

AMERICAN EXPRESS CO

FORM 10-K (Annual Report)

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STOCK PLANS

STOCK OPTION AND AWARD PROGRAMS

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

For the Company's Plans, there were a total of 37 million, 45 million and 52 million common shares unissued and available for grant as of December 31, 2009, 2008 and 2007, respectively, as authorized by the Company's Board of Directors and shareholders.

The Company granted stock option awards to its Chief Executive Officer (CEO) in November 2007 and January 2008 that have performance-based and market-based conditions. These option awards are separately described below and are excluded from the information and tables presented in the following paragraphs.

A summary of stock option and RSA activity as of December 31, 2009, and changes during the year are presented below:

<i>(Shares in thousands)</i>	Stock Options			RSAs	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Grant Price	
Outstanding at December 31, 2008	83,674	\$ 40.94	7,108	\$ 51.49	
Granted	9,165	\$ 18.88	12,014	\$ 18.04	
Exercised/vested	(2,757)	\$ 36.71	(2,680)	\$ 50.89	
Forfeited	(2,060)	\$ 40.58	(760)	\$ 31.82	
Expired	(8,328)	\$ 35.19	—	—	
Outstanding at December 31, 2009 ^(a)	79,694	\$ 39.18	15,682	\$ 26.90	
Options vested and expected to vest at December 31, 2009	78,271	\$ 39.31	—	—	
Options exercisable at December 31, 2009 ^(a)	59,778	\$ 39.81	—	—	

(a) As of December 31, 2009, the exercise prices for stock options outstanding and stock options exercisable ranged from \$12.06 to \$60.95 and \$24.66 to \$60.95, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AMERICAN EXPRESS COMPANY

STOCK OPTIONS

Each stock option has an exercise price equal to the market price of the Company's common stock on the date of grant and a contractual term of 10 years from the date of grant. Stock options generally vest 25 percent per year beginning with the first anniversary of the grant date.

The weighted-average remaining contractual life and the aggregate intrinsic value (the amount by which the fair value of the Company's stock exceeds the exercise price of the option) of the stock options outstanding, exercisable, and vested and expected to vest as of December 31, 2009 were as follows:

	Outstanding	Exercisable	Vested and Expected to Vest
Weighted average remaining contractual life (in years)	4.1	2.8	4.1
Aggregate intrinsic value (\$ millions)	\$ 399	\$ 199	\$ 379

The intrinsic value for options exercised during 2009, 2008 and 2007 was \$11 million, \$79 million and \$463 million, respectively (based upon the fair value of the Company's stock price at the date of exercise). Cash received from the exercise of stock options in 2009, 2008 and 2007 was \$83 million, \$176 million and \$852 million, respectively. The tax benefit realized from income tax deductions from stock option exercises, which was recorded in additional paid-in capital, in 2009, 2008 and 2007 was \$2 million, \$21 million and \$158 million, respectively.

The fair value of each option is estimated on the date of grant using a Black-Scholes-Merton option-pricing model. The following weighted-average assumptions are used for grants issued in 2009, 2008 and 2007, the majority of which were granted in the beginning of each year:

	2009	2008	2007
Dividend yield	4.1%	1.5%	1.0%
Expected volatility	36%	19%	19%
Risk-free interest rate	2.1%	2.8%	4.8%
Expected life of stock option (in years)	4.8	4.7	4.7
Weighted-average fair value per option	\$4.54	\$8.24	\$13.39

The expected volatility is based on weighted historical and implied volatilities of the Company's common stock price. The expected life of the options is based on historical data.

STOCK OPTIONS WITH PERFORMANCE-BASED AND MARKET-BASED CONDITIONS

On November 30, 2007 and January 31, 2008, the Company's CEO was granted in the aggregate 2,750,000 of non-qualified stock option awards with performance-based and market-based conditions. The exercise prices per share are \$58.98 and \$49.13, respectively. Both awards have a contractual term of 10 years and a vesting period of 6 years.

Performance-based Conditions

Awards for 2,062,500 options have performance-based conditions with an aggregate grant date fair value of approximately \$33.8 million using a Black-Scholes-Merton option-pricing model. Compensation expense for these awards will be recognized over the vesting period when it is determined it is probable that the performance metrics will be achieved. No compensation expense for these awards was recorded in 2009, 2008 or 2007.

Market-based Conditions

Awards for 687,500 options have market-based conditions with an aggregate grant date fair value of approximately \$10.5 million using a Monte Carlo valuation model. The expected volatility is based on historical returns of the Company's common stock price and the S&P 500 Index. The expected life of the options is based on historical data. Compensation expense for the fair value of these awards is recognized ratably over the vesting period irrespective of the probability of the market metric being achieved. Total compensation expense recorded in 2009, 2008 and 2007 was \$2.4 million, \$2.4 million and \$0.1 million, respectively.

RESTRICTED STOCK AWARDS

RSAs are valued based on the stock price on the date of grant and vest generally 25 percent per year, beginning with the first anniversary of the grant date. RSA holders receive non-forfeitable dividends or dividend equivalents. The total fair value of shares vested during 2009, 2008 and 2007 was \$44 million, \$134 million and \$203 million, respectively (based upon the Company's stock price at the vesting date).

The weighted-average grant date fair value of RSAs granted in 2009, 2008 and 2007, is \$18.04, \$48.29 and \$57.89, respectively.

PORTFOLIO GRANTS

In 2009, the Company awarded cash-settled PGs to Executive Officers that earn value based on the Company's financial performance and the Company's total shareholder return versus the S&P 500 Index. Awards in 2009 for all other PG recipients earn value based on the Company's performance against financial and corporate objectives. The 2009 awards vest fifty percent each year over two one-year performance periods. All PGs awarded in 2008 and 2007 earn value based on the Company's financial performance and the Company's

total shareholder return versus the S&P 500 Index and cliff vest after a three-year performance period. PG payouts are subject to CBC approval.

The PGs are classified as liabilities and, therefore, the fair value is determined at the date of grant and remeasured quarterly as part of compensation expense over the performance period. Cash paid upon vesting of PGs was \$43 million, \$59 million and \$55 million in 2009, 2008 and 2007, respectively.

SUMMARY OF STOCK PLAN EXPENSE

The components of the Company's stock-based compensation expense (net of cancellations) are as follows:

<i>(Millions)</i>	2009	2008	2007
Restricted stock awards ^(a)	\$ 135	\$ 141	\$ 135
Stock options ^(a)	55	73	78
Portfolio grants and other	10	21	63
Performance/market-based stock options	2	2	—
Total stock based compensation expense ^(b)	\$ 202	\$ 237	\$ 276

(a) As of December 31, 2009, the total unrecognized compensation cost related to unvested RSAs and options was \$260 million and \$74 million, respectively. The unrecognized cost for RSAs and options will be recognized ratably over the remaining vesting period. The weighted-average remaining vesting period for RSAs and options is 2.44 years and 2.01 years, respectively.

(b) The total income tax benefit recognized in the income statement for stock-based compensation arrangements in 2009, 2008 and 2007 was \$71 million, \$83 million and \$96 million, respectively.

NOTE 21

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements (Form S-8 No. 2-46918, No. 2-59230, No. 2-64285, No. 2-73954, No. 2-89680, No. 33-01771, No. 33-02980, No. 33-28721, No. 33-33552, No. 33-36442, No. 33-48629, No. 33-62124, No. 33-65008, No. 33-53801, No. 333-12683, No. 333-41779, No. 333-52699, No. 333-73111, No. 333-38238, No. 333-98479; and No. 333-142710; Form S-3 No. 2-89469, No. 33-43268, No. 33-50997, No. 333-32525, No. 333-45445, No. 333-47085, No. 333-55761, No. 333-51828, No. 333-113768, No. 333-117835, No. 333-138032 and 333-162791) of American Express Company of our report dated February 25, 2010, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in the 2009 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York
February 25, 2010