10-Q 1 amex.txt UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM 10-Q [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000 or [ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Transition Period from to -------------------------- -------------------- Commission file number 1-7657 AMERICAN EXPRESS COMPANY ------------------------ (Exact name of registrant as specified in its charter) NEW YORK 13-4922250 --- ------------------------------ (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.) WORLD FINANCIAL CENTER, 200 VESEY STREET, NEW YORK, NY 10285 -- (Address of principal executive offices) (Zip Code) Registrant's telephone number, including area code (212) 640-2000 ---------------------------- NONE -- Former name, former address and former fiscal year, if changed since last report. Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No --- --- Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. CLASS OUTSTANDING AT OCTOBER 31, 2000 -- ------------------------------ Common Shares (par value $.20 per share) 1,329,976,393 shares AMERICAN EXPRESS COMPANY FORM 10-Q INDEX PAGE NO. ------- Part I. Financial Information: Consolidated Statements of Income - Three months ended September 30, 2000 and 1999 1 Consolidated Statements of Income - Nine months ended September 30, 2000 and 1999 2 Consolidated Balance Sheets - September 30, 2000 and December 31, 1999 3 Consolidated Statements of Cash Flows - Nine months ended September 30, 2000 and 1999 4 Notes to Consolidated Financial Statements 5-7 Review Report of Independent Accountants 8 Management's Discussion and Analysis of Financial Condition and Results of Operations 9-25 Part II. Other Information 26 PART I--FINANCIAL INFORMATION AMERICAN EXPRESS COMPANY CONSOLIDATED STATEMENTS OF INCOME (dollars in millions, except per share amounts) (Unaudited)

Three Months Ended September 30, ----------------------------- 2000 1999 ---------------- --------- --- ~~Revenues: Discount revenue $ 1,963 $ 1,700 Interest and dividends, net 858 804 Management and distribution fees 700 578 Net card fees 418 395 Travel commissions and fees 433 448 Other commissions and fees 611 464 Cardmember lending net finance charge revenue 232 348 Life and other insurance premiums 145 131 Other 621 443 ----------- --------- Total 5,981 5,311 --------- --------- Expenses: Human resources 1,657 1,526~~

~~Provisions for losses and benefits: Annuities and investment certificates 343 297 Life insurance, international banking and other 182 158 Charge card 236 222 Cardmember lending 267 187 Interest 352 262 Marketing and promotion 396 399 Occupancy and equipment 372 327 Professional services 374 324 Communications 133 128 Other 640 574 ---------- ---------- Total 4,952 4,404 ---------- ---------- Pretax income 1,029 907 Income tax provision 292 259 ---------- ---------- Net income $ 737 $ 648~~

~~========== ==========~~

~~Earnings Per Common Share: Basic $ 0.56 $ 0.48~~

~~========== ==========~~

~~Diluted $ 0.54 $ 0.47~~

~~========== ==========~~

~~Average common shares outstanding for earnings per common share (millions): Basic 1,326 1,338~~

~~========== ==========~~

~~Diluted 1,361~~

~~1,369~~

~~Cash dividends declared per common share $ 0.08 $ 0.075~~

See notes to Consolidated Financial Statements. 1 AMERICAN EXPRESS COMPANY CONSOLIDATED STATEMENTS OF INCOME (dollars in millions, except per share amounts) (Unaudited)

Nine Months Ended September 30, ------------------------- 2000 1999 ----------- -----------

~~Revenues: Discount revenue $ 5,717 $ 4,875 Interest and dividends, net 2,490 2,443 Management and distribution fees 2,089 1,653 Net card fees 1,234 1,191 Travel commissions and fees 1,378 1,342 Other commissions and fees 1,729 1,309 Cardmember lending net finance charge revenue 766 1,004 Life and other insurance premiums 425 381 Other 1,781 1,382 ----------- ---------- Total 17,609 15,580 ---------- ----------~~

~~Expenses: Human resources 4,968 4,457 Provisions for losses and benefits: Annuities and investment certificates 1,013 977 Life insurance,~~

~~international banking and other 532 479 Charge card 778 653 Cardmember lending 613 559 Interest 997 750 Marketing and promotion 1,182 1,049 Occupancy and equipment 1,100 952 Professional services 1,079 922 Communications 388 381 Other 1,964 1,808 --------- --------- Total 14,614 12,987 --------- --------- Pretax income 2,995 2,593 Income tax provision 862 724 --------- --------- Net income $ 2,133 $ 1,869 ========= ========= Earnings Per Common Share: Basic $ 1.61 $ 1.39 ========= ========= Diluted $ 1.57 $ 1.36 ========= ========= Average common shares outstanding for earnings per common share (millions): Basic 1,328 1,341 ========= ========= Diluted 1,361 1,369 ========= ========= Cash dividends declared per common share $ 0.24 $ 0.225~~

See notes to Consolidated Financial Statements. 2 AMERICAN EXPRESS COMPANY CONSOLIDATED BALANCE SHEETS (millions) (Unaudited) September 30, December 31, Assets 2000 1999 ------ -- ----------- --- ----------

~~Cash and cash equivalents $ 8,959 $ 7,471 Accounts receivable and accrued interest: Cardmember receivables, less reserves: 2000, $843; 1999, $728 24,095 22,541 Other receivables, less reserves: 2000, $112; 1999, $78 4,654 3,926 Investments 42,437 43,052 Loans: Cardmember lending, less reserves: 2000, $571; 1999, $581 17,839 17,666 International banking, less reserves: 2000, $158; 1999, $169 5,008 4,928 Other, net 1,097 988 Separate account assets 36,644 35,895 Deferred acquisition costs 3,489 3,235 Land, buildings and equipment - at cost, less accumulated depreciation: 2000, $2,154;~~

~~1999, $2,109 2,327 1,996 Other assets 7,077 6,819 --------- -------- - Total assets $ 153,626 $ 148,517 ========= ========= Liabilities and Shareholders' Equity -- Customers' deposits $ 13,116 $ 12,197 Travelers Cheques outstanding 6,564 6,213 Accounts payable 8,920 7,309 Insurance and annuity reserves: Fixed annuities 19,727 20,552 Life and disability policies 4,630 4,459 Investment certificate reserves 6,996 5,951 Short-term debt 31,034 30,627 Long-term debt 4,589 5,995 Separate account liabilities 36,644 35,895 Other liabilities 9,693 8,724 -------- --------- Total liabilities 141,913 137,922 -------- --------- Guaranteed preferred beneficial interests in the company's~~

~~junior subordinated deferrable interest debentures 500 500 Shareholders' equity: Common shares, $.20 par value, authorized 3.6 billion shares; issued and outstanding 1,329 million shares in 2000 and 1,341 million shares in 1999 266 268 Capital surplus 5,433 5,196 Retained earnings 5,916 5,033 Other comprehensive income, net of tax: Net unrealized securities losses (323) (296) Foreign currency translation adjustments (79) (106) -------- -------- Accumulated other comprehensive loss (402) (402) -------- -------- Total shareholders' equity 11,213 10,095 -------- -------- Total liabilities and shareholders' equity $ 153,626 $ 148,517~~

See notes to Consolidated Financial Statements. 3 AMERICAN EXPRESS COMPANY CONSOLIDATED STATEMENTS OF CASH FLOWS (millions) (Unaudited)

Nine Months Ended September 30, -

----------------- --- 2000 1999 - --- ---- ~~Cash Flows from Operating Activities Net income $ 2,133 $ 1,869 Adjustments to reconcile net income to net cash provided by operating activities: Provisions for losses and benefits 1,980 1,708 Depreciation, amortization, deferred taxes and other 323 157 Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: Accounts receivable and accrued interest (729) (557) Other assets (445) (193) Accounts payable and other liabilities 2,498 2,508 Increase in Travelers Cheques outstanding 359 537 Increase in insurance reserves 153 130 ------- ------- Net cash provided by operating activities 6,272 6,159 --------- -------- Cash Flows from Investing Activities Sale of investments 2,096 2,648 Maturity and redemption of investments 4,699 4,920~~

~~Purchase of investments (6,289) (9,662) Net increase in Cardmember receivables (2,483) (1,987) Cardmember loans/receivables sold to trust, net 3,373 3,489 Proceeds from repayment of loans 19,349 16,996 Issuance of loans (24,313) (21,244) Purchase of land, buildings and equipment (700) (525) Sale of land, buildings and equipment 28 8 Dispositions (acquisitions), net of cash sold/acquired 213 (37) -------------- Net cash used by investing activities (4,027) (5,394) -------------- Cash Flows from Financing Activities Net increase (decrease) in customers' deposits 1,117 (349) Sale of annuities and investment certificates 4,309 4,273 Redemption of annuities and investment certificates (4,313) (3,829) Net increase (decrease) in debt with maturities of three months or less 5,507 (2,346) Issuance of debt 7,255 13,276 Principal~~

~~payments on debt (13,625) (9,726) Issuance of American Express common shares 190 181 Repurchase of American Express common shares (958) (896) Dividends paid (313) (303) ------- --------- Net cash (used) provided by financing activities (831) 281 -------- --------- Effect of exchange rate changes on cash 74 (36) -------- --------- Net increase in cash and cash equivalents 1,488 1,010 Cash and cash equivalents at beginning of period 7,471 4,092 -------- --------- Cash and cash equivalents at end of period $ 8,959 $ 5,102~~

See notes to Consolidated Financial Statements. 4 AMERICAN EXPRESS COMPANY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 1. Basis of Presentation The consolidated financial statements should be read in conjunction with the financial statements in the Annual Report on Form 10-K of American Express Company (the company or American Express) for the year ended December 31, 1999. Significant accounting policies disclosed therein have not changed. Certain reclassifications of prior period amounts have been made to conform to the current presentation. Cardmember lending net finance charge revenue is presented net of interest expense of $272 million and $165 million for the third quarter of 2000 and 1999, respectively, and $761 million and $477 million for the nine months ended September 30, 2000 and 1999, respectively. Interest and dividends is presented net of interest expense of $146 million and $108 million for the third quarter of 2000 and 1999, respectively, and $419 million and $339 million for the nine months ended September 30, 2000 and 1999, respectively, related primarily to the company's international banking operations. The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and the consolidated results of operations for the interim periods have been made. All adjustments made were of a normal, recurring nature. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. All of the information in this financial report reflects the effect of a three-for-one split of the company's common stock, which occurred during the second quarter of 2000. 2. Investment Securities The following is a summary of investments at September 30, 2000 and December 31, 1999:

September 30, December 31, (in millions) 2000 1999 ------------------ ----------------- ~~Held to Maturity, at amortized cost (fair value: 2000, $8,601; 1999, $9,218) $8,591 $9,221 Available for Sale, at fair value (cost: 2000, $30,169; 1999, $30,053) 29,644 29,570 Investment mortgage loans (fair value: 2000, $3,959; 1999, $3,901) 3,985 3,984 Trading 217 277 ------------------ ------------------ Total $42,437 $43,052~~

5 3. Comprehensive Income Comprehensive income is defined as the aggregate change in shareholders' equity, excluding changes in ownership interests. For the company, it is the sum of net income and changes in (i) unrealized gains or losses on available-for-sale securities and (ii) foreign currency translation adjustments. The components of comprehensive income, net of related tax, for the three and nine months ended September 30, 2000 and 1999 were as follows:

Three Months Ended Nine Months Ended September 30, September 30, --------------------- ------------------------- (in millions) 2000 1999 2000 1999 ---------------------- ------------------------- ~~Net income $ 737 $ 648 $ 2,133 $ 1,869 Change in: Net unrealized securities gains/losses 181 (275) (27) (869) Foreign currency translation adjustments 19 (11) 27 2 ---------------------- ------------------------- Total $ 937 $ 362 $ 2,133 $ 1,002~~

4. Taxes and Interest Net income taxes paid during the nine months ended September 30, 2000 and 1999 were approximately $567 million and $272 million, respectively. Interest paid during the nine months ended September 30, 2000 and 1999 was approximately $2.7 billion and $1.9 billion, respectively. 5. Earnings per Share The computations of basic and diluted earnings per common share (EPS) for the three and nine months ended September 30, 2000 and 1999 are as follows:

(in millions, except per Three Months Ended Nine Months Ended share amounts) September 30, September 30, ---------------------- ------------------------ 2000 1999 2000 1999 -

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~~Numerator: Net income $ 737 $ 648 $ 2,133 $ 1,869 Denominator: Denominator for basic EPS - weighted-average shares 1,326 1,338 1,328 1,341 Effect of dilutive securities: Stock Options, Restricted Stock Awards and other 35 31 33 28 ------ ------------- ---- -------- ------------- --- Potentially dilutive common shares 35 31 33 28 ------ ------------- ---- -------- ------------- --- Denominator for diluted EPS 1,361 1,369 1,361 1,369 ------ ------------- ---- -------- ------------- --- Basic EPS $ 0.56 $ 0.48 $ 1.61 $ 1.39 ------------- ---------- -- ------------- --------- Diluted EPS $ 0.54 $ 0.47 $ 1.57 $ 1.36 ------ -------------~~

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6 6. Segment Information The following tables present three and nine-month results for the company's operating segments, based on management's internal reporting structure. The TRS segment now includes Travelers Cheque (TC) operations, which had previously been included in the American Express Bank/TC segment. Net revenues (managed basis) exclude the effect of securitizations at TRS, and provisions for losses and benefits for annuities, insurance and investment certificate products of AEFA:

Net Revenues Three Months Ended Nine Months Ended (managed basis) September 30, September 30, --------- ------------------ --------------------- ---- (in millions) 2000 1999 2000 1999 --------------------------- ------------ ------------- ~~Travel Related Services $ 4,400 $ 3,864 $ 12,898 $ 11,125 American Express Financial Advisors 1,052 936 3,153 2,738 American Express Bank 146 157 447 474 Corporate and Other (44) (37) (127) (81) --------------------------- ------- ------------------ Total $ 5,554 $ 4,920 $ 16,371 $ 14,256~~

7 INDEPENDENT ACCOUNTANTS' REVIEW REPORT The Shareholders and Board of Directors American Express Company We have reviewed the accompanying consolidated balance sheet of American Express Company (the "Company") as of September 30, 2000 and the related consolidated statements of income for the three and nine-month periods ended September 30, 2000 and 1999 and consolidated statements of cash flows for the nine-month periods ended September 30, 2000 and 1999. These financial statements are the responsibility of the Company's management. We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion. Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States. We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of the Company as of December 31, 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended (not presented herein), and in our report dated February 3, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1999 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived. /s/Ernst & Young LLP New York, New York November 13, 2000 8 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Consolidated Results of Operations for the Three and Nine Months Ended September 30, 2000 The company's consolidated net income rose 14 percent and diluted earnings per share rose 15 percent for both the three and nine-month periods ended September 30, 2000, respectively. The company's return on equity was 25.5 percent. Consolidated net revenues on a managed basis grew 13 percent and 15 percent in the three and nine-month periods ended September 30, 2000, reflecting an increase in worldwide billed business and Cardmember loans at Travel Related Services (TRS) and greater management and distribution fees at American Express Financial Advisors (AEFA). Consolidated expenses rose due to greater interest costs, larger provisions for losses, and higher human resource and operating expenses. The increases were principally due to greater volume and business building initiatives. These results met the company's long-term targets of 12-15 percent earnings per share growth, at least 8 percent revenue growth and a return on equity of 18-20 percent. This financial review is presented on the basis used by management to evaluate operations. It differs in two respects from the accompanying financial statements, which are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). First, results are presented as if there had been no asset securitizations at TRS. This format is generally termed on a "managed basis." Second, revenues are shown net of AEFA's provisions for annuities, insurance and investment certificate products, which are essentially spread businesses. Consolidated Liquidity and Capital Resources In the first nine months of 2000, the company repurchased 18.7 million common shares at an average price of $51.94 per share under its repurchase program. In the first quarter of 2000, the company entered into an agreement under which a third party will purchase up to 9 million company common shares in the open market over a period of up to eight months. During the term of the agreement the company will periodically issue shares to or receive shares from the third party so that the value of the shares held by the third party equals the original purchase price for the shares. At maturity in five years, the company is required to deliver to the third party an amount equal to such original purchase price. The company may elect to settle this amount (i) physically, by paying cash against delivery of the shares held by the third party or (ii) on a net cash or net share basis. The company may also prepay outstanding amounts at any time prior to the end of the five-year term. As of September 30, 2000, 2,756,800 shares have 9 been purchased pursuant to this agreement. The foregoing is in addition to a similar agreement entered into in August 1999 under which a third party purchased 21 million of the company's common shares at an average purchase price of approximately $49 per share. During the first nine months of 2000, net settlements under the August 1999 agreement resulted in the company

receiving 4,320,723 shares. These agreements, which partially offset the company's exposure from its stock option program, are separate from the company's previously authorized share repurchase program. In November 2000, the company issued $500 million of 6.875% Notes due November 1, 2005. The proceeds from this issuance will be used for general corporate purposes. Other Reporting Matters All of the information in this financial report reflects the effect of a three-for-one split of the company's common stock, which occurred during the second quarter of 2000. In June 1998, the Financial Accounting Standards Board (FASB) issued, and subsequently amended, Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective January 1, 2001. This Statement establishes accounting and reporting standards for derivative instruments, including some embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of a derivative will be recorded in income or directly to equity, depending on the instrument's designated use. The FASB is still addressing interpretive issues that will affect the accounting for derivatives. Thus, estimating the financial effects of transition to the new rule as if it were to occur as of September 30, 2000 is not fully calculable at this time. However, the company believes that those financial effects would not have been material to the company's financial position or results of operations. The final financial effects of transition at January 1, 2001 will be measured based on the derivatives positions, market conditions, and the interpretative guidance issued by the FASB as of that time. In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a replacement of FASB Statement No. 125. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The company does not expect SFAS No. 140 to have a material impact on the company's financial position or results of operations. 10 Travel Related Services Results of Operations for the Three and Nine Months Ended September 30, 2000 and 1999 Statements of Income -------------------- (Unaudited, Managed Basis) (Dollars in millions)

Three Months Ended Nine Months Ended September 30, September 30, --------- -----------Percentage -- ------------------- Percentage 2000 1999 Inc/(Dec) 2000 1999 Inc/(Dec) --------------- --------------- --------- ----------------------

~~Net Revenues: Discount Revenue $ 1,963 $ 1,700 15.5% $5,717 $ 4,875 17.3% Net Card Fees 420 399 5.3 1,236 1,195 3.4 Lending: Finance Charge Revenue 1,052 747 40.8 2,887 2,083 38.6 Interest Expense 429 246 74.8 1,146 653 75.6 -------- --------- -------------- -- Net Finance Charge Revenue 623 501 24.2 1,741 1,430 21.8 Travel Commissions and Fees 433 448 (3.2) 1,378 1,342 2.7 TC Investment Income 103 91 12.5 292 257 13.7 Other Revenues 858 725 18.5 2,534 2,026 25.1 ------ ----------- ------------ ---- Total Net Revenues 4,400 3,864 13.9 12,898 11,125 15.9 ---- ------------ ----------- ------ Expenses: Marketing and Promotion 358 349 2.5 1,034 902 14.6~~

~~Provision for Losses and Claims: Charge Card 273 247 10.6 896 768 16.6 Lending 386 312 23.8 1,054 854 23.4 Other 29 17 63.9 85 59 44.2 ------------------ -- ---------------- Total 688 576 19.4 2,035 1,681 21.1 Charge Card Interest Expense 362 259 40.2 1,024 757 35.5 Human Resources 1,017 985 3.2 3,080 2,898 6.3 Other Operating Expenses 1,254 1,065 17.8 3,652 3,072 18.9 ------------- ---- ------------------ Total Expenses 3,679 3,234 13.8 10,825 9,310 16.3 ------------- ---- ------------------ Pretax Income 721 630 14.4 2,073 1,815 14.2 Income Tax Provision 214 184 16.7 613 529 15.7 ------------------ -- ---------------- Net Income $ 507 $ 446 13.5 $ 1,460 $ 1,286 13.5~~

11 Travel Related Services Selected Statistical Information -------------------------------- (Unaudited) (Amounts in billions, except percentages and where indicated)

Three Months Ended Nine Months Ended September 30, September 30, ------- ---------------- Percentage ----------------------- Percentage 2000 1999 Inc/(Dec) 2000 1999 Inc/(Dec) ---------- --------------------------- - ------------------------ ------------ ~~Total Cards in Force (millions): United States 32.9 29.2 12.7 % 32.9 29.2 12.7% Outside the United States 17.5 15.6 12.6 17.5 15.6 12.6 ------------------ ------------------ Total 50.4 44.8 12.6 50.4 44.8 12.6~~

~~Basic Cards in Force (millions): United States 25.8 22.9 12.7 25.8 22.9 12.7 Outside the United~~

~~States 13.4 12.0 11.6 13.4 12.0 11.6 ----------------- ------------------~~

~~Total 39.2 34.9 12.3 39.2 34.9 12.3~~

~~Card Billed Business: United States $ 56.2 $ 47.1 19.4 $ 162.7 $ 134.7 20.8 Outside the United States 18.6 17.0 9.7 55.0 48.6 13.1 ------------------ -----------------~~

~~Total $ 74.8 $ 64.1 16.8 $ 217.7 $ 183.3 18.8~~

~~Average Discount Rate (A) 2.70% 2.73% - 2.70% 2.73% - Average Basic Cardmember Spending (dollars) (A) $ 2,041 $ 1,935 5.5 $ 6,112 $ 5,653 8.1 Average Fee per Card - Managed (dollars) (A) $ 36 $ 38 (5.3) $ 36 $ 39 (7.7) Non-Amex Brand (B): Cards in Force (millions) 0.6 0.2 # 0.6 0.2 # Billed Business $ 0.8 $ 0.2 # $ 2.1 $ 0.5 # Travel Sales $ 5.4 $ 5.5 (1.6) $ 17.1 $ 16.9 1.6 Travel Commissions and Fees/Sales (C) 8.0% 8.1% - 8.1% 7.9% - Travelers Cheque: Sales $ 7.7 $ 7.3 5.0 $ 19.4 $ 18.0 8.3 Average Outstanding $ 6.9 $ 6.5 6.3 $ 6.5 $ 6.2 6.1 Average Investments $ 6.7 $ 6.2 6.5 $ 6.3 $ 5.9 6.7 Tax Equivalent Yield 8.8% 8.8% - 8.8% 8.8% - Managed Charge Card Receivables: Total Receivables $ 28.1 $ 25.3 11.0 $ 28.1 $ 25.3 11.0 90 Days Past Due as a % of Total 2.3% 2.5% - 2.3% 2.5% - Loss Reserves (millions) $ 987 $ 907 8.8 $ 987 $ 907 8.8 % of Receivables 3.5% 3.6% - 3.5% 3.6% - % of 90 Days Past Due 152% 144% - 152%~~

~~144% - Net Loss Ratio 0.37% 0.41% - 0.36% 0.41% - Managed U.S. Cardmember Lending: Total Loans $ 27.1 $ 20.6 31.7 $ 27.1 $ 20.6 31.7 Past Due Loans as a % of Total: 30-89 Days 1.8% 2.0% - 1.8% 2.0% - 90+ Days 0.8% 0.8% - 0.8% 0.8% - Loss Reserves (millions): Beginning Balance $ 686 $ 602 13.9 $ 672 $ 619 8.4 Provision 328 264 24.2 881 717 23.0 Net Charge-Offs/Other (283) (230) 22.8 (822) (700) 17.3 --- --------------- ----------- ------- Ending Balance $ 731 $ 636 15.0 $ 731 $ 636 15.0~~

~~% of Loans 2.7% 3.1% - 2.7% 3.1% - % of Past Due 103% 111% - 103% 111% - Average Loans $ 26.6 $ 19.8 34.8 $ 25.2 $18.0 40.2 Net Write-Off Rate 4.3% 4.7% - 4.4% 5.3% - Net Interest Yield 7.8% 8.5% - 7.6% 9.0%~~

(A) Computed from proprietary card activities only. (B) This data relates to Visa and Eurocards issued in connection with joint venture activities. (C) Computed from information provided herein. # Denotes variance of more than 100%. 12 Travel Related Services Travel Related Services' (TRS) net income rose 14 percent for both the three and nine-month periods ended September 30, 2000 compared with a year ago. The TRS segment now includes earnings from Travelers Cheque (TC) operations. Excluding TC, net income for the remaining TRS business rose 15 percent for both the three and nine-month periods ended September 30, 2000, from a year ago. TC results had previously been included in the American Express Bank/TC segment. Net revenues increased 14 and 16 percent for the three and nine-month periods ended September 30, 2000, respectively, reflecting higher billed business as well as strong growth in Cardmember loans. The improvement in discount revenue for the three and nine-month periods ended September 30, 2000, compared with a year ago, is the result of higher billed business, reflecting an increase of 5.6 million cards in force, up 13 percent from a year ago, and greater average spending per Cardmember, partially offset by a decline in the discount rate. The higher spending was driven by several factors, including rewards programs and expanded merchant coverage. The growth in billed business continued to be primarily the result of increases in retail and "everyday spend" categories; the rate of growth in airline billings also continued to improve. The increase in cards in force reflects more proactive consumer card and small business services activities over the past year, including those related to Blue and co-branded Costco card products. The decline in the discount rate from a year ago reflects the cumulative impact on our mix of business of stronger than average growth in lower rate retail and other "everyday spend" merchant categories. The net interest yield on Cardmember loans decreased for the three and nine-month periods ended September 30, 2000, compared with a year ago, reflecting a higher cost of funds and a greater percentage of loan balances on fixed and lower rate products; additionally, the decline for the nine-month period also reflects a greater proportion of loan balances on introductory rates. Travel commissions and fees declined for the current quarter, but rose for the nine-month period, reflecting new fees related to certain client services, partly offset by the mix of sales activities and continued cost containment efforts by airlines and corporate clients, as well as a decline in travel sales due to the second quarter sale of an international leisure travel business. TC investment income rose for both periods due to a higher investment pool and growth in Money Order related activities. Other revenues increased, reflecting higher fee income, greater foreign exchange conversion revenue and acquisitions. The provision for losses on the charge card and lending portfolios grew for the three and nine-month periods ended September 30, 2000 as a result of higher volume, partly offset by improvement in credit quality in the lending portfolio. Charge Card interest expense rose due to higher volumes and increased borrowing costs. Marketing and promotion expenses grew as a result of increased business building activities. Human resource expenses increased for both periods as a result of a higher average number of employees and merit increases. Other operating expenses increased on higher costs related to business growth, Cardmember loyalty programs and various business building initiatives. For the nine months ended September 13 30, 2000, other operating expenses included a gain on the sale of an international leisure travel business as well as a gain on an investment in an Internet company that TRS was required to write-up when that company was acquired by a third party. These gains were offset by increased spending on Internet activities and other business building initiatives and, therefore, had no material impact on net income or total expenses. 14 Travel Related Services The preceding statements of income and related discussion present TRS results on a managed basis, as if there had been no securitization transactions. On a GAAP reporting basis, TRS recognized pretax gains of $26 million ($17 million after-tax) and $55 million ($36 million after-tax) in the third quarters of 2000 and 1999, respectively, and $142 million ($92 million after-tax) and $154 million ($100 million after-tax) for the nine months ended September 30, 2000 and 1999, respectively, related to the securitization of U.S. receivables. These gains were invested in additional card acquisition activities and had no material impact on net income, total net revenues or total expenses in any period. The following tables reconcile TRS' income statements from a managed basis to a GAAP basis. These tables are not complete statements of income, as they include only those income statement items that are affected by securitizations. (Dollars in millions)

Three Months Ended Three Months Ended September 30, 2000 September 30, 1999 ------------------------------------- ------------------------------- Managed Securitization GAAP Managed Securitization GAAP Basis Effect Basis Basis Effect Basis -------------------------------- - -------------------------------- --- ~~Net Revenues: Net Card Fees $ 420 $ (2) $ 418 $ 399 $ (4) $ 395 Lending Net Finance Charge Revenue 623 (391) 232 501 (153) 348 Other Revenues 858 332 1,190 725 116 841 Total Net Revenues 4,400 (61) 4,339 3,864 (41) 3,823 Expenses: Marketing and~~

~~Promotion 358 15 373 349 33 382 Provision for Losses and Claims: Charge Card 273 (37) 236 247 (25) 222 Lending 386 (119) 267 312 (125) 187 Charge Card Interest Expense 362 (50) 312 259 (51) 208 Net Discount Expense - 119 119 - 105 105 Other Operating Expenses 1,254 11 1,265 1,065 22 1,087 Total Expenses 3,679 (61) 3,618 3,234 (41) 3,193 Pretax Income $ 721 $ - $ 721 $ 630 $ - $ 630 ----- ------------ ------------ ------------ ------------ ----~~

15 Travel Related Services Liquidity and Capital Resources Selected Balance Sheet Information ---------------------------------- (Unaudited, GAAP Basis) (Dollars in billions, except percentages)

September 30, December 31, Percentage September 30, Percentage 2000 1999 Inc/(Dec) 1999 Inc/(Dec) --- ------------ ------------ ------------ - ------------

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~~Accounts Receivable, net $ 27.9 $ 25.6 8.9% $ 23.6 18.2% Travelers Cheque Investments $ 6.5 $ 6.0 8.2 $ 6.1 5.9 U.S. Cardmember Loans $ 15.8 $ 16.1 (1.7) $ 13.4 18.1 Total Assets $ 67.0 $ 63.2 6.0 $ 55.8 20.0 Travelers Cheques Outstanding $ 6.6 $ 6.2 5.7 $ 6.4 3.2 Short-term Debt $ 32.2 $ 31.3 2.7 $ 26.3 22.6 Long-term Debt $ 3.0 $ 4.4 (31.7) $ 4.5 (34.4) Total Liabilities $ 60.7 $ 57.7 5.2 $ 50.1 21.1 Total Shareholder's Equity $ 6.3 $ 5.5 13.5 $ 5.7 10.5 Return on Average Equity* 32.6% 31.2% - 30.5% - Return on Average Assets* 3.0% 3.1% - 3.1% -~~

* Computed based on the past twelve months of net income and excludes the effect of SFAS No. 115. In the first, second and third quarters of 2000, the American Express Credit Account Master Trust securitized $1 billion, $2.2 billion and $0.8 billion of loans, respectively, through the public issuance of investor certificates. The securitized assets consist primarily of loans arising in a portfolio of designated consumer American Express credit card, Optima Line of Credit and Sign & Travel/Special Purchase Account revolving credit accounts or features and, in the future, may include other charge or credit accounts or features or products. U.S. Cardmember loans declined from December 31, 1999 as a result of these issuances. In addition, long-term debt decreased from year-end levels reflecting the securitization activity discussed above as well as changes in the funding mix. In the third quarter

of 2000, $600 million Class A Fixed Rate Accounts Receivable Trust Certificates matured from the Charge Card securitization portfolio. In the first quarter of 2000, American Express Credit Corporation (Credco), a wholly-owned subsidiary of TRS, called $150 million 1.125% Cash Exchangeable Notes due 2003. These notes were exchangeable for an amount in cash which was linked to the price of the common shares of American Express. Credco had entered into agreements to fully hedge its obligations. Accordingly, the related hedging agreements were called at the same time. 16 American Express Financial Advisors Results of Operations for the Three and Nine Months Ended September 30, 2000 and 1999 Statements of Income -------------------- (unaudited) (Dollars in Millions)

Three Months Ended Nine Months Ended September 30, September 30, --------- ----------Percentage --- -------------------- Percentage 2000 1999 Inc/(Dec) 2000 1999 Inc/(Dec) --------------- -------------- ---------- -----------------------

~~Net Revenues: Investment Income $ 582 $ 566 2.8% $1,746 $ 1,776 (1.7)% Management and Distribution Fees 700 578 21.0 2,089 1,653 26.4 Other Revenues 258 224 15.6 753 678 11.1 ---------------- ---- -------------- Total Revenues 1,540 1,368 12.6 4,588 4,107 11.7 Provision for Losses and Benefits: Annuities 253 251 1.0 767 795 (3.5) Insurance 146 135 8.2 422 392 7.7 Investment Certificates 89 46 94.4 246 182 35.5 ---------- ----- ----------------- Total 488 432 13.1 1,435 1,369 4.9 -------- ------- ----------------- Net Revenues 1,052 936 12.4 3,153 2,738 15.1 - -------------- ---------- ------- Expenses: Human Resources 527 456 15.5 1,553 1,302 19.3 Other Operating Expenses 138 130 6.8 462 421 9.7 --- ----------- ----------- ----- Total Expenses 665 586 13.6 2,015 1,723 16.9 ------------- -- ----------------- Pretax Income 387 350 10.3 1,138 1,015 12.1 Income Tax Provision 118 110 6.8 348 319 9.4 ---------------- ----- ------------ Net Income $ 269 $ 240 12.0 $ 790 $ 696 13.4~~

17 American Express Financial Advisors Selected Statistical Information -------------------------------- (unaudited) (Dollars in millions, except percentages and where indicated)

Three Months Ended Nine

Months Ended September 30, September 30, --------------------------- Percentage ----------------------- Percentage 2000 1999 Inc/(Dec) 2000 1999 Inc/(Dec) --------------------------------------- ----------------------------------- ~~Life Insurance in Force (billions) $ 95.8 $ 86.3 11.0% $ 95.8 $ 86.3 11.0% Deferred Annuities in Force (billions) $ 51.8 $ 45.2 14.5% $ 51.8 $ 45.2 14.5 Assets Owned, Managed or Administered (billions): Assets Managed for Institutions $ 55.9 $ 48.2 15.9 $ 55.9 $ 48.2 15.9 Assets Owned, Managed or Administered for Individuals: Owned Assets: Separate Account Assets 36.6 28.9 26.8 36.6 28.9 26.8 Other Owned Assets 40.6 38.1 6.4 40.6 38.1 6.4 --------------------------------------- Total Owned Assets 77.2 67.0 15.2 77.2 67.0 15.2 Managed Assets 122.0 99.5 22.7 122.0 99.5 22.7 Administered Assets 38.0 21.1 80.3 38.0 21.1 80.3 --- Total $ 293.1 $ 235.8 24.3 $ 293.1 $ 235.8 24.3~~

~~Market Appreciation (Depreciation) During the Period: Owned Assets: Separate Account Assets $ (203) $ (986) 79.4 $ (172) $ 1,446 - Other Owned Assets $ 163 $ (273) - $ (47) $ (872) 94.6 Total Managed Assets $ (76) $ (5,318) 98.6 $ 456 $ 3,029 (84.9) Cash Sales: Mutual Funds $ 11,698 $ 8,304 40.9 $ 34,177 $ 25,659 33.2 Annuities 1,465 1,190 23.2 4,393 2,963 48.2 Investment Certificates 868 1,061 (18.2) 2,574 2,598 (0.9) Life and Other Insurance Products 220 196 12.1 675 523 29.3 Institutional 1,169 909 28.6 4,277 3,084 38.7 Other 815 953 (14.6) 2,050 2,643 (22.5) --------------------------------------- Total Cash Sales $ 16,235 $ 12,613 28.7 $ 48,146 $ 37,470 28.5~~

~~Number of Financial Advisors 12,137 10,631 14.2 12,137 10,631 14.2 Fees from Financial Plans and Advice Services $ 26.1 $ 22.3 16.9 $ 76.2 $ 66.4 14.8 Percentage of Total Sales from Financial Plans and Advice Services 69.2% 67.7% - 67.4% 66.5% -~~

Note: In the first quarter of 2000, reporting of data related to cash sales and assets owned, managed and administered was revised to better reflect AEFA's multiple sales channel strategy and broadening of its product portfolio through additional non-proprietary offerings. 18 American Express Financial Advisors American Express Financial Advisors' (AEFA) net income for the three and nine-month periods ended September 30, 2000 rose 12 percent and 13 percent, respectively, from a year ago. Net revenues and earnings grew in both periods due to greater fee revenues. Management fees rose as a result of increased managed asset levels, including separate account assets; distribution fees also grew, reflecting greater product sales and asset levels. The increase in managed assets from a year ago reflects positive net sales and market appreciation over the past twelve months. Investment income, net of provisions for losses and benefits, decreased in both periods due to a lower average yield on invested assets. The lower yield in the current year partly reflects the negative impact of deterioration in the high yield bond sector on directly owned bonds and low grades in other structured investments. Lower yields were partly offset by a higher average level of invested assets. Other revenues benefited from higher insurance premiums and greater fees from financial planning and advice services, as well as franchise fees from Platform 2 advisors in the current year. Human resources expenses rose for both the three and nine-month periods ended September 30, 2000, largely as a result of an increase in advisors' compensation, reflecting growth in sales, asset levels, the new advisor platforms, and the number of financial advisors. Other operating expenses also increased from year-ago levels due to higher business volumes and ongoing investments to build the business. 19 American Express Financial Advisors Liquidity and Capital Resources Selected Balance Sheet Information ---------------------------------- (Unaudited) (Dollars in billions, except percentages)

September 30, December 31, Percentage September 30, Percentage 2000 1999 Inc/(Dec) 1999 Inc/(Dec) --- ------------- - ------------ - ------------ --- ---------- -------- ----- ------

~~Investments $ 30.0 $ 30.3 (0.9)% $ 30.7 (2.5)% Separate Account Assets $ 36.6 $ 35.9 2.1 $ 28.9 26.8 Total Assets $ 77.2 $ 74.6 3.4 $ 67.0 15.2 Client Contract Reserves $ 31.4 $ 31.0 1.3 $ 31.0 1.1 Total Liabilities $ 73.0 $ 70.7 3.1 $ 63.1 15.6 Total Shareholder's Equity $ 4.2 $ 3.9 9.4 $ 3.9 8.1 Return on Average Equity* 23.1% 22.9% - 22.8% -~~

* Computed based on the past twelve months of net income and excludes the effect of SFAS No. 115. Separate account assets and liabilities increased from December 31, 1999, primarily due to net sales. 20 American Express Bank Results of Operations for the Three and Nine Months Ended September 30, 2000 and 1999 Statements of Income -------------------- (Unaudited) (Dollars in millions)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2000	1999	Percentage Inc/(Dec)	2000	1999	Percentage Inc/(Dec)
Net Revenues:						
Interest Income	$ 188	$ 181	3.9 %	$ 554	$ 557	(0.6)%
Interest Expense	125	106	17.3	362	334	8.5
Net Interest Income	63	75	(15.2)	192	223	(14.1)
Commissions and Fees	54	46	17.7	162	132	23.1
Foreign Exchange Income & Other Revenue	29	36	(20.8)	93	119	(21.6)
Total Net Revenues	146	157	(7.0)	447	474	(5.7)
Expenses:						
Human Resources	65	68	(4.2)	197	202	(2.6)
Other Operating Expenses	67	78	(14.7)	204	226	(9.7)
Provision for Losses	6	5	26.9	20	25	(17.9)
Total Expenses	138	151	(8.7)	421	453	(7.0)
Pretax Income	8	6	33.5	26	21	23.1
Income Tax Provision	1	1	(40.2)	4	3	15.0
Net Income	$ 7	$ 5	60.0	$ 22	$ 18	24.4

Selected Statistical Information -------------------------------- (Dollars in billions)

Three
Months
Ended Nine
Months
Ended
September
30,
September
30, ---------

-Percentage

-Percentage
2000 1999
Inc/(Dec)
2000 1999
Inc/(Dec) ---

----- -------

---- ~~Assets~~
~~Managed */~~
~~Administered~~
~~$10.2 $ 7.7~~
~~33.5 %~~
~~$10.2 $ 7.7~~
~~33.5 %~~
~~Assets of~~
~~Non-~~
~~Consolidated~~
~~Joint~~
~~Ventures $~~
~~2.3 $ 2.4~~
~~(1.6) $ 2.3 $~~
~~2.4 (1.6)~~
* Includes assets managed by American Express Financial Advisors. 21 American Express Bank American Express Bank (AEB) net income for the three and nine-month periods ended September 30, 2000 rose 60 percent and 24 percent, respectively, from a year ago. Net interest income for both periods declined from a year ago, primarily due to the effects of higher funding costs. Commissions and fees rose on greater private banking, correspondent banking and personal financial services fees. Foreign exchange income and other revenue declined, mainly due to lower security gains and joint venture earnings; additionally, the decline for the nine-month period reflects a decrease in client related trading activities due to the stabilization of currencies in key markets. Human resources and other operating expenses declined in both periods from a year ago, reflecting reengineering saves, and lower related costs, as AEB rationalizes certain country activities. 22 American Express Bank Liquidity and Capital Resources Selected Balance Sheet Information ---------------------------------- (Unaudited) (Dollars in billions, except percentages and where indicated)
September
30,
December
31,
Percentage
September
30,
Percentage
2000 1999
Inc/(Dec)
1999
Inc/(Dec) ---
---------- ---
---------- ---
---------- ---

---------- ---

~~Total Assets $ 11.0 $ 11.4 (3.6)% $ 11.1 (1.3)% Total Liabilities $ 10.3 $ 10.7 (4.1) $ 10.4 (1.7) Total Shareholder's Equity (millions) $ 729 $ 691 5.6 $ 702 3.8 Return on Average Assets* 0.24% 0.20% - 0.20% - Return on Average Common Equity* 4.1% 3.5% - 3.7% - Total Loans $ 5.1 $ 5.1 0.6 $ 5.1 0.8 Total Non-performing Loans (millions) $ 156 $ 168 (7.1) $ 181 (14.2) Other Non-performing Assets (millions) $ 37 $ 37 1.3 $ 40 (6.6) Reserve for Credit Losses (millions)** $ 179 $ 189 (4.8) $ 204 (12.1) Loan Loss Reserves as a Percentage of Total Loans 3.1% 3.3% - 3.5% - Deposits $ 8.0 $ 8.3 (4.1) $ 8.1 (1.7) Risk-~~

~~Based Capital Ratios: Tier 1 10.4% 9.9% - 9.9% - Total 11.9% 12.0% - 12.1% - Leverage Ratio 5.8% 5.6% - 5.5% _ * Computed based on the past twelve months of net income and excludes the effect of SFAS No. 115. ** Allocation (millions): Loans $ 158 $ 169 $ 179 Other Assets, primarily derivatives 16 16 23 Other Liabilities 5 4 2 ------- ---- ----- -------- Total Credit Loss Reserves $ $ 179 $ 189 $ 204~~

AEB had loans outstanding of $5.1 billion at September 30, 2000, unchanged from December 31, 1999 and September 30, 1999. The activity since third quarter 1999 included a $200 million decrease in corporate and correspondent banking loans, offset by an increase in consumer and private banking loans of $220 million ($380 million excluding the effect of asset sales and securitizations in the consumer loan portfolio). Since December 31, 1999, corporate and correspondent bank loans fell by $128 million and consumer and private banking loans rose by $156 million. As of September 30, 2000, consumer and private banking loans comprised 39% of total loans versus 35% at December 31, 1999 and September 30, 1999. 23 As presented in the table below, there are other banking activities, such as forward contracts, various contingencies and market placements, which added approximately $7.2 billion to AEB's credit exposures at September 30, 2000, compared with $7.6 billion at December 31, 1999 and $7.7 billion at September 30, 1999. Of the $7.2 billion of additional exposures at September 30, 2000, $4.7 billion were relatively less risky cash and securities related balances. American Express Bank Exposures By Country and Region (Unaudited) ($ in billions)

Net Guarantees
9/30/00 12/31/99
FX and and Total
Total Country
Loans Derivatives
Contingents
Other*
Exposure**
Exposure** -----

---------- ------
----------- ------
----- ------ -----
----- ----------

~~Hong Kong $0.5 - $ 0.1 $ 0.1 $ 0.7 $ 0.8~~
~~Indonesia 0.2 - - 0.1 0.3 0.4~~
~~Singapore 0.5 - 0.1 0.1 0.7 0.6~~
~~Korea 0.2 - - 0.2 0.5 0.3~~
~~Taiwan 0.2 - - 0.1 0.4 0.4~~
~~China - - - - - -~~
~~Japan - - - - 0.1 0.1~~
~~Thailand - - - - - -~~
~~Other 0.1 - - 0.1 0.2 0.3~~
~~------ ------- ---- ---------- -- ------ ---------- - ----------~~
~~Total Asia/Pacific Region** 1.7 - 0.4 0.7 2.8 2.9~~
~~-- ---- ------------ - --------- -------- ----------- ----- -------~~
~~Chile 0.2 - - 0.1 0.3 0.3~~
~~Brazil 0.2 - - 0.1 0.3 0.3~~
~~Mexico - - - - 0.1 0.1~~
~~Peru - - - - - -~~
~~Argentina 0.1 - - - 0.1 0.1~~
~~Other 0.2 - 0.2 0.1 0.5 0.5~~
~~------ ------- ---- ---------- -- ------ ---------- - ----------~~
~~Total Latin America** 0.8 - 0.2 0.3 1.3 1.2~~
~~-- ---- ------------ - --------- -------- ----------- ----- -------~~
~~India 0.3 - 0.1 0.3 0.7 0.7~~
~~Pakistan 0.1 - - 0.2 0.3 0.3~~
~~Other 0.1 - 0.1 0.1 0.2 0.2~~
~~------ ------- ---- ---------- -- ------ ---------- - ----------~~
~~Total Subcontinent** 0.4 - 0.2 0.6 1.2 1.2~~
~~------ -------~~

~~---- ------------ -- ------- ----------- -- ------------ Egypt 0.3 - - - 0.2 0.6 0.5 Other 0.1 - - - 0.2 0.2 ----- -------------- ---- ------- --------- -- --------------------- ----- Total Middle East & Africa** 0.4 - 0.1 0.2 0.7 0.8 -- ---- ------------- - --------- -------- ------------- ----- ------- Total Europe*** 1.4 0.1 0.5 2.3 4.4 4.7 Total North America** 0.3 0.1 0.2 1.3 1.9 2.0 ------ ------- ---- ------------ -- ------- ----------- -- ------------ Total Worldwide** $5.1 $ 0.3 $ 1.6 $ 5.3 $ 12.3 $ 12.7~~

* Includes cash, placements and securities. ** Individual items may not add to totals due to rounding. *** Total exposures at 9/30/00 and 12/31/99 include $4 million and $11 million of exposures to Russia, respectively. Note: Includes cross-border and local exposure and does not net local funding or liabilities against any local exposure. 24 Corporate and Other Corporate and Other reported net expenses of $46 million and $139 million for the three and nine months ended September 30, 2000, respectively, compared with net expenses of $43 million and $131 million in the same periods a year ago. The current year nine-month results include an investment gain that was offset by expenses related to business building initiatives. The nine-month results for both years include a preferred stock dividend based on earnings from Lehman Brothers, which was offset by expenses related to business building initiatives in both years and by Y2K expenses a year ago. 25 PART II. OTHER INFORMATION AMERICAN EXPRESS COMPANY ITEM 1. LEGAL PROCEEDINGS The Company commenced an action, AMERICAN EXPRESS COMPANY V. THE UNITED STATES, on September 16, 1997 in the United States Court of Federal Claims (the "Court") seeking a refund from the United States of Federal income taxes paid (plus related interest) for the year 1987. The Company contends that the Internal Revenue Service abused its discretion by denying the Company's request to include annual fees from Cardmembers in taxable income ratably over the twelve-month period to which the fees relate rather than in full at the time they are billed. On June 30, 2000, the Court entered a judgment in favor of the Internal Revenue Service. The Company filed a notice of appeal with the United States Court of Appeals for the Federal Circuit on July 19, 2000, and filed a brief in support of its position on September 22, 2000. Since October 1, 1999, fourteen former female financial advisors at American Express Financial Advisors ("AEFA") have filed charges with the Equal Employment Opportunity Commission ("EEOC"), including class claims on behalf of all women advisors at AEFA, alleging that they and other women were discriminated against in hiring, assignment of work, distribution of leads, training and promotions. All of the charges have been consolidated with the EEOC in Minnesota. The claimants are seeking monetary and injunctive relief. AEFA is responding to all charges. If this matter is not resolved at the EEOC and is filed in Federal Court, AEFA intends to vigorously defend the charges. On March 29, 1999 an action entitled LAMBERT V. AMERICAN EXPRESS FINANCIAL CORPORATION, AMERICAN EXPRESS FINANCIAL ADVISORS INC., IDS LIFE INSURANCE AGENCIES, INC., IDS LIFE INSURANCE COMPANY, AMERICAN EXPRESS BENEFIT PLAN COMMITTEE, CAREER DISTRIBUTORS PLAN COMMITTEE AND JOHN/JANE DOES 1-20 was commenced in U.S. District Court, District of Minnesota, Fourth Division. The original named plaintiff purports to represent a class consisting of financial advisors who were independent contractors from January 1, 1993 to the present. The complaint alleges class members were misclassified as independent contractors and seeks retroactive coverage in all employee health, welfare, retirement and compensation plans, and payment of FICA and FUTA taxes. The complaint also alleges violation of ERISA, breach of contract, breach of duty of good faith and fair dealing and unjust enrichment. The complaint was amended on July 26, 1999, adding

three plaintiffs, adding new claims for conversion, rescission of the financial advisors agreement and declaratory judgment and adding the Company's Employee Benefits Administration Committee as a defendant. The parties are actively engaged in discovery. The plaintiff's motion for class certification was filed on July 31, 2000. The Company filed its motion opposing class certification on September 11, 2000. The hearing on the class certification motion and on the defendants' motion for partial summary judgment on the retirement plans is scheduled for January 17, 2001. The Company believes it has meritorious defenses to such action and continues to pursue them vigorously. The three matters described above were previously reported in the Company's Form 10-Q for the quarter ended June 30, 2000. The matters described below were previously reported in the Company's Form 10-K for the year ended December 31, 1999. On December 13, 1996, an action entitled LESA BENACQUISTO AND DANIEL BENACQUISTO V. IDS LIFE INSURANCE COMPANY ("IDS LIFE") AND AMERICAN EXPRESS FINANCIAL CORPORATION was commenced in Minnesota state court. The action is brought by individuals who replaced an existing IDS Life insurance policy with a new IDS Life policy. The plaintiffs purport to represent a class consisting of all persons who replaced existing IDS Life policies with new IDS Life policies from and after January 1, 1985. The complaint puts at issue various alleged sales practices and misrepresentations, alleged breaches of fiduciary duties and alleged violations of consumer fraud statutes. Plaintiffs seek damages in an unspecified amount and also seek to establish a claims resolution facility for the determination of individual issues. IDS Life and AEFC filed an answer to the complaint on February 18, 1997, denying the allegations. A second action, entitled ARNOLD MORK, ISABELLA MORK, RONALD MELCHERT AND SUSAN MELCHERT V. IDS LIFE INSURANCE COMPANY AND AMERICAN EXPRESS FINANCIAL CORPORATION was commenced in the same court on March 21, 1997. In addition to claims that are included in the Benacquisto lawsuit, the second action includes an allegation of improper replacement of an existing IDS Life annuity contract. It seeks similar relief to the initial lawsuit. On October 13, 1998, an action entitled RICHARD W. AND ELIZABETH J. THORESEN V. AMERICAN EXPRESS FINANCIAL CORPORATION, AMERICAN CENTURION LIFE ASSURANCE COMPANY, AMERICAN ENTERPRISE LIFE INSURANCE COMPANY, AMERICAN PARTNERS LIFE INSURANCE COMPANY, IDS LIFE INSURANCE COMPANY AND IDS LIFE INSURANCE COMPANY OF NEW YORK was also commenced in Minnesota state court. The action was brought by individuals who purchased an annuity in a qualified plan. They allege that the sale of annuities in tax-deferred contributory retirement investment plans (e.g., IRAs) is never appropriate. The plaintiffs purport to represent a class consisting of all persons who made similar purchases. The plaintiffs seek damages in an unspecified amount, including restitution of allegedly lost investment earnings and restoration of contract values. In January 2000, AEFC reached an agreement in principle to settle the three class-action lawsuits described above. It is expected the settlement will provide $215 million of benefits to more than two million participants and for release by class members of all insurance and annuity market conduct claims dating back to 1985. On October 2, 2000 the District Court, Fourth Judicial District for the State of Minnesota, County of Hennepin and the United States District Court for the District of Minnesota entered an order conditionally certifying a class for settlement purposes, preliminarily approving the class settlement, directing the issuance of a class notice to the class and scheduling a hearing to determine the fairness of settlement for March, 2001. Item 6. Exhibits and Reports on Form 8-K (a) Exhibits See Exhibit Index on page E-1 hereof. (b) Reports on Form 8-K: Form 8-K, dated July 24, 2000, Item 5, reporting the Company's earnings for the quarter ended June 30, 2000 and including a Second Quarter Earnings Supplement. Form 8-K/A, dated July 24, 2000, Item 5, amending the Company's earnings for the quarter ended June 30, 2000 and including a Second Quarter Earnings Supplement. Form 8-K, dated August 2, 2000, Item 5, reporting certain information from presentations to the financial community on August 2, 2000 by Harvey Golub, the Company's Chairman and Chief Executive Officer, and Ken Chenault, the Company's President and Chief Operating Officer. Form 8-K, dated October 10, 2000, Item 5, reporting that the Company's Travelers Cheque (TC) operation, which had been included in the American Express Bank/Travelers Cheque (AEB/TC) segment since the first quarter of 1998, will be included beginning in the third quarter of 2000 in the Travel Related Services (TRS) segment to reflect organizational changes, and restated financial information related thereto. Form 8-K, dated October 23, 2000, Item 5, reporting the Company's earnings for the quarter ended September 30, 2000 and including a Third Quarter Earnings Supplement. 26 SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. AMERICAN EXPRESS COMPANY ------------------------ (Registrant) Date: November 13, 2000 By /s/ Gary L. Crittenden ----------------------- ------------------------ Gary L. Crittenden Executive Vice President and Chief Financial Officer (as Duly Authorized Officer and Principal Financial Officer) EXHIBIT INDEX The following exhibits are filed as part of this Quarterly Report: Exhibit Description ------- ----------- 12 Computation in Support of Ratio of Earnings to Fixed Charges. 15 Letter re Unaudited Interim Financial Information. 27 Financial Data Schedule. E-1