statement of compliance with all IFRS;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

- 38(a) requirement for minimum of two primary statements, including cash flow statements;
- 38(b)-(d) and 40 (a) additional comparative information; and
- 111 cash flow statement information;

- the requirements of IAS 7 'Statement of Cash Flows' to prepare a statement of cash flows;
- the requirements of IAS 8 'Accounting Policies Changes in Accounting Estimates and Errors' paragraphs 30 and 31, concerning new IFRS that have been issued but are not yet effective;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- the requirements of IAS 24 'Related Party Disclosures' paragraphs 17 and 18A to disclose the compensation of key management personnel; and
- the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

(a) Standards and Interpretations effective in 2021

The entity has adopted the following standards and amendments to standards with an initial date of application of 1 January 2021.

- Amendments to IFRS 16, Leases, Covid-19-related Rent concessions
  Effective for annual periods beginning on or after 1 June 2020 (early adoption permitted). The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022.

  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. This amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications, this results in accounting for the concessions as variable lease payments in the period in which they are granted. This amendment is not expected to significantly affect the Company's financial statements in current or future periods.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (IBOR) Phase 2
  Effective for annual periods beginning on or after 1 January 2021

  Phase 2 amendments follow on from the amendments issued in September 2019 (Phase 1) that were effective 1 January 2020. Phase 2 provides the following additional reliefs: 1) When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), where these are necessary changes as a direct consequence of IBOR reform and which are considered economically equivalent, relief is provided so that the change will not result in an immediate gain or loss in the income statement; and 2) Hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

  This amendment is not expected to significantly affect the Company's financial statements in current or future periods and further information on this transition is given in Note 4 - Financial risk management.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation (continued)

(b) Standards and amendments early adopted by the Company
No new or amended standards and interpretations were adopted early by the Company.

3.2 Foreign currency translation

(a) Functional and presentational currency
The Company records financial transactions in a variety of currencies across its operating units. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of the Company are presented in 'Pounds Sterling' (£), which is the Company's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are borne by a related Group entity.

Translation differences on financial instruments measured at fair value through profit or loss are reported as part of the fair value gain or loss in the Income Statement.

(c) Foreign Branches
The assets and liabilities of foreign branches that have a different functional currency are translated into pounds sterling (£) as follows;

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each Income Statement are translated at average exchange rate; and
- all resulting exchange differences are recognised in other comprehensive income.

3.3 Disposal groups held for sale and discontinuing operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of disposal groups, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal groups is recognised at the date of derecognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Disposal groups held for sale and discontinuing operations (continued)

Disposal groups are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Balance Sheet.

A discontinuing operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinuing operations are presented separately in the Income Statement.

3.4 Tangible assets

Cost

Tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses which are recognised within administrative expenses. Costs include expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Right-of-use assets are recognised and measured at the respective lease liabilities, adjusted by prepaid lease payments, initial direct costs, and offset by lease incentives received.

Depreciation

Depreciation is provided on a straight-line basis to write off the net cost of each item of property or plant and equipment to its residual value over their expected useful life to the Company. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Right-of-use assets are depreciated over the shorter of the useful life and the lease term.

The estimated useful lives of each class of assets are:

Leasehold improvements	- over 5 to 10 years
Furniture & fittings	- over 3 to 8 years
Plant and Machinery	- over 3 to 8 years
Right of Use	- over 1 to 15 years
Assets in course of construction	- not depreciated until brought into use

In the event of an impairment trigger event being enacted, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing net proceeds with carrying amount and are included in administrative expenses.

Repairs and maintenance (as opposed to improvements and enhancements of existing assets) are charged to the Income Statement during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

3.6 Business combinations, acquisitions and disposals

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties after the combination are accounted for in the financial statements prospectively ("the predecessor values method") from the date the Company obtains the ownership interest. Upon the acquisition of a business or entity, the assets and liabilities of the combined entities or businesses are recognised at their book values. Under the predecessor values method, the investments in subsidiaries are recognised at cost. The cost at the point of recognition is deemed to be equivalent to net book value if the entities involved in such transaction are under common control. No goodwill or discount on acquisition is recognised. An impairment assessment is carried out annually and recognised if the recoverable amount of the investment is less than the carrying amount and the loss is recognised in the Income Statement.

For disposals where a business is transferred to a subsidiary within a business combination, the cost is the consideration paid to acquire the investment in the subsidiary, not the consideration received from the subsidiary for the acquisition of the net assets comprising the business. The consideration paid is therefore the carrying value (equivalent to book value) of the assets transferred.

3.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever market or economic events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (i.e. the higher of an asset's fair value less costs to sell and its value-in-use). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

American Express Services Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Stocks
Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

3.9 Financial assets
The Company classifies its financial assets at fair value through profit or loss (FVTPL) and at amortised cost. The Company did not hold any financial assets classified as fair value through other comprehensive income (FVTOCI) during the reporting period.

The classification is determined on the basis of both: 1) the Company's business model for managing the financial assets and 2) the contractual cash flow characteristics of the financial asset. For an asset to be measured at amortised cost, the contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition.

Interest is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Management determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is generally irrevocable. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrower.

(a) Financial assets at fair value through profit or loss
A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so either:

(i) eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or liabilities or recognising the gains and losses on them on different bases; or
(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Financial assets cannot be transferred into or out of this category after inception except under very specific circumstances, whereby they are recognised initially at fair value, with transaction costs taken directly to the Income Statement. Financial assets at fair value through profit and loss are subsequently measured at fair value. Fair value is determined in the manner described in Note 15.

Assets in this category are classified as current assets if they are expected to be realised within 12 months after the Balance Sheet date. If the Company intends to realise the assets 12 months after the Balance Sheet date, they are classified as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial assets (continued)
Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within administrative expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Income Statement as part of other income when the Company's right to receive payment is established.

Cardmember loans or receivables are classified under IFRS 9 as mandatorily measured at FVTPL because they are held within a business model whose objective is achieved by selling the financial assets.

(b) Financial assets at amortised cost
Financial assets at amortised cost are financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets.

Financial assets at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Certain Cardmember loans and receivables are classified under IFRS 9 as mandatorily measured at amortised cost because they are held within a business model whose objective is achieved by collecting contractual cash flows. These balances relate to minor portfolios that are not sold to a related party.

(i) Cardmember receivables
Cardmember receivables represent amounts due from Charge card customers. These receivables are recorded at the time a Cardmember enters into a point-of-sale transaction with a merchant. Cardmember receivable balances at amortised cost are presented on the Balance Sheet net of reserves for expected credit losses, and include principal and any related accrued fees.

IFRS 9 classification is dependent on the relevant business model applied (see 3.9(a) and 3.9(b)).

(ii) Cardmember loans
Cardmember loans represent amounts due from lending product customers. These loans are recorded at the time a lending Cardmember enters into a point-of-sale transaction with a merchant or when a Charge card customer enters into an extended payment arrangement. Cardmember loans at amortised cost are presented on the Balance Sheet net of reserves for Cardmember expected credit losses, and include accrued interest receivable and fees as of the Balance Sheet date. Cardmember loans also include balances with extended payment terms on certain Charge card products.

IFRS 9 classification is dependent on the relevant business model applied (see 3.9(a) and 3.9(b)).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial assets (continued)

(b) Financial assets at amortised cost (continued)

(iii) Other loans

Other loans are recorded at the time any extension of credit is provided to consumer and commercial customers for non-card financing products. Non-card financing products are not associated with a Cardmember agreement, and instead are governed by a separate borrowing relationship

(iv) Loans due from Group undertakings

Loans due from Group undertakings represent amounts due from other Group companies. Expected credit losses are not material given the nature of the lending and the strong credit position of the Group.

(v) Other debtors

Other debtors relate to travel and regular trade receivables due to the Company in the normal course of business. Expected credit losses are not material given the typically short term nature of these balances.

3.10 Impairment of financial assets

The Company assesses financial assets, other than those at fair value through profit or loss, for credit losses at each Balance Sheet date, and measures loss allowance for expected credit losses. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The Company will measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

(a) Cardmember loans and receivables

For the purposes of a collective evaluation of impairment, Cardmember loans and receivables are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past due status and other relevant factors, with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The aggregation of financial instruments to assess whether there are changes in credit risk on a collective basis may change over time as new information becomes available on groups of, or individual, financial instruments.

The expected credit losses in a group of financial assets that are collectively evaluated for impairment are estimated in a way that reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range on the basis of possible outcomes;
(ii) the time value of money; and
(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

A credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract, and the cash flows that the entity expects to receive. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of financial assets (continued)

(b) Loans due from Group undertakings

Loans due from Group undertakings represent amounts due from other Group companies and as such are not subject to any material impairment losses given the nature of the lending and the strong credit position of the Group.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. A transferred asset and the associated liability are not offset where a transfer of a financial asset does not qualify for derecognition.

3.12 Derecognition of financial instruments, including receivables

Financial instruments are derecognised when the rights to receive cash flows have expired or a transfer of the financial instruments has taken place where the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Transfers of financial assets that do not meet derecognition criteria are accounted for as secured borrowings in the Balance Sheet. Financial liabilities are derecognised when they are extinguished.

3.13 Derivatives financial instruments and hedge accounting

Derivative financial instruments allow the Company and its customers to transfer, modify or reduce their foreign exchange, interest rate and credit risks. These are either held for hedging Company positions, or for trading purposes in relation to the Company's Foreign Exchange International Payments (FXIP) business.

(a) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of the Company's derivative financial instruments are determined using either market quotes or valuation models that are based upon the net present value of estimated future cash flows and incorporate current market data inputs. The Company reports its derivative assets and liabilities on a net basis (by counterparty) where management has the legal right of offset under enforceable netting arrangements and intends to settle on a net basis or to realise the asset and settle the liability simultaneously. Fair value is determined in the manner described in Note 15.

(b) Hedge accounting

Derivative financial instruments that are entered into for hedging purposes are designated as such when the Company enters into the contract. For all derivative financial instruments that are designated for hedging activities, the Company formally documents all of the hedging relationships between the hedge instruments and the hedged items at the inception of the relationships. Management also formally documents its risk management objectives and strategies for entering into the hedge transactions.

In accordance with its risk management policies, the Company generally structures its hedges with very similar terms to the hedged items; therefore, when applying the accounting requirements, the Company generally recognises insignificant amounts of ineffectiveness through earnings. If it is determined that a derivative is not highly effective as a hedge, the Company will discontinue the application of hedge accounting.

The Company has a formal process for assessing whether derivatives designated as hedges are highly effective in offsetting the fair value or cash flows of hedged items, at inception and on a monthly basis. These assessments usually are made through the application of the 'dollar-offset' method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Derivatives financial instruments and hedge accounting (continued)
(b) Hedge accounting (continued)
Hedges of net investments
The Company designates certain derivatives as hedges of a net investment in a foreign operation (net investment hedge).

A net investment hedge in a foreign operation is used to hedge future changes in currency exposure of a net investment in a foreign operation. Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised immediately in the Income Statement. The cumulative gain or loss previously recognised in equity is recognised in the Income Statement on the disposal or partial disposal of the foreign operation.

The foreign exchange gains/losses on net investment hedging instruments in relation to non-consolidated subsidiaries are recognised in the Income Statement.

Further information about the Company's hedging arrangements is given in Note 16.

3.14 Cash at bank and in hand
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 90 days or less, and bank overdrafts. It also includes funds held on behalf of customers in safeguarded accounts, primarily caused by Cardmember overpayments or refunds.

Bank overdrafts are shown as bank loans and overdrafts within creditors falling due within one year on the Balance Sheet.

All cash and bank balances and money market instruments are carried at the principal amount. Interest is recognised using the effective interest method.

3.15 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Financial liabilities
(a) Financial liabilities at fair value through profit or loss
Financial instruments are classified in this category if they are derivatives, held for trading, or if they are designated by management under the fair value option.

Financial liabilities at fair value through profit or loss are initially measured at fair value, with transaction costs taken directly to the Income Statement, and subsequently stated at fair value, with any resultant gain or loss recognised in the Income Statement. The net gain or loss recognised in the Income Statement incorporates any interest paid on the financial liability.

(b) Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method, with interest expense recognised in the Income Statement on an effective yield basis. Other financial liabilities are classified as borrowings, trade creditors, other creditors and accruals in the Balance Sheet.

Preference shares which are mandatorily redeemable on a specific date, are classified as liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Financial liabilities (continued)

(c) Financial loan commitments

These commitments represent the amount of unutilised credit outstanding on the Cardmember loans issued by the Company. There is no deemed commitment in respect of Cardmember receivables given that they are recorded at the time a Cardmember enters in to a point-of-sale transaction with a merchant, and represent amounts due on our card products and card-related fees that need to be paid in full on or before the Cardmember's payment due date. There is no credit facility offered in respect of Cardmember receivables. Given that Cardmember loans are classified as FVTPL (due to past practice of selling these assets) IFRS 9 requires the recognition of an undrawn commitment which is also classified as FVTPL. The fair value of the undrawn commitment leverages the IFRS 9 expected credit loss calculation methodology for the unfunded commitment (refer to Note 3.26 on accounting estimates and judgements and Note 15 classification of financial instruments) and is reported as part of other creditors. The Company has not provided any loan commitments at below market interest rates or that can be settled net in cash or by delivering or issuing another financial instrument.

3.17 Borrowings

Borrowings are recognised initially at fair value, generally their cash equivalents, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within 12 months after the Balance Sheet date are presented as current borrowings even if the original term was for a period longer 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the Balance Sheet date and before the financial statements are authorised for issue.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. All other borrowing costs are recognised as an expense in the Income Statement using the effective interest method in the period in which they are incurred.

3.18 Current and deferred tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Balance Sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset where the deferred tax balances relate to the same taxation authority, and a legally enforceable right to offset exists. Current tax assets and tax liabilities are offset (where a legally enforceable right exists) where the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Current and deferred tax(continued)

Current and deferred tax charges and credits are recognised in the Income Statement, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax charge is also recognised in other comprehensive income or directly in equity.

3.19 Employee benefits

(a) Wages and salaries, annual leave and sick leave, bonuses and long service leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date as a result of restructuring or whenever an employee accepts voluntary redundancy in exchange for termination benefits. The Company recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal. Benefits falling due more than 12 months after the Balance Sheet date are discounted to present value.

(c) Pension obligation

American Express Company provides pension arrangements for employees through defined benefit plans in the UK, the Netherlands, Germany and Italy, and through defined contribution schemes in the UK, Germany and Sweden. The participating employers of the UK plan share the associated risks of the plan under common control, with no stated policy of sharing net defined benefit cost or for determining the contributions to be paid by each sponsoring employer. None of the participating legal entities have been assessed as being sponsoring employers of the plan. As a result, American Express UK legal entities account for the plans as if they were a defined contribution arrangement with additional disclosure notes for the material plans (UK and Germany), compliant with IAS 19. Contributions are charged to the Income Statement in the period in which they are paid. Payments to the Company's defined contribution stakeholder pension schemes are recognised as an expense as they fall due.

(d) Share based compensation plans

The Company engages in equity-settled share-based awards in respect of services received from certain employees. For equity-settled awards, the fair value of services received is measured by reference to the fair value of the stock awards or share options granted on the date of grant. The cost of employee services received in respect of the stock awards or share options granted is recognised in the Income Statement over the vesting period. The vesting period is the shorter of the vesting schedule as defined in each award agreement or the date an individual will become eligible to retire. Retirement eligibility is dependent upon age and/or years of service.

The fair value of options granted is determined by using the 'Black-Scholes-Merton' option-pricing model. Restricted Stock awards that do not include the Relative Total Shareholder Return (R-TSR) modifier are valued using American Express Company's stock price on the date of grant. The performance-based Restricted Stock Awards that include the R-TSR modifier are valued using a Monte Carlo valuation model. The R-TSR modifier is a specific performance condition that defines total shareholder return as the stock price appreciation over the performance period in comparison to American Express' peers and is a determining factor in the final shares issued to an employee.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Employee benefits (continued)

(d) Share based compensation plans (continued)

As options and awards on American Express Company shares are granted by the ultimate parent company to the employees of the Company, those awards are accounted for in equity. The Company has an obligation to repay the ultimate parent company for the share-based payments, and that repayment is offset against equity to the extent that it has been paid or is payable to the ultimate parent company.

Portfolio Grants are primarily cash-settled, however since the Company does not have an obligation to settle the award it is recorded as an equity transaction. An expense is recognised in the Company's Income Statement over the vesting period; and a credit is recognised in equity. These awards earn value based on American Express Company's financial performance, market and service conditions, and vest over periods from one to three years.

3.20 Provisions and contingent liabilities

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised on future operating losses. Provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expected required expenditures to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are disclosed when there is a present obligation that arises from past events but are not recognised because the amount of the obligations cannot be measured reliably, or where there is a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

3.21 Exceptional items

Items that are (i) material, (ii) result in the generation of revenues or expenses outside the ordinary course of the Company's business and (iii) are not expected to recur in subsequent years are separately presented in the Income Statement as an exceptional item.

3.22 Revenue recognition

Revenue comprises income arising in the course of the Company's ordinary activities net of value-added and other taxes, rebates and discounts.

The Company recognises revenue at an amount that reflects the consideration to which it expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised as follows:

- Billing Credit revenue is earned from another Group company for the service and functions the Company provides to the American Express network. The revenue that the Company earns is a proportion of the billings incurred by its Cardmembers, on account of their spend. Revenue is recognised in the period in which the Cardmember spend occurs and is presented net of a trademark royalty payable to another Group company. The Company satisfies its obligations under these agreements over the contract term, often on a daily basis, through the processing of Cardmember transactions and the availability of our payment network.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Revenue recognition (continued)

- Card fees represent revenue earned from annual card membership fees, which vary based on the type of card and the number of cards for each account. The Company offers various card products, including both charge and lending products, with a range of associated services and benefits. The annual fee entitles the Cardmember to use the card to make purchases at merchants on the American Express network, as well as providing the Cardmember with access to the card-related services and benefits. Benefits associated with a card product may include access to the Membership Rewards program, or a third-party reward program, and the ability to earn points that are redeemable for a variety of goods and services in these programs by spending on the card product.

  The Company satisfies its obligations to the Cardmember over the annual membership term, through the processing of Cardmember transactions and enabling the availability of the card-related benefits and services. Card fees, net of a reserve for projected refunds for Cardmember cancellation, are deferred and recognised on a straight-line basis over the 12-month card membership period as net card fees in the Income Statement. Credit and Charge card fees are recognised in turnover in the Income Statement and the unamortised net card fee balance is reported in creditors in the Balance Sheet. Incremental costs incurred to acquire Cardmembers are capitalised as an asset within debtors and amortised on a straight-line basis over the expected Cardmember account life which is estimated based on historical experience and any relevant current information. Cash rewards or statement credits representing cash consideration payable to Card Members are recorded as a reduction of the card fee, with any excess classified as expense, when the statement credit is awarded to the Cardmember.
- Spread revenue arises from remittance and money changing operations and is recognised when there is an exchange rate difference arising from the buying and selling of foreign currencies, as these currency transactions take place.
- Interest revenue is recognised using the effective interest rate method based upon the principal amount outstanding in accordance with the terms of the applicable account agreement (further information is provided in Note 3.24). Interest revenue incorporates interest earned in relation to assets held at both amortised cost and FVTPL.
- Other commissions and fees include certain variable fees charged to Cardmembers, including foreign currency conversion fees, delinquency fees and travel commission and fees. Currency conversion and delinquency fees are primarily recognised in the period in which the Cardmember uses the card-related service (such as the foreign currency conversion). Travel commissions and fees for travel agency services include commissions from third-party travel suppliers, such as hotels and airlines, as an agent for facilitating travel arrangements between the travel suppliers and Cardmembers, which are primarily recognised at the point in time the reservations or travel arrangements are booked.
- Revenue from services to other related Group entities arises when the Company performs a service on behalf of another related Group entity. The Company charges the related Group entity on an arm's length basis, with this revenue being recognised in the period in which the service is provided. The Company determines these revenues using either traditional transaction methods or transactional profit methods. This category of revenue includes post-business transfer operating model income for the Company's entrepreneurial role which is calculated using a combination of inputs, including subsidiary targeted arm's length profit margins and subsidiary Cardmember spend. Entrepreneurial fee income is recognised throughout the year based on forecast data and aligned to actual results at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Membership rewards expense

Cardmembers can earn Membership Rewards points for purchases charged on their enrolled card products. Membership Rewards points are redeemable for a broad variety of rewards, including travel, shopping, gift cards, and covering eligible charges. Membership Rewards points do not expire unless a Cardmember terminates their relationship with American Express, and there is no limit on the number of points a Cardmember may earn. Membership Rewards expense is driven by charge volume on enrolled cards, customer redemption behaviour and contractual arrangements with redemption partners.

The Company records a Membership Rewards liability that represents the estimated cost of Membership Rewards points earned that are expected to be redeemed by Cardmembers in the future. The Membership Rewards liability is impacted over time by enrolment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. The Company estimates the Membership Rewards liability by determining the ultimate redemption rate ("URR") and the weighted average cost ("WAC") per point, which are applied to the points of current enrollees. The URR assumption is used to estimate the number of Membership Rewards points earned by current enrollees that will ultimately be redeemed in future periods. The URR is applied to all points earned since inception by current enrollees, and the points utilised since inception are deducted. The WAC is then applied to the remaining points figure to calculate the Membership Rewards liability. The Company uses statistical and actuarial models to estimate the URR of points earned to date by current Cardmembers based on redemption trends, card product type, enrolment tenure, card spend levels and credit attributes. The WAC per point assumption is used to estimate future redemption costs and is primarily based on redemption choices made by Cardmembers, reward offerings by partners, and Membership Rewards program changes. The WAC per point assumption is derived from the previous 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations and expected developments in redemption patterns. The Membership Rewards reserve is currently measured on an undiscounted basis. Management has assessed the amount of the reserve incorporating a discount, and the difference is not material to the financial statements.

The Company periodically evaluates its liability estimation process and assumptions based on developments in redemption patterns, cost per point redeemed, partner contract changes and other factors. The process of estimating the Membership Rewards liability includes a high degree of judgement. Actual redemptions and associated redemption costs could differ significantly from our estimates, resulting in either higher or lower Membership Rewards expense. Changes in the Membership Rewards URR and WAC per point have the effect of either increasing or decreasing the liability through the current period 'Marketing, promotion, rewards and Card Member services' expense (part of administrative expenses) by an amount estimated to cover the cost of points previously earned but not yet redeemed by current enrollees as of the end of the reporting period.

3.24 Interest income and expense

Interest on Group financing activities and Cardmember lending is earned or recognised using the average daily balance method. Interest is recognised based upon the loan principal amount outstanding in accordance with the terms of the applicable account agreement until the outstanding balance is paid or written-off.

Interest income is presented gross of the related interest expense. Interest income associated with Cardmember lending is presented as turnover and represents income earned from the fair valued assets. Interest income on Group related financing activities is presented as Interest receivable and similar income.

Interest income and expense are recognised in the Income Statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Interest income and expense (Continued)

contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

For amortised cost receivables that are not credit impaired ("stage 1" and "stage 2"), interest income is calculated based on the gross carrying amount of the asset. When a receivable is impaired ("stage 3"), interest income will be calculated based on the net carrying amount (net of credit allowances). Interest income on impaired loans is recognised using the original effective interest rate. If the asset is no longer impaired the interest income calculation reverts to the gross carrying amount.

3.25 Leases

The Company primarily maintains operating leases for its office real estate facilities, under non-cancellable and cancellable lease agreements.

The Company recognises right-of-use assets and lease liabilities for operating leases with terms greater than twelve months. The Company's policy is not to separate lease and non-lease components when measuring the real estate right-of-use assets and lease liabilities.

Lease liabilities are recognised at lease commencement date and measured at the present value of the remaining contractual fixed lease payments, discounted using the Company's incremental borrowing rate. Right-of-use assets are recognized and measured at the respective lease liabilities, adjusted by prepaid lease payments, initial direct costs, and offset by lease incentives received. Right-of-use assets are depreciated over the shorter of the useful life and the lease term.Variable lease payments are excluded from the right-of-use assets and lease liabilities, and are recognised in the period in which the obligation for those payments is incurred.

The Company presents right-of-use assets in tangible assets and lease liabilities in creditors in the Balance Sheet. The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases for real estate leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Accounting estimates, assumptions and judgements

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Membership Rewards provision

The Company records a Membership Rewards liability that represents the estimated cost of Membership Rewards points earned that are expected to be redeemed by Cardmembers in the future. The Membership Rewards liability is impacted over time by enrolment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. The Company estimates the Membership Rewards liability by determining the ultimate redemption rate ("URR") and the weighted average cost ("WAC") per point, which are applied to the points of current enrollees. The URR assumption is used to estimate the number of Membership Rewards points earned by current enrollees that will ultimately be redeemed in future periods. The Company uses statistical and actuarial models to estimate the URR of points earned to date by current Cardmembers based on redemption trends, card product type, enrolment tenure, card spend levels and credit attributes. The WAC per point assumption is used to estimate future redemption costs and is primarily based on redemption choices made by Cardmembers, reward offerings by partners, and Membership Rewards program changes. The WAC per point is derived from the previous 12 months of redemptions and is adjusted as appropriate for certain changes in redemption costs that are not representative of future cost expectations.

The Company continues to consider the Covid-19 pandemic and resulting restrictions on travel and tourism, with respect to the carrying value of the Membership Rewards liability. Following the WAC per point decrease seen in 2020 (as a result of travel restrictions and the resulting change in Cardmember redemption behaviour) the Company implemented a temporary WAC floor in the calculation of the Membership Rewards liability in 2020. This reflected the fact that the change in Cardmember redemption behaviour was expected to be temporary in nature and not reflective of the future cost expectations of the Membership Rewards liability. The Company continued to monitor Cardmember redemption behaviour and the impact on WAC per point throughout 2021 and into 2022. The Company concluded that the WAC floor (set at the Q2 2020 WAC per point level) remains the appropriate input into the Membership Rewards liability calculation as at 31 December 2021. If the floor had not been applied the Membership Rewards expense and liability would have been lower by £2.6m as at 31 December 2021 (2020: £4.8m).

An increase of 1% (100 bps) in the URR would result in an increase in the Membership Rewards provision of £5.7m. A 10% increase in the WAC would result in an increase in the Membership Rewards provision of £14.8m. Given the methodology for calculating the Membership Rewards liability (applying the URR to the points earned since inception, then deducting actual points redeemed since inception to calculate the reservable points bank to which the WAC is applied, rather than applying the URR and WAC to the net unredeemed points since inception), the 1% increase applied to the URR does not lead to a direct 1% increase in the Membership Rewards provision.

- Fair value of undrawn commitments

The fair value of undrawn commitments is calculated using the unfunded IFRS 9 expected credit loss calculation methodology as a proxy (refer to the judgements associated with this methodology later in this note).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Accounting estimates, assumptions and judgements (continued)

Estimates and assumptions (continued)

- Fair value of undrawn commitments (continued)

Note 4 (c) Expected Credit Loss (ECL) measurement, provides details of the methodology and key inputs used to estimate the expected credit losses on the unfunded commitment, including when a significant increase in credit risk has occurred and what forward looking macroeconomic information to incorporate. Significant estimation is required in determining which macroeconomic scenarios to incorporate and the relative weightings ascribed to each scenario. The nature of this balance is sensitive and driven by movements in credit risk. A 20 percentage point movement in the scenario weightings from pessimistic to optimistic results in the estimated losses on the unfunded commitment, and consequently the undrawn commitment liability, decreasing by approximately £2.4m.

There are a number of other estimates made in the preparation of the financial statements. However, these are not considered critical accounting estimates based on the IAS 1 definition.

Judgements

The preparation of the financial statements involves a number of judgements. The items with a higher degree of judgement or complexity are:

Business model assessment and FVTPL designation of Cardmember loans and receivables

As outlined in Note 3.9 (a) and (b) Cardmember loans and receivables are classified as FVTPL due to there being a business model in place whose objective is achieved by selling those loans and receivables to an affiliate entity on a regular basis. The Company's judgement in making this determination and consequently in classifying those Cardmember loans and receivables at FVTPL is formed on the basis of management's intention to continue such sales for the foreseeable future and the past practice of realising cashflows on these assets through sale.

Fair value of undrawn commitment – Note 3.16(a) Financial liabilities at fair value through profit or loss

Under IFRS 9, the undrawn commitment in relation to future Cardmember spend should be measured at fair value when there is a past practice of selling the assets resulting from these commitments shortly after origination. Management applied judgement in determining that the undrawn commitment should only consist of the expected credit losses on future spend, discounted at the effective interest rate. In assessing whether the fair value of future card fees and future expenses to support the commitment should be included within this fair value calculation, management concluded that both elements relate more to the overall Cardmember relationship rather than specifically the undrawn commitment. These elements were therefore excluded. The calculation of the fair value of the undrawn commitments leverages IFRS 9 expected credit loss calculation methodology (see Note 4 (c) for further details). Other methodologies could also be applied but management have made a judgement to apply this approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Accounting estimates, assumptions and judgements (continued)

Judgements (continued)

Defined benefit pension scheme

Certain employees participate in defined benefit pension schemes with several participating employers sharing the risks between entities under common control. The plans do not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for these schemes. None of the participating legal entities have been assessed as being sponsoring employers of the plans. In the judgement of the directors, the Company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for a defined contribution scheme (see Note 27 for further details).

Membership rewards provision

The choice of methodology used to estimate the Membership Rewards liability requires the application of judgement. A judgement has been made that the most appropriate way of reflecting expected unused points when customers leave, is to apply the URR to to all points earned since inception (by current enrollees) and deduct the points utilised to date to determine the number of remaining points for which a provision is required. Alternative methodologies could be used, for example a first in first out approach, which would result in a different liability.

4. FINANCIAL RISK MANAGEMENT

Governance
Risk management of the Company is overseen by its Directors who are responsible for managing the Company's affairs and for ensuring that the operations of the Company, including those of its branches, are carried out effectively and with due regard to the reputation of the Group and the requirements imposed upon it by law, regulation and relevant regulatory bodies.

To fulfil these responsibilities, the Company maintains a governance framework including the following committees, each reporting regularly to the Board:
• The Audit and Finance Committee; and
• The Operational Risk Committee.

The Payment Protection Insurance Committee (which previously reported to the Board via the Operational Risk Committee) was dissolved in December 2021 following Board approval, given the completion of all significant Payment Protection Insurance redress activities.

For further details on the committees and the responsibilities of the Directors, please refer to the Directors' and Strategic reports.

The Company primarily adopts the Group's Enterprise-wide Risk Management (ERM) program policies and strategies. The objective of the ERM is to identify, aggregate, monitor and manage risks in order to maintain and continuously improve risk management controls and processes that will enable profitable growth, while delivering outstanding customer service.

Capital risk management
The Company manages its capital within the guidelines set by the Board of Directors and Audit and Finance Committee.

As an authorised payment institution, the Company is required to maintain capital levels which exceed a prescribed level of minimum capital, as required by the Payment Services Regulations 2017. The Company has an FCA minimum capital requirement for the year of £9.8m which is considerably lower than the capital levels it maintains. Capital monitoring processes are in place to ensure the Company exceeds the minimum capital requirement at all times. The Company is also required to undertake daily safeguarding of relevant funds.

The Company's capital is managed to ensure adherence to its minimum capital requirement as a payment institution in addition to ensuring that it will be able to support the business' objectives and continue as a going concern. In order to support these objectives, the capital structure of the Company is monitored on a monthly basis. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 22, cash at bank and in hand disclosed in Note 19 and amounts attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity and Note 26.

(a) Market risk
Market risk is the risk to earnings or asset and liabilities values resulting from movements in market prices. The Company's market risk exposure includes:
- Interest rate risk due to changes in the relationship between the interest rates on the Company's assets such as loans and receivables and the interest rates on the Company's liabilities such as debt and deposits; and
- Foreign exchange risk related to transactions funding, earnings, and investments in currencies other than the functional currency in its operations outside the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market Risk (continued)

The Company adopts the Market Risk Policy within the ERM program, which establishes processes and criteria to minimise earnings volatility while supporting sustainable profit growth in relation to interest rate risk management.

(i) Interest rate risk management

The Company's interest rate exposure can vary over time as a result of, among other things, the proportion of total funding provided by variable and fixed-rate debt and deposits compared to Cardmember loans and receivables.

Residual interest rate exposure within the Company's charge card and lending products along with the exposure from 'Loans due to/from Group undertakings' is managed at a Group level by varying the proportion of total funding provided by variable-rate debt and deposits compared to fixed-rate debt and deposits. The Group may change the mix between variable-rate and fixed-rate funding based on changes in business volumes and mix, among other factors.

For the purposes of interest rate risk management, the Group (including the Company) does not enter into any contract that gives rise to the recognition of derivative financial instruments for trading purposes.

Due to uncertainty surrounding the suitability of the London interbank offered rate (LIBOR) as a credible benchmark rate, it is being phased out and will be replaced by alternative reference rates by June 2023. The Group has an enterprise-wide, cross-functional initiative to identify, assess and monitor risks associated with the LIBOR transition, engage with industry participants, customers and regulators and to transition to new alternative reference rates.

As part of this global initiative, the Company has worked to ensure that contracts, operational processes, information technology systems and models have been updated to replace references to LIBOR and facilitate a timely transition to alternative rates. All rates were updated effective 1 January 2022.

The Company held eight loans with affiliate entities which were impacted by the rate reform and needed to be transitioned to alternative reference rates. Four loans with GBP LIBOR rates and a combined 31 December 2021 value of £1,498m were transitioned to term Sterling Overnight Indexed Average rates (SONIA), three loans with USD LIBOR rates and a combined 31 December 2021 value of £50.7m were transitioned to term Secured Overnight Funding Rates (SOFR) and one loan with CHF LIBOR rates and a 31 December 2021 value of £0.7m was transitioned to the Swiss Average Rate Overnight (SARON) compounded index. The impact to the Company of transitioning to the new rates was immaterial.

The table below summarises the re-pricing profiles of the Company's financial instruments and other assets and liabilities at their carrying value on 31 December 2021. Items are allocated to time periods by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(i) Interest rate risk management **(continued)**

2021	0 – 3 months £000	3 – 12 months £000	1-5 years £000	Over 5 year £000	Non-interest bearing £000	Total £000
ASSETS						
Cash at bank and in hand	283,026	—	—	—	—	283,026
Debtors:						
- Cardmember receivables	—	—	—	—	177,227	177,227
- Receivables from Group undertakings	—	—	—	—	1,362,164	1,362,164
- Other debtors	—	—	—	—	11,621	11,621
Derivative financial instruments	—	—	—	—	18,529	18,529
Investment securities	—	—	—	—	36	36
Loans:						
- Cardmember lending	266,643	—	—	—	—	266,643
- Loans due from Group undertakings	45,099	826,377	10,921	—	—	882,397
- Loans due from related parties	18	—	—	—	—	18
Total Financial Assets	**594,786**	**826,377**	**10,921**	**—**	**1,569,577**	**3,001,661**
Non-Financial Assets	—	—	—	—	**475,891**	**475,891**
TOTAL ASSETS	**594,786**	**826,377**	**10,921**	**—**	**2,045,468**	**3,477,552**
LIABILITIES						
Trade and other creditors	749	6,062	33,091	46,305	166,615	252,822
Accruals	—	—	—	—	188,490	188,490
Derivative financial instruments	—	—	—	—	5,431	5,431
Borrowings:						
- Loans due to Group undertakings	21	54,177	1,654,710	—	—	1,708,908
- Bank borrowings	3,806	—	—	—	—	3,806
Total Financial Liabilities	**4,576**	**60,239**	**1,687,801**	**46,305**	**360,536**	**2,159,457**
Non-Financial Liabilities	—	—	—	—	**256,995**	**256,995**
TOTAL LIABILITIES	**4,576**	**60,239**	**1,687,801**	**46,305**	**617,531**	**2,416,452**
Net interest rate gap	**590,210**	**766,138**	**(1,676,880)**	**(46,305)**	**1,427,937**	**1,061,100**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)
(i) Interest rate risk management (continued)

2020	0 – 3 months £000	3 – 12 months £000	1-5 years £000	Over 5 year £000	Non-interest bearing £000	Total £000
ASSETS						
Cash at bank and in hand	378,766	—	—	—	—	378,766
Debtors:						
- Cardmember receivables	—	—	—	—	108,221	108,221
- Receivables from Group undertakings	—	—	—	—	1,120,943	1,120,943
- Other debtors	—	—	—	—	13,217	13,217
Derivative financial instruments	—	—	—	—	5,790	5,790
Investment securities	—	—	—	—	39	39
Loans:						
- Cardmember lending	30,623	—	—	—	—	30,623
- Loans due from Group undertakings	25,931	—	636,138	—	—	662,069
- Loans due from related parties	24	—	—	—	—	24
Total Financial Assets	**435,344**	**—**	**636,138**	**—**	**1,248,210**	**2,319,692**
Non-Financial Assets	**—**	**—**	**—**	**—**	**490,308**	**490,308**
TOTAL ASSETS	**435,344**	**—**	**636,138**	**—**	**1,738,518**	**2,810,000**
LIABILITIES						
Trade and other creditors	2,495	5,121	30,551	54,387	172,135	264,689
Accruals	—	—	—	—	137,810	137,810
Derivative financial instruments	—	—	—	—	8,840	8,840
Borrowings:						
- Loans due to Group undertakings	62,876	613,088	421,418	—	—	1,097,382
- Bank borrowings	102,236	—	—	—	—	102,236
Total Financial Liabilities	**167,607**	**618,209**	**451,969**	**54,387**	**318,785**	**1,610,957**
Non-Financial Liabilities	**—**	**—**	**—**	**—**	**211,022**	**211,022**
TOTAL LIABILITIES	**167,607**	**618,209**	**451,969**	**54,387**	**529,807**	**1,821,979**
Net interest rate gap	**267,737**	**(618,209)**	**184,169**	**(54,387)**	**1,208,711**	**988,021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(ii) Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates throughout the financial year and the impact of a 100 basis points change in base interest rates on the results for the financial year. A 1% (100bps) change is used when reporting interest rate risk to key management personnel and represents management's assessment of the possible change in interest rates and the potential impact to earnings. This effect is calculated by applying a 1% (100bps) shift up or down on base interest rates across every currency interest rate.

For the year ended 31 December, if base interest rates had been 1% (100 bps) higher or lower* across each currency:

	2021		2020	
	Shift Up	Shift Down	Shift Up	Shift Down
	£000	£000	£000	£000
Impact on profit or loss before taxes	**(26,034)**	**19,294**	(17,774)	18,488
Impact on equity	**(21,088)**	**15,628**	(14,397)	14,975

**Lower base of interest rate is currently capped at zero for the purpose of calculating the Interest Rate sensitivity associated with Loans due and from Group undertakings in line with the associated agreements.*

The 2020 comparatives have been adjusted to reflect a refinement in the sensitivity calculation for 2021 which removed a cap on base rates at zero. The adjusted 2020 figures are presented on a consistent basis with the 2021 sensitivity.

(iii) Foreign currency risk management

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

The Company's foreign exchange risk is managed primarily by entering into foreign exchange spot transactions or hedged using foreign exchange forward contracts. These contracts are only entered into when the hedge costs are economically justified and are in notional amounts designed to offset pre-tax impacts from currency movements in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)

(iii) Foreign currency risk management (continued)

The table below shows the net foreign exchange positions of the Company by major non-sterling currencies as at the Balance Sheet date.

	US Dollars £000	Euro £000	Other £000	Total £000
2021				
FINANCIAL ASSETS				
Cash at bank and in hand	53,130	4,518	2,870	**60,518**
Debtors:				
- Cardmember receivables	—	28,546	—	**28,546**
- Receivables from Group undertakings	3,601	2,943	21	**6,565**
- Other debtors	914	8,061	—	**8,975**
Investment securities	—	36	—	**36**
Loans:				
- Loans due from Group undertakings	6,276	911,925	1,972	920,173
- Loans to related parties	—	12	2	14
TOTAL FINANCIAL ASSETS	**63,921**	**956,041**	**4,865**	**1,024,827**
FINANCIAL LIABILITIES				
Trade and other creditors	13,434	14,357	2,508	**30,299**
Accruals	14,357	14,929	91	**29,377**
Borrowings:				
- Loans due to Group undertakings	50,697	158,568	1,915	**211,180**
TOTAL FINANCIAL LIABILITIES	**78,488**	**187,854**	**4,514**	**270,856**
Total	**(14,567)**	**768,187**	**351**	**753,971**

American Express Services Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (continued)
***(iii) Foreign currency risk management* (continued)**

	US Dollars £000	Euro £000	Other £000	Total £000
2020				
FINANCIAL ASSETS				
Cash at bank and in hand	64,452	9,397	4,469	**78,318**
Debtors:				
- Cardmember receivables	—	20,413	—	**20,413**
- Receivables from Group undertakings	8,799	3,174	39	**12,012**
- Other debtors	690	3,182	1,893	**5,765**
Investment securities	—	39	—	**39**
Loans:				
- Loans due from Group undertakings	—	660,791	888	**661,679**
- Loans to related parties	—	9	—	**9**
TOTAL FINANCIAL ASSETS	**73,941**	**697,005**	**7,289**	**778,235**
FINANCIAL LIABILITIES				
Trade and other creditors	14,276	19,511	5,351	**39,138**
Accruals	11,958	16,383	102	**28,443**
Borrowings:				
- Loans due to Group undertakings	49,929	99,989	1,869	**151,787**
TOTAL FINANCIAL LIABILITIES	**76,163**	**135,883**	**7,322**	**219,368**
Total	**(2,222)**	**561,122**	**(33)**	**558,867**

Note 4(a)(iv) foreign currency sensitivity provides details of the Company's foreign currency exposure in relation to foreign currency positions.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Market Risk (continued)
(iv) Foreign currency sensitivity
All transactional foreign exchange gains or losses are borne by a related Group entity, including foreign exchange gains or losses on loans to or from other Group entities.

The Company's branches, with the exception of its Italian Branch, remit their profits (if any) to their UK parent on a monthly basis. As a result only the Italian branch will have net assets subject to foreign currency sensitivity impacting other equity when translated into the functional currency of the Company.

The Company continues to enter into derivative forward foreign exchange contracts designated as net investment hedges to manage the Company's exposure to foreign exchange translation of the net assets within its Italian branch (in its role servicing AEI). As a result, there is limited foreign exchange exposure to the Company recorded in other comprehensive income. Residual reported translation movements represent the under hedged position in relation to the Company's Italian branch, where flexing for any significant change in foreign exchange rate will have in an immaterial impact to the Company's overall hedging position. Any translation gain movements caused by changes in foreign exchange rates impacting the Company's under hedged position are considered to be of limited risk.

(b) Credit risk management
Credit risk is defined as loss due to default or changes in the credit quality of a customer, obligator or security. Credit risks in the Company are divided into two broad categories: Individual and Institutional. Each category has distinct risk management capabilities, strategies and tools. Business units that create individual or institutional credit risk exposures of significant importance are supported by dedicated risk management teams, each led by a Chief Credit Officer.

(i) Individual credit risk
Individual credit risk arises from consumer and small business Cardmember loans and receivables, and term loans. These portfolios consist of millions of customers across multiple industries and levels of net worth. The Company benefits from the high-quality credit profile of its customers, which is driven by brand, premium customer servicing, product features and risk management capabilities which span underwriting, customer management and collections. Externally, the risk in these portfolios is generally correlated with broad economic trends, such as unemployment rates and GDP growth. A customer's ability and willingness to repay the Company can be negatively impacted not only by economic, market, political and social conditions but also by a customer's other payment obligations, and increasing leverage can result in a higher risk that customers will default or become delinquent in their obligations to the Company.

The Company adheres to the American Express Individual Credit Risk Management Policy, which assigns key governance responsibilities, prescribes rules for escalating risks and sets forth the Company's guidelines for measuring, assessing, and reporting Individual Credit Risk.

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

Credit risk management is supported by sophisticated proprietary scoring and decision-making models that use up-to-date information on prospects and customers, such as spending and payment history and data feeds from credit bureaus. The Company has developed data-driven economic decision logic for customer interactions to better serve its customers. The majority of the Company's overall exposure to individual credit risk related to Cardmember loans and receivables at a point in time is mitigated by the sale of Cardmember loans and

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk management (continued)
(i) Individual credit risk (Continued)
receivables to a related party, and the short term nature of the Cardmember receivables arising from Charge products.

(ii) Institutional credit risk
Institutional credit risk represents the risk of loss to the Company due to the non-payment of an amount contractually owed to the Company by a business or organisation.

In addition to the individual credit risk, financial difficulties associated with the corporates engaged can also indirectly contribute to the credit risk attached to the corporate charge cards and foreign currency payment solutions.

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

The Company adheres to the American Express Institutional Credit Risk Policy which details its approach to managing institutional credit risk and assigns key governance responsibilities, prescribes rules for escalating risks, and sets forth American Express guidelines for measuring, assessing, and reporting institutional credit risk.

Similar to individual credit risk, business units taking institutional credit risks are supported by embedded enterprise wide Chief Credit Officers. These officers are responsible for the implementation and enforcement of the Institutional Credit Risk Management Policy and for providing guidance to each business unit with substantial institutional credit risk exposures.

The Chief Credit Officers formally review large institutional exposures to ensure compliance with ERMC guidelines and procedures and escalates them to the Board as appropriate. A centralised risk rating unit and a specialised airline risk group provide independent risk assessment of institutional obligors.

A letter has been secured from American Express Company which expresses its intention to support the Company's liquidity position and maintain its safe and sound operations for the thirteen months following the signing of these financial statements. The level of credit risk attached to intercompany positions is therefore limited, given that all entities are part of the same group.

(iii) Significant credit concentration and Credit Quality
Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total credit exposure. The Company's customers operate in diverse industries, economic sectors and geographic regions. The maximum exposure to credit risk for debtors, derivative financial instruments and related party loans equals their carrying amount.

The maximum exposure to credit risk for Cardmember loans equals the balance outstanding at year end (see table below) plus the undrawn committed facilities (disclosed in Note 28 - Commitments).

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk management *(continued)*
(iii) Significant credit concentration and Credit Quality (continued)
With the exception of Cardmember loans, the following table represents the Company's maximum credit exposure (therefore excluding debtor categories that have no credit risk) by type of customer or counterparty, including the credit exposure associated with derivative financial instruments, at 31 December:

	2021	2020
	£000	£000
Cash and deposits with regulated financial institutions	283,026	378,766
Cardmember receivables	177,227	108,221
Cardmember loans	266,643	30,623
All other financial assets	2,274,765	1,802,082

Cardmember loans and Cardmember receivables disclosed above include the Cardmember loans and Cardmember receivables carried at fair value amounting to £267m (2020: £31m) and £149m (2020: £83m) respectively. The majority of the Company's exposure is mitigated by the sale of Cardmember loans and Cardmember receivables to a related party.

As disclosed in the table above, at 31 December 2021 the Company's most significant concentration of credit risk was with institutions included within other financial assets. These mainly comprise loans and amounts due from other Group companies. Cardmember loans and Cardmember receivables on 'individual' accounts are generally advanced on an unsecured basis. However, the Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and willingness to repay. The Company also considers credit performance by customer tenure, industry and geographic location in managing credit exposure. Information on credit quality is given in the relevant notes to the financial statements including Note 17.

The Company is not exposed to any significant credit risk on investment securities and other financial assets which mainly comprise of loans and amounts due from other Group companies.

(c) Expected Credit Loss (ECL) measurement
The Company determines the "stage" of the major financial assets based on the criteria below, and measures the expected credit losses on its financial instruments with inputs discussed in the following sections. The expected credit losses calculated in this way in respect of the unfunded commitment are used as a proxy for the fair value of the undrawn commitments as disclosed in Note 15.

There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

(i) Significant increase in Credit Risk
The criteria for determining whether a financial instrument has experienced a significant increase in credit risk since initial recognition varies by financial asset, and includes both qualitative and quantitative factors. The majority of the Company's overall exposure to credit risk is mitigated by the sale of Cardmember loans and receivables to a related party.

Cardmember receivables
The Company considers that credit risk has increased significantly when the account is more than 30 days past due. The increased risk is due to the fact that, given the nature of Charge products, Cardmembers are expected to pay down their balance in full at each billing cycle.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Expected Credit Loss (ECL) measurement (continued)
(i) Significant increase in Credit Risk (continued)
Cardmember loans
The Company defines the criteria for significant credit risk increase separately for the "transition" (accounts originated before 1 January 2018) and "post-transition" (accounts originated after 1 January 2018) population, based on the availability of risk scores with forward-looking information before and after transition to IFRS9.

A "post-transition" account is assigned to Stage 2 if the 39 month Comprehensive Capital Analysis and Review (CCAR) probability of default (PD) in the reporting month has increased more than a threshold amount, compared to the 39 month CCAR PD assessed at origination.

For the "pre-transition" population; CCAR PD with forward looking macroeconomic information are not available at historical originations; and could not be obtained without undue cost and effort. For these accounts CCAR like PDs were calculated for both the origination and reporting month to assess whether a significant increase in credit risk had occurred, including neutralizing the effect of macro-economic conditions and addressing long tenured accounts where information at account origination is not available.

The probability of default increase threshold is approximated by the mean plus one standard deviation of the absolute change in probability of default for each risk group (segmented by market, product and account tenure). This calculation is used as a proxy for the relative approach required under IFRS9.

(ii) Definition of default
Cardmember receivables and Cardmember loans
The Company considers an account to be in default when it is more than 90 days past due, or in the event of credit cancellation due to credit reasons.

(iii) Measurement of Expected Credit Losses
Cardmember loans and receivables
Under the IFRS 9 expected credit loss model, the Company incorporates past events, current conditions, and future economic conditions. The process of estimating 12-month and lifetime credit reserves involves account level risk-based inputs, which includes the following key variables: probability of default, exposure at default, and loss given default:

- Probability of default models are used to estimate an account's conditional probability of default and its unconditional probability of default. Conditional probability of default is the likelihood an account will write-off, attrite or neither in each month of the forecast. Unconditional probability of default is the cumulative likelihood an account will write-off within certain forecast period.
- Exposure at default models are used to estimate an account's balance before defaulting.
- Loss given default is the final output of the expected credit loss model for all accounts in the portfolio. Loss given default is the final component needed to project net write offs. It is equal to the projected gross write offs minus expected recoveries. Recoveries are the amounts received from Cardmembers after default occurs, typically as a result of collection efforts. The amount of recoveries available to be recouped is a function of the size of the past gross write-off.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Expected Credit Loss (ECL) measurement (continued)
(iii) Measurement of Expected Credit Losses (continued)
While there has been no significant change made to the estimation techniques and significant assumptions made during the reporting period, management have also given consideration to the inclusion of qualitative reserves to cover losses that are expected but, in our assessment may not be adequately represented in the quantitative methods or economic assumptions.

(iv) Forward-looking information
Cardmember loans and receivables
The Company has defined the "reasonable and supportable" forward-looking period to be 39 months, and explicitly considers macro-economic forward-looking information for this period. All other forward-looking information will be included in current models or addressed via a qualitative reserve.

The Company usually considers three possible economic scenarios when incorporating forward looking information into the estimation of expected credit losses, a baseline, an "optimistic" and a "pessimistic" scenario. Each economic scenario is weighted based on probabilities obtained from independent rating agencies. Management reviews these economic scenarios and applies judgement to weight them in order to reflect uncertainty surrounding these scenarios. These macroeconomic scenarios contain certain variables, including unemployment rates and real gross domestic product, that are significant to our models. The multiple macroeconomic variables will be used for two purposes: 1) to determine the stages of assets based on the weighted average probability of default prior to expected credit loss measurement; 2) to derive the weighted average probability of default, exposure at default and loss given default scores as the key inputs for the expected credit loss measurement. For the measurement of expected credit losses as of 31 December 2021, the Company has weighted 60% to the baseline scenario and 40% to the pessimistic scenario.

The following table reflects the range of key variables in the macroeconomic scenarios used for the measurement of expected credit losses as of 31 December 2021:

	31 December 2021
UK Unemployment Rate	
Fourth quarter of 2021	5.44%-5.47%
First quarter of 2022	5.27%-5.76%
Second quarter of 2022	5.07%-6.38%
Third quarter of 2022	4.60%-6.56%
Fourth quarter of 2022	4.17%-6.73%
Fourth quarter of 2023	3.73%-7.06%
Fourth quarter of 2024	3.80%-6.81%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Funding & Liquidity risk management
Funding & liquidity risk is defined as the inability of the Company to meet its ongoing financial and business obligations at a reasonable cost as they become due.

The Company primarily adopts the enterprise-wide funding & liquidity risk policy, which aims to ensure diversified funding during business as usual periods by source, maturity and instrument at a Group and Company level.

To manage the risk, the Group seeks to maintain access to a diverse set of cash, readily-marketable securities and contingent sources of liquidity, such that each American Express operating company can continuously meet its business requirements and expected future financing obligations for at least a twelve-month period, even in the event it is unable to raise new funds under its regular funding programs. The Group balances the trade-offs between maintaining too much liquidity, which can be costly and limit financial flexibility, and having inadequate liquidity, which may result in financial distress during a liquidity event.

The Audit and Finance Committee and the Board are informed of any changes in Group funding policy or practices that would materially affect the Company and its ability to continuously fund its business requirements. This includes an annual overview of the Company's access to existing internal lines of credit from Group entities.

While the Company is perceived to carry little in the way of funding and liquidity risk, management have secured a letter from American Express Company which expresses its intention to support the Company's liquidity position and maintain its safe and sound operations for the thirteen months from the date of signing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT (Continued)
(d) Funding & Liquidity risk management *(continued)*

Liquidity Risk
The following table details the Company's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

2021	On Demand £000	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
LIABILITIES							
Trade and other payables (Note 20 & 21)	—	119,355	48,009	6,062	33,091	46,305	**252,822**
Accruals	—	188,490	—	—	—	—	**188,490**
Derivative financial instruments	—	5,431	—	—	—	—	**5,431**
Borrowings:							
- Loans due to Group undertakings	21	—	—	54,177	1,654,710	—	**1,708,908**
- Bank borrowings	3,806	—	—	—	—	—	**3,806**
Total Financial Liabilities	**3,827**	**313,276**	**48,009**	**60,239**	**1,687,801**	**46,305**	**2,159,457**
Non-Financial Liabilities							**256,995**
TOTAL LIABILITIES	**3,827**	**313,276**	**48,009**	**60,239**	**1,687,801**	**46,305**	**2,416,452**

2020	On Demand £000	Up to 1 month £000	1 to 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
LIABILITIES							
Trade and other payables (Note 20 & 21)	—	145,391	29,239	5,121	30,551	54,387	**264,689**
Accruals	—	137,810	—	—	—	—	**137,810**
Derivative financial instruments	—	8,840	—	—	—	—	**8,840**
Borrowings:							
- Loans due to Group undertakings	62,876	—	—	613,088	421,418	—	**1,097,382**
- Bank borrowings	102,236	—	—	—	—	—	**102,236**
Total Financial Liabilities	**165,112**	**292,041**	**29,239**	**618,209**	**451,969**	**54,387**	**1,610,957**
Non-Financial Liabilities							**211,022**
TOTAL LIABILITIES	**165,112**	**292,041**	**29,239**	**618,209**	**451,969**	**54,387**	**1,821,979**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

5. TURNOVER

Turnover comprises revenue derived from Cardmember spending, card fees including delinquency fees, other commissions and interest received on Cardmember loans classified as FVTPL of £856m (2020: £815m) and revenue from services to other Group companies of £345m (2020: £296m). These amounts are net of a £22m (2020: £Nil) trademark royalty payable to another Group company.

6. SEGMENTAL REPORTING

Turnover by territory or region is as follows:

	Turnover	
	2021	2020
	£000	£000
UK	**1,188,421**	1,095,982
Germany, Austria & Netherlands	**2,557**	3,041
Italy	**6,373**	7,648
Norway, Denmark, Finland & Sweden	**3,684**	4,297
	1,201,035	1,110,968

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

7. PROFIT/(LOSS) BEFORE TAXATION

		2021 £000	2020 £000
Profit/(Loss) before taxation is stated after charging/(crediting):			
Fees payable to the Company's auditors for the audit of the Company's annual financial statements		**810**	760
Fees payable to the Company's auditors and its associates for other:			
- Services to the American Express UK Pension Plan Trustees		**31**	28
- Services pursuant to legislation		**8**	8
Loss/(Gain) on derivative financial instruments		**303**	(155)
Depreciation of tangible assets		**13,934**	13,959
Depreciation of right of use assets		**7,713**	8,502
Loss on disposal of fixed assets		**78**	465
Net fair value loss on financial assets/liabilities mandatorily measured at fair value through profit or loss		**15,222****	160,780*
Fair value loss on financial assets/liabilities mandatorily measured at fair value through profit or loss - Incremental adjustment		—	36,392¥¥
Impairment of Cardmember receivables		**1,302****	2,726**
Impairment of Cardmember loans		**3,501****	5,075**
Operating lease rentals	- Land and buildings	**233*****	302***
	- Others	**174*****	221***

Administrative expenses include staff costs, Cardmember reward and benefit expense, fair value loss/(gain) on financial assets classified as FVTPL, impairment of Cardmember loans and receivables, marketing and other administrative expenses.

*The majority of the expense relates to the fair value loss in respect of Cardmember loans and receivables (see Note 15).

¥¥ In 2020, following negotiations an incremental payment of £36.4m (2021: £Nil) was made by the Company to the affiliate entity that purchases the Company's Cardmember loans and receivables, the payment enabled the Company to continue to sell its Cardmember loans and receivables as part of its existing arrangement with the affiliate.

**Expense primarily consists of fraud loss.

***Residual balance due to low value and short term lease costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

8. STAFF COSTS

	2021 £000	2020 £000
Wages and salaries	**264,218**	236,017
Other employee benefits	**11,217**	10,121
Social security costs	**36,383**	32,209
Other pension costs	**45,863**	44,075
Stock compensation expense	**13,539**	12,988
	371,220	335,410

Included within staff costs is an amount of £12.1m (2020: £4.1m) related to restructuring expenses.

The monthly average number of staff employed by the Company during the year was as follows:

	2021 Number	2020 Number
Sales and marketing	**863**	891
Customer servicing	**1,619**	1,770
Technologies development and support	**687**	712
Other support groups	**844**	839
	4,013	4,212

(a) Stock Options

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

7,000 stock options were outstanding at 31 December 2021 (2020: 71,400). 64,400 stock options were exercised during 2021 (2020: 51,100) at a weighted average exercise price of USD 65.08 (2020: USD 64.76).

The following information applies to options outstanding at the end of each year:

	31 December 2021			**31 December 2020**		
Range of exercise prices	Weighted average exercise price	Number of options	Weighted average remaining contractual life / Years	Weighted average exercise price	Number of options	Weighted average remaining contractual life / Years
$40.01-$65.43	$65.43	7,000	4.33	$65.11	71,400	5.24

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

8. STAFF COSTS

b) Restricted Stock Awards ("RSA") and units ("RSU")

An RSA/RSU grant is a grant of American Express Company's common stock which contains either (a) service conditions or (b) both service and performance conditions. Once vested, the employees receive common shares of American Express Company.

RSAs/RSUs containing only service conditions generally vest 25 percent per year beginning with the first anniversary of the grant date. RSAs containing both service and performance conditions generally vest on the third anniversary of the grant date, and the number of shares depends on the achievement of predetermined metrics. Beginning in 2019, the R-TSR modifier was added to the performance-based RSAs/RSUs, so that American Express Company's actual shareholder return relative to a competitive peer group is one of the performance conditions that determines the number of shares ultimately granted upon vesting.

The fair value of RSAs/RSUs that do not include the R-TSR modifier is determined using American Express Company's stock price on the date of grant. The fair value of performance-based RSAs/RSUs that include the R-TSR modifier is determined using a Monte Carlo valuation model. All RSA/RSU holders receive non-forfeitable dividends or dividend equivalents. As of 31 December 2021, the total outstanding RSAs/RSUs are expected to vest over a weighted average period of 1.10 years (2020: 1.08 years).

As at 31 December 2021 there were 456,208 (2020: 401,262) RSAs/RSUs outstanding. During 2021, 142,536 (2020: 161,047) RSAs/RSUs vested with a weighted average grant price of USD 99.59 each (2020: USD 78.66).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

9. DIRECTORS' REMUNERATION

	2021 £000	2020 £000
Emoluments	**1,975**	1,491
Amounts receivable under long term incentive schemes	**479**	626
Pension costs	**43**	51
	2,497	2,168

The number of Directors to whom retirement benefits were accruing in respect of qualifying services during the year ended 31 December 2021 were as follows:

	2021 No.	2020 No.
Money purchase schemes	**8**	8
Defined benefit schemes	**—**	—

During the year nine (2020: nine) Directors exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of Restricted Stock Awards ("RSAs") vesting in the year.

The following remuneration was earned by the highest paid Director:

	2021 £000	2020 £000
Emoluments including receivable under long term incentive scheme	**823**	729
Pension Costs	**2**	3
	825	732

In addition, the highest paid Director also exercised share options in American Express Company, the ultimate parent company, and/or received common stock in American Express Company as a result of RSAs vesting in the year.

One Director who served during the year was employed by and received their remuneration from another American Express group company; services provided by employees of one American Express group company to another fall under the enterprise-wide Transfer Pricing Policy and are recharged appropriately.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000	2020 £000
Interest earned from Group undertakings	**3,002**	5,874
Other interest receivable	**1,373**	1,260
	4,375	7,134

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £000	2020 £000
Interest payable to Group undertakings	**5,658**	8,256
Other interest payable	**2,921**	(43)
	8,579	8,213

Following the renegotiation of the Belgrave House lease the existing Asset Retirement Obligation (ARO) provision was extinguished resulting in the reversal of previous impacts to depreciation and interest payable. The negative 'Other interest payable' balance shown in 2020 above arises from this reversal.

12. TAX ON PROFIT/(LOSS)

	2021 £000	2020 £000
Profit/(Loss) before taxation	**83,400**	(75,613)
Tax charge/(credit) on profit at effective rate 19% (2020: 19%)	**15,846**	(14,366)
<u>Adjusted for the effects of:</u>		
Non-deductible expenses	**1,905**	2,844
Income not taxable	**—**	(356)
Tax rate changes	**(9,622)**	(2,826)
Effect of overseas tax rates - Italy	**3,545**	701
Adjustment for prior years	**5,546**	(1,934)
Others	**11**	22
Unrelieved foreign tax not previously recognised	**(413)**	490
Net deferred tax asset not previously recognised	**(139)**	(1,902)
Write off of DTAs following business transfer transaction	—	—
Share based payments net tax deduction	**(280)**	89
Total tax charge/(credit) on profit/(loss)	**16,399**	(17,238)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

12. TAX ON PROFIT/(LOSS) (Continued)	2021 £000	2020 £000
Current income tax		
UK tax		
Current income tax	**19,847**	1,516
Adjustment for prior years	**(11,056)**	(2,524)
Less: relief for overseas tax	**(1,011)**	—
	7,780	(1,008)
Overseas tax		
Current income tax	**598**	490
Adjustment for prior years	**3,497**	1,247
Total current tax	**11,875**	729
Deferred tax		
Origination and reversal of temporary differences	**(2,504)**	(15,185)
Adjustment for prior years	**10,465**	(413)
Impact of change in tax rate	**(9,622)**	(2,826)
	(1,661)	(18,424)
Overseas tax		
Origination and reversal of temporary differences	**3,545**	701
Adjustment for prior years	**2,640**	(244)
Total deferred tax	**4,524**	(17,967)
Income tax expense/(credit)	**16,399**	(17,238)

Taxation on items not (credited) / charged to the Income Statement	2021 £000	2020 £000
Current tax credit		
Tax deduction on share options / awards in excess of expense recognised	**(1,171)**	(1,516)
Adjustment for prior years	**(310)**	(830)
Deferred tax (credit) / charge		
Tax deduction on share options / awards in excess of expense recognised	**(1,781)**	1,361
Impact of change in tax rate	**(443)**	(292)
Adjustment for prior years	**—**	765
Total	**(3,705)**	(512)

Factors affecting the tax charge for the year:

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% (enacted on 10th June 2021) from 19% from 1 April 2023. As this rate was substantively enacted at the year end, therefore deferred tax has been calculated at the rate of 25% on all the temporary differences expect the share based payments and change in basis adjustments which have been recognised at blended rates.

The Company has an unrecognised deferred tax asset of £62m (2020: £35m) relating to temporary differences in its overseas branches.

The company also has capital losses of £446,985 against which no deferred tax asset has been recognised due to uncertainty surrounding future capital gains against which the loss can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

12. TAX ON PROFIT/(LOSS) (Continued)

Deferred tax

UK

The following are the major deferred tax assets recognised by the Company and movements thereon:

	Fixed Assets £000	Share based payments £000	Other temporary differences £000	Offset to overseas deferred tax £000	Tax Losses £000	Total £000
As at 1 January 2021	24,267	6,794	4,383	(2,941)	10,942	43,445
Credit/(Debit) to Income Statement	2,552	846	(1,033)	139		2,504
Credit to Equity	—	1,782	—	—	—	1,782
Adjustment for prior years through Income Statement	(38)	—	515	—	(10,942)	(10,465)
Tax rate change to Income Statement	8,457	1,036	1,014	(885)	—	9,622
Tax rate change to Equity	—	443	—	—	—	443
As at 31 December 2021	**35,238**	**10,901**	**4,879**	**(3,687)**	**—**	**47,331**

	Fixed Assets £000	Share based payments £000	Other temporary differences £000	Offset to overseas deferred tax £000	Tax Losses £000	Total £000
As at 1 January 2020	19,875	6,903	4,410	(4,333)	—	26,855
Credit/(Debit) to Income Statement	2,447	440	(546)	1,902	10,942	15,185
Debit to Equity	—	(1,361)	—	—	—	(1,361)
Adjustment for prior years through Income Statement	(352)	765	—	—	—	413
Adjustment for prior years through Equity	—	(765)	—	—	—	(765)
Tax rate change to Income Statement	2,297	520	519	(510)	—	2,826
Tax rate change to Equity	—	292	—	—	—	292
As at 31 December 2020	24,267	6,794	4,383	(2,941)	10,942	43,445

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

12. TAX ON PROFIT/(LOSS) (Continued)

Deferred tax (continued)
Italy

	Provision for credit losses	Other temporary differences	Tax losses	Total
At 1 January 2021	48,440	777	14,732	**63,949**
Revaluation of opening balance	(3,629)	(57)	(1,104)	**(4,790)**
Adjustment for prior years through Income Statement	—	(61)	(2,579)	**(2,640)**
(Debit)/Credit to Income Statement	(8,954)	(147)	5,556	**(3,545)**
At 31 December 2021	**35,857**	**512**	**16,605**	**52,974**

	Provision for credit losses	Other temporary differences	Tax losses	Total
At 1 January 2020	52,586	—	7,989	60,575
Revaluation of opening balance	3,490	—	530	4,020
Adjustment for prior years through Income Statement	—	966	(722)	244
Business transfer adjustment	—	(189)	—	(189)
(Debit)/Credit to Income Statement	(7,636)	—	6,935	(701)
At 31 December 2020	**48,440**	**777**	**14,732**	**63,949**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

13. TANGIBLE ASSETS

	Leasehold improvements £000	Furniture and fittings £000	Plant and machinery £000	Assets in course of construction £000	Right of use Assets £000	Total £000
Cost:						
At 1 January 2021	85,470	15,822	33,435	10,604	91,695	237,026
Exchange differences	(73)	(226)	(297)	(8)	(968)	(1,572)
Transfers (to)/from other Group companies	—	(211)	(101)	808	—	496
Additions / transfers	11,191	545	6,696	(6.570)	84	11,946
Disposals	(1,546)	—	(7,095)	—	—	(8,641)
At 31 December 2021	**95,042**	**15,930**	**32,638**	**4,834**	**90,811**	**239,255**
Accumulated depreciation:						
At 1 January 2021	55,025	13,556	23,349	—	15,779	107,709
Exchange differences	(45)	(169)	(210)	—	(291)	(715)
Transfers to other Group companies	—	(22)	312	—	—	290
Charge for the year	7,377	779	5,778	—	7,713	21,647
Disposals	(1,543)	—	(7,013)	—	—	(8,556)
At 31 December 2021	**60,814**	**14,144**	**22,216**	—	**23,201**	**120,375**
Net book value:						
At 31 December 2021	**34,228**	**1,786**	**10,422**	**4,834**	**67,610**	**118,880**
At 31 December 2020	30,445	2,266	10,086	10,604	75,916	129,317

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

14. INVESTMENTS

Investments comprise of listed investment securities of £0.04m (2020: £0.04m) and wholly owned subsidiaries, American Express Italia s.r.l., American Express Europe S.A and American Express de Espana S.A

The listed investment securities are classified within Level 1 of the fair value hierarchy and the fair value of all listed investment securities is based on their current bid prices in an active market.

Investment in Subsidiaries

	2021	2020
	£000	£000
At 1 January	140,757	139,118
Additions	—	1,639
At 31 December	**140,757**	**140,757**

Undertaking	**Percentage of shares held**	**Description of shares held**	**Principal activity**	**Office address**
American Express Italia s.r.l.	100%	Ordinary	Trading Company	Viale Alexander Gustave Eiffel 15, 00148, Rome, Italy
American Express de Espana S.A.	100%	Ordinary	Holding Company	Avenida del Partenon, 12-14, Campo de las Naciones, Madrid, 28042
American Express Europe S.A.	54%	Ordinary	Trading Company	Avenida del Partenon, 12-14, Campo de las Naciones, Madrid, 28042

The number of shares held reflects the position at both 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 December 2021	Amortised Cost	Financial assets at fair value through Profit and Loss Account	Total
	£000	£000	£000
ASSETS			
Cash at bank and in hand	283,026	—	283,026
Debtors:			
- Cardmember receivables	28,307	148,920	177,227
- Receivables from Group undertakings	1,362,164	—	1,362,164
- Other debtors	11,621	—	11,621
Investments	—	36	36
Derivative financial instruments	—	18,529	18,529
Loans:			
- Cardmember loans	—	266,643	266,643
- Loans due from Group undertakings	882,397	—	882,397
- Loans to related parties	18	—	18
Total Financial Assets	**2,567,533**	**434,128**	**3,001,661**
Non-Financial Assets			**475,891**
Total Assets	**2,567,533**	**434,128**	**3,477,552**

As at 31 December 2021	Amortised Cost	Financial liabilities measured through Profit and Loss Account	Total
	£000	£000	£000
LIABILITIES			
Trade and other payables:			
- Trade creditors	47,260	—	47,260
- Amounts due to Group undertakings	1,298	—	1,298
- Other creditors	164,158	40,106	204,264
Accruals	188,490	—	188,490
Borrowings:			
- Bank loans and overdrafts	3,806	—	3,806
- Loans due to Group undertakings	1,708,908	—	1,708,908
Derivative financial instruments	—	5,431	5,431
Total Financial Liabilities	**2,113,920**	**45,537**	**2,159,457**
Non-Financial Liabilities			256,995
Total Liabilities	2,113,920	45,537	**2,416,452**
Equity			**1,061,100**
Total Liabilities and Equity	2,113,920	45,537	3,477,552

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2020	Amortised Cost	Financial assets at fair value through Profit and Loss Account	Total
	£000	£000	£000
ASSETS			
Cash at bank and in hand	378,766	—	378,766
Debtors:			
- Cardmember receivables	25,697	82,524	108,221
- Receivables from Group undertakings	1,120,943	—	1,120,943
- Other debtors	13,217	—	13,217
Investments	—	39	39
Derivative financial instruments	—	5,790	5,790
Loans:			—
- Cardmember loans	—	30,623	30,623
- Loans due from Group undertakings	662,069	—	662,069
- Loans to related parties	24	—	24
Total Financial Assets	**2,200,716**	**118,976**	**2,319,692**
Non-Financial Assets			**490,308**
Total Assets	**2,200,716**	**118,976**	**2,810,000**

As at 31 December 2020	Amortised Cost	Financial liabilities at fair value through Profit and Loss Account	Total
	£000	£000	£000
LIABILITIES			
Trade and other payables:			
- Trade creditors	26,744	—	26,744
- Amounts due to Group undertakings	984	—	984
- Other creditors	186,504	50,457	236,961
Accruals	137,810	—	137,810
Borrowings:			—
- Bank loans and overdrafts	102,236	—	102,236
- Loans due to Group undertakings	1,097,382	—	1,097,382
Derivative financial instruments	—	8,840	8,840
Total Financial Liabilities	**1,551,660**	**59,297**	**1,610,957**
Non-Financial Liabilities			211,022
Total Liabilities	**1,551,660**	**59,297**	**1,821,979**
Equity			**988,021**
Total Liabilities and Equity	**1,551,660**	**59,297**	**2,810,000**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

The table below presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2021 and 2020, by valuation method. The different levels have been defined as follows:

- Level 1 – inputs that are quoted prices (unadjusted) for identical assets or liabilities in active markets (such as publicly traded derivatives, and equity securities).
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) for example over-the-counter derivatives.
- Level 3 – inputs that are unobservable and reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances (e.g. internally derived assumptions surrounding the timing and amount of expected cash flows).

There were no transfers between levels in the year. The movement in fair value in the year in relation to the effective portion of net investment hedges has been taken to other comprehensive expense. The movement in fair value in the year for all other assets and liabilities has been taken to administrative expenses.

	Level 1	Level 2	Level 3	Total
As at 31 December 2021	£000	£000	£000	£000
Assets				
Derivative financial assets				
- Forward foreign exchange contracts	—	18,529	—	18,529
Financial assets at fair value through profit or loss				
- Cardmember receivables	—	—	148,920	148,920
- Cardmember loans	—	—	266,643	266,643
- Investments	36	—	—	36
Total assets	**36**	**18,529**	**415,563**	**434,128**
Liabilities				
Derivative financial liabilities				
- Forward foreign exchange contracts	—	5,431	—	5,431
Fair value of undrawn commitments	—	—	40,106	40,106
Total liabilities	**—**	**5,431**	**40,106**	**45,537**
As at 31 December 2020				
Assets				
Derivative financial assets				
- Forward foreign exchange contracts	—	5,790	—	5,790
Financial assets at fair value through profit or loss				
- Cardmember receivables	—	—	82,524	82,524
- Cardmember loans	—	—	30,623	30,623
- Investments	39	—	—	39
Total assets	**39**	**5,790**	**113,147**	**118,976**
Liabilities				
Derivative financial liabilities				
- Forward foreign exchange contracts	—	8,840	—	8,840
Fair value of undrawn commitments	—	—	50,457	50,457
Total liabilities	**—**	**8,840**	**50,457**	**59,297**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments

The Company enters in to derivative financial instruments that are either held for hedging purposes in relation to the Company's economic hedges and net investment hedges or held for trading purposes in relation to the Company's Foreign Exchange International Payments (FXIP) business.

The fair value of the Company's derivative instruments is estimated using internal pricing models, where the inputs to those models are readily available from actively quoted markets. The pricing models are consistently applied and reflect the contractual terms of the derivatives. The Company reaffirms its understanding of the valuation techniques at least annually and validates the valuation output on a quarterly basis. The Company's derivative instruments are classified within Level 2 of the fair value hierarchy.

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

Credit and debit valuation adjustments are necessary when the market parameters (for example, a benchmark curve) used to value the derivative instruments are not indicative of the credit quality of the Company or its counterparties. The Company considers the counterparty credit risk by applying an observable forecasted default rate to the current exposure.

Cardmember loans and receivables

The fair value of Cardmember loans and receivables is determined using the discount charged on the sale of these assets to a related party. This discount was determined in an arm's length manner after taking into account compensation for the buyer's risk of loss and funding costs. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

As a result of these assets being sold each month end the majority of the remaining balance at the reporting date consists of unbilled Cardmember spend. The fair value of the remaining balance is determined using the discount charged on the sale of these assets to a related party.

For Cardmember loans and receivables, the Company performed a sensitivity analysis by adjusting the discount charged for the subsequent sale of these assets to a related party by 0.15% (15 bps) (2020: 0.10% (10 bps)). This adjustment is representative of a range that is consistent with observed past sales in the current year and management's assessment of forecast movements in the buyer's risk of loss and funding cost.

	Carrying amount as at 31 Dec 2021 £000	Impact of sensitivity analysis (+/-) £000	Carrying amount as at 31 Dec 2020 £000	Impact of sensitivity analysis (+/-) £000
Financial assets				
Cardmember Receivables	**148,920**	**223**	82,524	82
Cardmember Loans	**266,643**	**400**	30,623	31

The weighted average discount rate applied to the sold cardmember loans and receivables during the year was 0.14% (2020: 0.50%). The impact of the discount rate on the fair value adjustment to Cardmember loans and receivables is given below, with the P&L impacts captured in Note 7 Profit / (loss) before taxation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS (Continued)

Cardmember loans and receivables (continued)

Below is an analysis of movement in Cardmember loans and receivables during the year:

	2021	2020
	£000	£000
Fair value of Cardmember receivables and loans at 1 January	**113,147**	**134,624**
Foreign exchange impact	162	(2,023)
Cardmember spend, interest and other charges during the year	36,142,100	28,692,782
Proceeds received from the sale of Cardmember loans and receivables	(35,823,568)	(28,552,677)
Fair value adjustments *	(16,278)	(159,559)
Fair value of Cardmember loans and receivables at 31 December	**415,563**	**113,147**

* Fair value adjustments are determined using the discount rate applied to the sold cardmember loans and receivables.

Fair value of undrawn commitments

Reported within Other creditors is £40.1m (2020: £50.5m) relating to the fair value of undrawn commitments (Note 20). This balance consists of the fair value of the undrawn commitment in relation to Cardmember loans classified as FVTPL (Note 3.16(c)). The fair value calculation leverages the unfunded commitment IFRS 9 expected credit loss calculation methodology as a proxy for the fair value of undrawn commitments.

The fair value of undrawn commitments is a significant accounting estimate and Note 3.26 provides sensitivity analysis around the weighting between the baseline and pessimistic scenarios.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include forward contracts for the purchase and sale of foreign currencies. These instruments allow the Company and its customers to transfer, modify or reduce their foreign exchange, interest rate and credit risks. The following outlines the nature and terms of the most common types of derivatives used:

(i) Forward foreign exchange contracts are agreements to exchange a specified amount of one currency for another on a future date at an agreed rate.

The derivative financial instruments shown in the following tables are either held for hedging purposes in relation to the Company's economic hedges and net investment hedges or held to manage market risk in relation to the Company's Foreign Exchange International Payments (FXIP) business. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative receivables) and negative (derivative payables) fair values at the Balance Sheet date are analysed below. Changes in fair values of futures contracts which are exchange traded are subject to daily settlement and the margins relating to these futures contracts are included in balances with the counterparty.

At 31 December:	**2021**			2020		
	Notional Amount	**Fair Value**		Notional Amount	Fair Value	
		Assets	**Liabilities**		Assets	Liabilities
	£000	**£000**	**£000**	£000	£000	£000
Derivatives held for hedging						
Forward foreign exchange:						
Designated as net investment hedge	49,605	178	2,452	54,478	416	6
Other	116,726	1,894	146	133,897	523	5
Total	**166,331**	**2,072**	**2,598**	**188,375**	**939**	**11**
Derivatives held for trading						
Forward foreign exchange	955,575	16,457	2,833	1,149,256	4,851	8,829
Total	**955,575**	**16,457**	**2,833**	**1,149,256**	**4,851**	**8,829**

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedge item is less than 12 months. The Company only holds derivatives which are short term in nature, maturing within 12 months. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Balance Sheet. For information about the methods and assumptions used in determining the fair value of derivatives see Note 15 Classification of financial instruments. The Company's derivative instruments are classified within Level 2 of the fair value hierarchy.

Other derivatives held for hedging represent forward foreign exchange contracts entered into for the purposes of hedging the Company's subsidiary foreign currency exposure. Gains or losses associated with these derivatives have been recognised in the Income Statement.

Included within other comprehensive expense is a loss of £3,547,991 for 2021 (2020: gain of £3,190,000) in relation to the Company's effective portion of its derivatives designated as net investment hedges. No ineffective portions of hedges were recorded for 2021 (2020: £Nil) in the Income Statement within administrative expenses. Reported foreign exchange losses from the Company's derivatives not designated in a hedge accounting relationship were £302,839 (2020: gain of £155,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

17. DEBTORS : CURRENT	2021 £000	2020 £000
Cardmember loans	**266,643**	30,623
Cardmember receivables	**177,227**	108,221
Loans due from Group undertakings	**871,476**	25,931
Loans due from related parties	**18**	24
Receivables from Group undertakings	**1,362,164**	1,120,943
Other debtors	**56,061**	68,404
Deferred Cardmembers acquisition costs	**7,743**	10,335
Prepayments and accrued income	**37,009**	21,206
Derivative financial instruments	**18,529**	5,790
	2,796,870	1,391,477

Reported within Cardmember loans, Cardmember receivables, Loans due from Group undertakings and Loans due from related parties are the following amortised cost financial assets:

	2021 £000	2020 £000
Cardmember receivables	28,546	26,118
Provision for impairment of Cardmember receivables	(239)	(421)
	28,307	25,697
Loans due from Group undertakings & related parties	871,494	25,955
	871,494	25,955
Total	**899,801**	51,652

For Cardmember loans and receivables, the carrying amount is deemed to approximate fair value due to the short term nature of the balances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021
17. DEBTORS : CURRENT (continued)

17.1 Analysis of provision for impairment on Cardmember receivables

The majority of the Company's Cardmember loans and receivables are sold to a related party on a monthly basis and are therefore classified as FVTPL. For the small proportion of the Company's Cardmember receivables that are not sold, the total provision for impairment on Cardmember receivables as at 31 December 2020 was £0.4m which has decreased to £0.2m as at 31 December 2021. The table below details the associated staging and expected credit loss movements during 2021.

(amounts in £'000)

	2021							
	Cardmember Receivables							
	12 month Expected Credit Losses (Stage 1)		Lifetime Expected Credit Losses					
			Not Credit Impaired (Stage 2)		Credit Impaired (Stage 3)			
	Gross Carrying Value	Allowance	Gross Carrying Value	Allowance	Gross Carrying Value	Allowance	Total Gross Carrying Value	Total Allowance
At 1 January 2021	25,754	185	232	127	132	109	26,118	421
Transfer to 12-month ECL	94	51	(94)	(51)	—	—	—	—
Transfer to lifetime ECL not credit impaired	(103)	(1)	103	1	—	—	—	—
Transfer to lifetime ECL credit impaired	(18)	—	—	—	18	—	—	—
Change due to stage assignment transfer	(70)	(51)	67	68	16	20	13	37
New financial assets originated	2,426	7	2	1	1	—	2,429	8
Write-offs	—	—	—	—	(407)	(407)	(407)	(407)
Gross Carrying value / Net remeasurement of loss allowance	2,161	(42)	(95)	(55)	284	305	2,350	208
Other	(1,930)	(11)	(17)	(9)	(10)	(8)	(1,957)	(28)
At 31 December 2021	**28,314**	**138**	**198**	**82**	**34**	**19**	**28,546**	**239**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

17. DEBTORS : CURRENT (continued)

(amounts in £'000)

	2020							
	Cardmember Receivables							
	12 month Expected Credit Losses (Stage 1)		Lifetime Expected Credit Losses					
			Not Credit Impaired (Stage 2)		Credit Impaired (Stage 3)			
	Gross Carrying Value	Allowance	Gross Carrying Value	Allowance	Gross Carrying Value	Allowance	Total Gross Carrying Value	Total Allowance
At 1 January 2020	35,572	247	240	123	938	833	36,750	1,203
Transfer to 12-month ECL	112	46	(105)	(40)	(7)	(6)	—	—
Transfer to lifetime ECL not credit impaired	(223)	(1)	223	1	—	—	—	—
Transfer to lifetime ECL credit impaired	(58)	—	—	—	58	—	—	—
Change due to stage assignment transfer	(100)	(46)	7	124	75	111	(18)	189
New financial assets originated	1,573	8	1	—	—	—	1,574	8
Write-offs	—	—	(58)	(58)	(1,331)	(1,331)	(1,389)	(1,389)
Change in Gross Carrying value / Net remeasurement of loss allowance	(13,483)	(82)	(92)	(31)	337	447	(13,238)	334
Other	2,361	13	16	8	62	55	2,439	76
At 31 December 2020	**25,754**	**185**	**232**	**127**	**132**	**109**	**26,118**	**421**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

17. DEBTORS : CURRENT (continued)

17.2 Deferred Cardmembers Acquisition Cost

Deferred Cardmembers acquisition costs relate to incremental fees paid to third-parties and internal sales teams to obtain the Cardmember contracts, as well as certain set-up or fulfilment costs required to provide the card services, such as the cost of the plastic card. These costs are amortised on a straight line basis over the estimated Cardmember account life, as this reflects the period over which the Company will provide the related card services and benefit from the acquisition and fulfilment costs. The estimated Cardmember account life is reviewed annually to ensure an appropriate deferral period is being applied, and adjusted if necessary. The impact of Covid-19 has not had a significant impact on Cardmember life. In 2021, amortisation amounting to £14.4m (2020: £22.1m) was recognised within administrative expenses. There was no impairment loss in relation to the costs capitalised.

A reconciliation of deferred Cardmembers acquisition cost as follows:

	£000
At 1 January 2021	24,717
Cost deferred during the year	15,656
Expense recognised during the year	(14,413)
At 31 December 2021	**25,960**
Current	7,743
Non-current	18,217
	25,960

18. DEBTORS : NON CURRENT

	2021 £000	2020 £000
Loans due from Group undertakings	**10,921**	636,138
Deferred tax asset (Note 12)	**100,305**	107,394
Deferred Cardmembers acquisition costs (Note 17.2)	**18,217**	14,382
Prepayments and accrued income	**1,286**	2,531
	130,729	760,445

In the prior year Debtors: Non Current, was presented as a non current asset on the face of the Balance Sheet. In 2021 this has been reclassified to 'Debtors' within Current assets as this is considered to align with the required Companies Act format. There was no impact on net assets or profit from this reclassification and the combined value of current and non-current debtors as shown on the face of the Balance Sheet is £2,927,599 (2020: £2,151,922).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

19. CASH AT BANK AND IN HAND

	2021 £000	2020 £000
Cash at bank and in hand	**283,026**	378,766

Included within cash at bank is £99m (2020: £114m) held on behalf of customers in a designated client funds account.

20. CREDITORS: amounts falling due within one year

	2021 £000	2020 £000
Bank loans and overdrafts (Note 22)	**3,806**	102,236
Trade creditors	**47,260**	26,744
Loans due to Group undertakings (Note 22)	**54,198**	675,964
Amounts due to Group undertakings	**1,298**	984
Derivative financial instruments (Note 16)	**5,431**	8,840
Other taxation and social security	**8,498**	4,973
Corporation tax	**2,117**	92
Lease Liability (Note 23)	**5,183**	6,301
Other creditors	**127,749**	153,433
Accruals	**188,490**	137,810
Deferred income (Note 25)	**83,128**	72,704
	527,158	1,190,081

The current portion of trade and other payables are carried at cost which approximates fair value due to the short term nature thereof.

Terms and conditions of the above financial instruments are:
(i) Trade creditors are non-interest bearing and are normally settled within 60 days.
(ii) Loans due to Group undertakings and falling due within one year are unsecured and are subject to a variable rate of interest. The contractual maturity of amounts is disclosed in Note 4d.

Reported within Creditors: amounts falling due within one year are Bank loans and overdrafts, and Loans due to Group undertakings which are further disclosed in Borrowings (Note 22).

Reported within Other creditors is £40.1m (2020: £50.5m) relating to undrawn commitments classified as FVTPL (Note 15).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

21. CREDITORS: amounts falling due after more than one year

	2021 £000	2020 £000
Loans due to Group undertakings	**1,654,710**	421,418
Lease Liability (Note 23)	**76,289**	82,083
Other creditors	**3,108**	2,855
	1,734,107	506,356

22. BORROWINGS

	2021 £000	2020 £000
Non-current		
Loans from Group undertakings	**1,654,710**	421,418
Current		
Bank overdrafts	**3,806**	102,236
Loans from:		
Group undertakings	**54,198**	675,964
Others	**76**	298
	1,712,790	1,199,916

23. LEASE LIABILITIES

Lease liabilities included in Creditors as at 31 December are as follows:

	2021 £000	2020 £000
Current	**5,183**	6,301
Non-current	**76,289**	82,083
Total	**81,472**	**88,384**

The total cash outflow for leases in 2021 was £7.9m (2020: £11.8m).

The following sets out a maturity analysis of the Company's lease liabilities under IFRS 16 with the present value, as of 31 December:

	2021 £000	2020 £000
No later than 1 year	6,613	7,815
Later than 1 year and no later than 5 years	36,329	34,368
Later than 5 years	46,105	55,302
Total	**89,047**	**97,485**
Future finance charges	(7,575)	(9,101)
Lease Liabilities	**81,472**	**88,384**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

24. PROVISIONS FOR LIABILITIES

	Restructuring	Dilapidation	Provision for Customer Redress	Membership Rewards	Other	Total
	£000	£000	£000	£000	£000	£000
Cost:						
At 1 January 2021	166	1,378	1,419	121,927	652	125,542
Exchange differences	—	(10)	—	(411)	(48)	(469)
Increase in provision	12,725	13	240	84,171	525	97,674
Utilisations	(8,467)	(905)	(1,260)	(55,918)	(382)	(66,932)
Releases	(628)	—	—	—	—	(628)
At 31 December 2021	**3,796**	**476**	**399**	**149,769**	**747**	**155,187**

Restructuring provision
From time to time, the Company initiates restructuring programs to become more efficient and effective, and to support new business strategies. In connection with these programs, the Company will typically incur severance and other exit costs. During 2021, the Company recognised £12.7m (2020: £3.7m) of restructuring charges, and releases of £0.6m (2020:expense of £0.4m) for adjustments of previously accrued amounts due to revisions of prior estimates.

Dilapidation provision
The dilapidation provision represents the estimated cost of returning buildings leased by the Company to their original state prior to their occupation by the Company, where the requirement to do so is specified in the terms and conditions of the lease.

Provision for customer redress
During 2009 and 2010, the Financial Conduct Authority issued guidance for customer complaints handling, with regard to fair assessment and calculation of potential redress in respect of Payment Protection Insurance (PPI). A provision has been recognised for the expected cost of policy premium, interest refunds and Financial Ombudsmen Service (FOS) fees. The majority of the remaining complaints upheld for redress were settled in 2021 and the provision as at 31 December 2021 represents management's best estimate at this point in time of the remaining redress to be paid.

Membership rewards
The Company records a Membership Rewards liability that represents the estimated cost of Membership Rewards points earned that are expected to be redeemed by Cardmembers in the future. The Membership Rewards liability is impacted over time by enrolment levels, attrition, the volume of points earned and redeemed, and the associated redemption costs. The Membership Rewards liability is considered to be a current liability as, while the liability is expected to be settled over time, the Company does not have the unconditional right to defer settlement beyond one year. The Company estimates the Membership Rewards liability by determining the ultimate redemption rate (URR) and the weighted average cost (WAC) per point, which are applied to the points of current enrollees. The URR assumption is used to estimate the number of Membership Rewards points earned by current enrollees that will ultimately be redeemed in future periods (Note 3.26). The timing of the outflow of economic benefits is dependent on Cardmember redemption behaviours.

American Express Services Europe Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

24. PROVISIONS FOR LIABILITIES (continued)

Other provisions
Other provisions comprise the aggregate anticipated cost of various outstanding claims and litigation cases. Potential liabilities have been assessed in line with the Company's accounting policy on Provisions and Contingent Liabilities, and have been provided for accordingly.

25. DEFERRED INCOME

	2021 £000	2020 £000
Deferred card fees income	**82,804**	72,348
Other deferred income	**324**	356
	83,128	72,704

A reconciliation of deferred card fees income is as follows:

	2021 £000
At 1 January 2021	72,348
Card fees deferred during the year	176,082
Revenue recognised during the year	(164,597)
Other foreign currency adjustments	(1,029)
At 31 December 2021	82,804

26. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2021 No.	2020 No.	2021 £000	2020 £000
Ordinary shares of £1 each	**184,348,573**	184,348,573	**184,349**	184,349
Preference shares of $1 each	**47,604,000**	47,604,000	**27,439**	27,439
	231,952,573	231,952,573	**211,788**	211,788

The company does not have a limited amount of authorised capital.

The $1 preference shares have diluted voting rights, one vote for every two shares held. In any year when the Company's distributable profits exceed the amount which would be necessary in order to declare and pay a dividend of $0.20 per share but no dividend is declared, the holders accrue the right to a deferred dividend of $0.20 per share, which shall be payable in the event of a return of capital or otherwise at the discretion of the Company. On winding up, the $1 preference shareholders rank above ordinary shareholders and are entitled to receive the amounts paid up plus an additional amount of $1 dollar per preference share held; deferred dividends rank for payment after amounts paid up on ordinary shares.

The $1 preference share capital is converted at the historic exchange rate as at the date of issuance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

27. PENSIONS

American Express provides retirement benefits through a variety of arrangements comprising defined benefit and defined contribution plans. The material plans ("the Plans") comprise the American Express UK Pension Plan ("the UK Plan") and several pension arrangements in Germany ("the German Plans").

The UK and German Plans and the related costs are assessed in accordance with the advice of qualified independent actuaries. The Plans identified have several participating employers sharing the risks between entities under common control. Both the UK and German Plans do not have a stated policy for sharing net defined benefit cost or for determining the contributions to be paid by each participating legal entity for these schemes. None of the participating legal entities have been assessed as being sponsoring employers of these Plans. As a result, American Express UK legal entities account for these Plans as if they were defined contribution arrangements with additional disclosure notes compliant with the IAS19 requirements for these types of arrangements. The information of these Plans as a whole is presented below.

The UK Plan

The UK Plan is a defined benefit pension plan with a normal retirement age of 65. The UK Plan was offered to employees who joined the company before 1 July 2006 and has a weighted average duration of around 15 years. The UK Plan was closed to future accrual on 31 July 2013, although the link to future salary increases was retained up to the end of 2016. The benefit payable from the Plan varies depending on whether the member joined before 1996 or after. For those joining before 1996, there is a pension benefit payable from the Plan that increases in line with statutory requirements. For those joining after 1996, there is a lump sum benefit payable at retirement which the employees can use to purchase an annuity or transfer to an approved plan. All employees in the UK are now offered a defined contribution scheme.

The UK Plan operates under trust law and is governed by a Trustee board in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Plan's assets are held by the trust.

The contributions paid to the UK Plan are agreed with the Trustees on the basis of a valuation carried out every three years by the Scheme Actuary. Principal factors that the Scheme Actuary will have regard to include the covenant offered by the Sponsor, the level of risk in the Plan, the Plan's investment strategy and the Plan's funding level. In compliance with the Pensions Act 2004, the Sponsor and the Trustee agreed a scheme-specific funding target, statement of funding principles, a schedule of contributions and a recovery plan accordingly.

The IAS19 liability is most sensitive to changes in discount rate, which depends on market yields on Sterling-denominated AA-rated corporate bonds. In addition to the interest rate risk, the value of liability also depends on the assumptions made about future inflation and life expectation and the risks associated with actual experience in these two areas differing over the long term from the assumptions adopted.

German Plans

There are five defined benefit plans in Germany, of which only one is open to new hires. The normal retirement age is generally 65 and the benefit is generally paid as a lump sum at retirement, although one Plan pays a monthly pension for life. The weighted average duration of the German Plans is around 15 years.

The German Plans are unfunded with the exception of the open Plan, which is a cash balance Plan with assets held in insurance contracts and where there is a guaranteed minimum level of investment return applied to members' cash balance account. For the most part therefore, each participating employer pays and records the cost of benefits as they arise.

American Express Services Europe Limited

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For the year ended 31 December 2021

27. PENSIONS (Continued)

German Plans (Continued)

As benefits are paid mostly as lump sums, the total liability is not dependent on the level of inflationary increases of pension benefits in payment or the period of time the pension will be paid (life expectancy) and so the Plans are not exposed to inflationary or significant longevity risks. The total liability is dependent on future salary increase levels (linked to the level of benefits payable) and the discount rate (which depends on market yields on Euro-denominated AA corporate bonds). These are the two main risks affecting the level of the German Plans' liabilities.

Key assumptions and valuation results

The key assumptions used to value the UK and German Plans' liabilities based on IAS19 requirements together with the results obtained are set out below. Although there are multiple plans in Germany, all plans were valued using the same financial and demographic assumptions.

Assumptions	**Nominal % pa**			
	UK		**Germany**	
	2021	2020	**2021**	2020
Discount rate	1.85	1.25	1.15	0.65
Rate of increase in salaries	n/a	n/a	3	2.9
Social Security increases	n/a	n/a	2.4	2.4
Rate of pension increase in payment*	0.00-3.18	0.00-2.84	2	1.9
Rate of increase in price inflation				
RPI**	3.5	3	n/a	n/a
CPI**	3.00	2.50	2	1.9
Mortality table	SAPS S3 mortality table CMI 2020 model with trend of 1.50% per annum	SAPS S3 mortality table CMI 2019 model with trend of 1.50% per annum	Heubeck 2018G	Heubeck 2018G

* post 88 GMP = 2.27%; pre 1997 excess = 0%; April 1997 to April 2005 = 3.18%; post April 2005 = 2.04%
** RPI = Retail Price Inflation; CPI = Consumer Price Inflation

27. PENSIONS (Continued)

Key assumptions and valuation results (Continued)

The table below shows the value of IAS19 liabilities and assets as at 31 December 2021.

	UK		Germany	
IAS19 Defined Benefit Obligation and Market Value of Assets	**2021 (£m)**	**2020 (£m)**	**2021 (£m)**	**2020 (£m)**
Present value of Plan liabilities	1,263.9*	1,308.7*	102.2	115.0
Market value of assets**	1,229.7*	1,209.8*	4.5	4.5
Deficit	(34.2)	(98.9)	(97.7)	(110.5)
Sensitivity analysis - 2020 Defined Benefit Obligation				
Discount rate assumption being 1% higher	1,106.3*		88.3	
Discount rate assumption being 1% lower	1,445.7*		119.5	

* Includes £73m of Additional Voluntary Contribution ("AVCs") (£66m in 2020)
** There are no self-invested assets in the UK Plan or in the German Plans

As a result of the 2018 and 2020 UK court rulings requiring the equalisation of Guaranteed Minimum Pensions (GMP) in UK pension schemes including historic transfer values, the 2021 UK Plan liabilities include an allowance for GMP equalisation.

The German Plans are for the majority unfunded with only 4% of the liabilities covered by assets. It is common practice in Germany for defined benefit plans to be unfunded. German plan assets are 100% invested in insurance contracts. The UK Plan's major asset categories are shown in the table below.

Asset Allocation as at 31 December	**2021 (£m)**	**2020 (£m)**
Domestic equities	15.2	21.4
Foreign equities	212.7	364.9
Government bonds	518.7	272.5
Corporate bonds	54.3	58.8
Buy-in contract	235.7	253.8
Additional voluntary contributions	72.8	65.6
Cash and cash equivalents	35.5	30.8
Other	84.8	142.0
Total	1,229.7	1,209.8

There was a special event in 2017 for the UK Plan involving a pensioner buy-in transaction to partially insure the UK pensioner liabilities. The value of the buy-in contract is £241.8m and has been included within the allocation above. The assets under the "Other" category represent amounts mainly invested in diversified funds and include investments in hedge funds which make use of different investment styles including the use of derivatives.
All securities invested by the UK Plan have a quoted market price in an active market (with the exception of £255.3m mainly attributable to the pensioner buy-in contract).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

27. PENSIONS (Continued)

Key assumptions and valuation results (Continued)

Additional voluntary contributions (AVCs) made by members to enhance their benefits had a matching defined contribution applied by the employer and are included in the assets and liabilities shown above as at 31 December 2021.

Contributions

The employer contributions to the UK Plan and German Plans during the calendar year 2021 and expected for 2022 are summarised in the table below.

Country/Plan(s)	2022 Expected **Contributions (£m)**	Actual 2021 **Contributions (£m)**	Actual 2020 **Contributions (£m)**
UK*	21.4	21.4	20.4
Germany**	3.1	2.1	1.9

* In addition during 2021, the employer contributed £31.7m (2020: £36.0m) (including salary sacrifice contributions) to the defined contribution Stakeholder Plan in the UK.

** Contributions in Germany include benefit payments made directly by the employer and contributions into the Cash Balance Plan.

28. COMMITMENTS

The Company has commitments to extend credit to its Cardmembers for its lending products. These commitments are not contractual and are cancellable at the discretion of the Company if there is an objectively justifiable reason to do so. The commitment for these products represents the maximum potential credit risk, assuming the amount is fully utilised and the Cardmember defaults and collection efforts are unsuccessful. As at 31 December 2021 these commitments were £20.1m (2020: £18.3m). These amounts are not fully drawn by the Company's Cardmembers and, therefore these amounts in aggregate are not indicative of future cash requirements. Management does not expect any material adverse consequence to the Company's financial position to result from these commitments.

At 31 December 2021 the Company had Co-Brand commitments of £42.9m (2020: £52.4m) in respect of non-cancellable minimum annual payments and marketing fees. This amount is due to be paid over a period not exceeding eight years. The Co-Brand agreements allow the Company to issue both consumer and corporate co-branded products.

29. CONTINGENT LIABILITIES

There are no contingent liabilities for the year ended 31 December 2021.

30. RELATED PARTY TRANSACTIONS

The following 2021 Directors and Key Management Personnel held American Express personal and corporate cards during the year which are issued by the Company under the normal terms of business:

	Balance at 1 January 2021*	Highest balance in the year*	Balance at 31 December 2021*
	£	£	£
Directors			
H Lewis – Chairperson	7,405	8,048	3,058
D Bailey – Chief Financial Officer	3,624	11,180	11,180
L Fenwick	9,415	12,321	5,595
C Duerden	3,264	8,545	5,532
S Sterbenz	1,435	5,690	3,125
B Sawyers	4,029	13,776	7,928
P Taswell	2,146	5,404	2,537
S Monga	-	699	-
Key Management Personnel			
P Brown	7,249	7,249	5,966
J Griffiths	-	440	-
L Johnston	11,849	12,477	11,736

*amounts are inclusive of Close Family Member balances

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2021

31. EVENTS AFTER THE BALANCE SHEET DATE

In January 2022, the Swedish Supreme Administrative Court ruled in favour of the Company with respect to litigation ongoing with the Swedish Tax Authority in respect of the Company's VAT arrangements from 2015 to 2019. Subsequently, the Company recovered SEK67m (£5.5m) of additional VAT paid to the Swedish Tax Authority for the period from 2015 to 2019.

In light of the current Russia-Ukraine conflict, American Express announced the suspension of all its operations in Russia on 6 March 2022. American Express issued cards will no longer operate at merchants and ATMs in Russia and cards issued locally in Russia by Russian banks will not operate outside the country on the American Express global network. American Express has also suspended all business operations in Belarus.

Based on the current assessment completed by Management, the Company has minimal exposure to Russia, however the situation will continue to be monitored.