

AND WE ARE **STRONGER** AS AN ORGANIZATION, AS WE WORKED TOWARD THE

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ganization of our fixed income group in Minneapolis; and the acquisition of Dynamic Ideas, a respected quantitative analysis firm.

We are encouraged by the early progress that is being made in improving investment performance at AEFA. Many of our equity portfolios have seen significant performance improvement compared to their Lipper peer groups over the past year. Of course, investment track records are established over three to five years, not in a single year. However, the initial signs suggest we are on the right path to achieve consistent, superior investment results.

In international retail financial services, we increased our business volumes in Private Banking, and launched several investment and insurance products in key markets. For example, American Express Bank expanded its distribution partnerships with financial institutions to bring new investment products to clients. During 2002, AEB launched several mutual fund portfolios, including some sub-advised by AEFA. In insurance, we introduced a variety of new products including credit insurance in Mexico, hospital cash in

Japan and Global Assist® Travel Medical Insurance in Canada. Additionally, to help better coordinate our efforts in marketing to and serving customers, we more closely integrated our non-card lending and deposit business with our card businesses.

Consistency in Uncertain Times

The business conditions that we – and virtually all companies – currently face are daunting. There is uncertainty about economic conditions and the equity markets; real and legitimate concern over national and world security; and an understandable reduction in the level of trust that the general public has in the business community. In times like these, it is important to have maximum flexibility to anticipate and react to challenges. At the same time, it is essential to have a clear sense of who you are and to adhere to your traditional values.

We know who we are. We continue to be guided by our corporate vision, which is to become the world's most respected service brand. The strategies we have in place to grow our core business in global payments