10-Q 1 q.txt AMERICAN EXPRESS 10-Q 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 MARCH 31, 2002 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 April 30, 2002 Common Shares (par value $.20 per share) 1,329,924,155 shares AMERICAN EXPRESS COMPANY FORM 10-Q INDEX

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PART I--FINANCIAL INFORMATION AMERICAN EXPRESS COMPANY CONSOLIDATED STATEMENTS OF INCOME (dollars in millions, except per share amounts) (Unaudited)

Three Months Ended March

31, ------------ ----------- 2002 2001 ---- ------ ----------

~~Revenues: Discount revenue $ 1,845 $ 1,925 Interest and dividends, net 758 611 Management and distribution fees 597 638 Net card fees 423 422 Travel commissions and fees 328 418 Other commissions and fees 497 521 Cardmember lending net finance charge revenue 405 331 Life and other insurance premiums 186 156 Securitization income 383 294 Other 337 403 ---------- ---------- Total 5,759 5,719 ---------- ---------- Expenses: Human resources 1,478 1,668 Provisions for losses and benefits: Annuities and investment certificates 299 319 Life insurance, international banking and other 262 198 Charge card 252 249 Cardmember lending 346 287 Interest 271 361 Marketing and promotion 362 338 Occupancy and equipment 369~~

~~371 Professional services 392 375 Communications 124 130 Restructuring charge (13) - Other 759 682 ---------- ---------- Total 4,901 4,978 ---------- ---------- Pretax income 858 741 Income tax provision 240 203 ---------- ---------- Net income $ 618 $ 538~~

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~~Earnings Per Common Share: Basic $ 0.47 $ 0.41~~

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~~Diluted $ 0.46 $ 0.40~~

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~~Average common shares outstanding for earnings per common share (millions): Basic 1,325 1,323~~

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~~Diluted 1,335 1,344~~

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

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See notes to Consolidated Financial Statements. 1 AMERICAN EXPRESS COMPANY CONSOLIDATED BALANCE SHEETS (millions, except share data) (Unaudited)

March 31, December 31, 2002 2001 ---------- ------------ ~~ASSETS Cash and cash equivalents $ 7,503 $ 7,222 Accounts~~

~~receivable and accrued interest: Cardmember receivables, less reserves: 2002, $1,031; 2001, $1,032 23,144 25,212 Other receivables, less reserves: 2002, $117; 2001, $134 4,084 4,286 Investments 45,539 46,488 Loans: Cardmember lending, less reserves: 2002, $842; 2001, $831 19,096 20,131 International banking, less reserves: 2002, $130; 2001, $130 5,139 5,155 Other, net 729 1,154 Separate account assets 27,215 27,334 Deferred acquisition costs 3,792 3,737 Land, buildings and equipment - at cost, less accumulated depreciation: 2002, $2,529; 2001, $2,507 2,796 2,811 Other assets 7,746 7,570 ---------- ---------- Total assets $ 146,783 $ 151,100~~

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~~LIABILITIES AND SHAREHOLDERS' EQUITY Customers' deposits $ 13,784 $ 14,557 Travelers Cheques outstanding 6,172 6,190 Accounts payable 7,167 6,820 Insurance and annuity reserves: Fixed annuities 19,909 19,592 Life and disability policies 5,012 4,944 Investment certificate reserves 8,020 8,227 Short-~~

~~term debt 24,889 31,569 Long-term debt 10,822 7,788 Separate account liabilities 27,215 27,334 Other liabilities 10,798 11,542 ---------- ---------- Total liabilities 133,788 138,563 ---------- ---------- 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 2002 and 1,331 million shares in 2001 266 266 Capital surplus 5,611 5,527 Retained earnings 6,906 6,421 Other comprehensive (loss) income, net of tax: Net unrealized securities gains 150 334 Net unrealized derivatives losses (220) (296) Foreign currency translation adjustments (115) (112) Minimum pension liability (103) (103) ---------- ---------- Accumulated other comprehensive loss (288) (177) ---------- ---------- Total shareholders' equity 12,495 12,037 ---------- ---------- Total liabilities and shareholders' equity $ 146,783 $ 151,100~~

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See notes to Consolidated Financial Statements. 2 AMERICAN EXPRESS COMPANY CONSOLIDATED STATEMENTS OF CASH FLOWS (millions) (Unaudited) Three Months Ended March 31, ----------------- ------ 2002 2001 ---------- - --------- ~~CASH FLOWS FROM OPERATING ACTIVITIES Net income $ 618 $ 538 Adjustments to reconcile net income to net cash provided by operating activities: Provisions for losses and benefits 817 726 Depreciation, amortization, deferred taxes and other 89 141 Restructuring charge (13) - Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: Accounts receivable and accrued interest 61 25 Other assets (48) 70 Accounts payable and other liabilities (26) 343 Decrease in Travelers Cheques outstanding (130) (133) Increase in insurance reserves 69 35 ---------- ---------- - NET CASH PROVIDED BY OPERATING ACTIVITIES 1,437 1,745 ---------- ---------- CASH FLOWS FROM INVESTING ACTIVITIES Sale of~~

~~investments 3,006 1,305 Maturity and redemption of investments 2,435 1,880 Purchase of investments (4,868) (2,768) Net decrease in Cardmember loans/receivables 1,077 1,722 Cardmember loans/receivables sold to trust, net 1,670 998 Proceeds from repayment of loans 5,469 7,884 Issuance of loans (5,382) (7,656) Purchase of land, buildings and equipment (196) (175) Sale of land, buildings and equipment 62 3 Acquisitions, net of cash acquired (10) (154) ---------- ---------- NET CASH PROVIDED BY INVESTING ACTIVITIES 3,263 3,039 ---------- ---------- CASH FLOWS FROM FINANCING ACTIVITIES Net decrease in customers' deposits (848) (550) Sale of annuities and investment certificates 1,332 1,967 Redemption of annuities and investment certificates (1,263) (1,855) Net decrease in debt with maturities of three months or less (5,667) (3,764)~~

~~Issuance of debt~~	~~6,570~~	~~2,451~~
~~Principal payments on debt~~	~~(4,538)~~	~~(3,336)~~
~~Issuance of American Express common shares~~	~~55~~	~~28~~
~~Repurchase of American Express common shares~~	~~--~~	~~(72)~~
~~Dividends paid~~	~~(109)~~	~~(106)~~
~~NET CASH USED IN FINANCING ACTIVITIES~~	~~(4,468)~~	~~(5,237)~~
~~Effect of exchange rate changes on cash~~	~~49~~	~~30~~
~~NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS~~	~~281~~	~~(423)~~
~~Cash and cash equivalents at beginning of period~~	~~7,222~~	~~8,487~~
~~CASH AND CASH EQUIVALENTS AT END OF PERIOD~~	~~$ 7,503~~	~~$ 8,064~~

See notes to Consolidated Financial Statements. 3 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, 2001. 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 $127 million and $277 million for the first quarter of 2002 and 2001, respectively. Interest and dividends is presented net of interest expense of $61 million and $139 million for the first quarter of 2002 and 2001, respectively, related primarily to the company's international banking operations. At both March 31, 2002 and December 31, 2001, cash and cash equivalents included $1.0 billion segregated in special bank accounts for the benefit of customers. 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. 2. RESTRUCTURING CHARGES During the third and fourth quarters of 2001, the company recorded aggregate restructuring charges of $631 million ($411 million after-tax). Excluding balance sheet charge-offs ($120 million) and cash payments made during 2001 ($51 million), the company's liability at December 31, 2001 was $460 million. During the first quarter of 2002, the company adjusted the prior year's aggregate restructuring charge liability by taking back into income a net pretax amount of $13 million ($8 million after-tax). This includes the reversal of severance and related benefits of $17 million, primarily caused by voluntary attrition or redeployment into open jobs, of approximately 1,700 employees whose jobs were eliminated. This was offset in part by additional net exit costs of $4 million. These exit costs include $12 million related to the exit of office facilities, including the effect of the company's decision to exit its Jersey City, New Jersey office space and instead utilize all of its owned space in its World Financial Center headquarters building, reduced by a decreased liability of $8 million due to revisions to plans relating to certain travel office locations. This first quarter activity was recorded at Travel Related Services (TRS). As of March 31, 2002, other liabilities include $369 million for the expected future cash outlays related to last year's aggregate restructuring charges. In addition to employees who have attrited or been redeployed, approximately 6,600 employees have been terminated since inception of the restructuring plan. 4 The following table summarizes the company's first quarter 2002 cash payments, additional charges and liability reductions by category:

(in millions)	Severance	Other	Total
Liability balance at December 31, 2001	$ 332	$ 128	$ 460
Cash paid	(57)	(21)	(78)
Additional charges	-	12	12
Reductions	(17)	(8)	(25)
Liability balance at March 31, 2002	$ 258	$ 111	$ 369

3. INVESTMENT SECURITIES The following is a summary of investments at March 31, 2002 and December 31, 2001:

(in millions)	March 31, 2002	December 31, 2001
Available-for-Sale, at fair value (cost: 2002, $40,987; 2001, $41,650)	$ 41,213	$ 42,225
Investment mortgage loans (fair value: 2002, $4,248; 2001, $4,195)	4,123	4,024
Trading	203	239
Total	$ 45,539	$ 46,488

During the first quarter of 2001, the company recognized pretax losses of $182 million from the write-down and sale of certain high-yield securities. These losses are included in "Interest and dividends" on the Consolidated Statements of Income. 4. GOODWILL AND OTHER INTANGIBLE

ASSETS Effective January 1, 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which established new accounting and reporting standards for goodwill and other intangible assets. Under the new rules, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized but are instead subject to annual impairment tests. Management has completed goodwill impairment tests as of the date of adoption; such tests did not indicate impairment. As of March 31, 2002, the company had acquired identifiable intangible assets with definite lives of $128 million (net of accumulated amortization of $29 million). These intangible assets have a weighted-average remaining useful life of six years, and mainly reflect purchased credit card relationships and certain automated teller machine merchant contracts. The aggregate amortization expense for these intangible assets during the quarter was $5 million. Amortization expense associated with these intangible assets is estimated to be approximately $21 million for each of the next five years. 5 At both December 31, 2001 and March 31, 2002, the company had $1.2 billion of net goodwill on its consolidated balance sheets. At both dates, this consisted of $1.0 billion at TRS and $0.2 billion at American Express Financial Advisors (AEFA). The following table presents the impact to first quarter 2001 net income and earnings per common share (EPS) of goodwill amortization:

(in millions, except per share amounts) Net Basic Diluted Income EPS EPS ---------- ---------- ----------

~~Reported $ 538 $ 0.41 $ 0.40 Add back: Goodwill amortization (after-tax) 19 0.01 0.01 ---------- ---------- ---------- Adjusted $ 557 $ 0.42 $ 0.41~~

5. 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, (ii) unrealized gains or losses on derivatives, and (iii) foreign currency translation adjustments. The components of comprehensive income, net of related tax, for the three months ended March 31, 2002 and 2001 were as follows:

Three Months Ended March 31, ----------- ------------- (in millions) 2002 2001 --- ------- ------- --- ~~Net income $ 618 $ 538 Change in: Net unrealized securities gains (184) 416 Net unrealized derivative losses 76 (160) Foreign currency translation adjustments (3) 12 -------- -- ---------- Total $ 507 $ 806~~

6. TAXES AND INTEREST Net income taxes paid during the three months ended March 31, 2002 and 2001 were approximately $188 million and $63 million, respectively. Interest paid during the three months ended March 31, 2002 and 2001 was approximately $397 million and $757 million, respectively. 7. EARNINGS PER SHARE The computations of basic and diluted EPS for the three months ended March 31, 2002 and 2001 are as follows: 6

Three Months Ended March 31, -- ------------- -------- (in millions, except per share amounts) 2002 2001 - --------- --- -------

~~Numerator: Net income $ 618 $ 538 Denominator: Basic: Weighted-average shares outstanding during the period 1,325 1,323 Add: Dilutive effect of Stock Options, Restricted Stock Awards, and other dilutive securities 10 21 ---------- ---------- Diluted 1,335 1,344 ---------- -- -------- Basic EPS $ 0.47 $ 0.41 ---------- -- -------- Diluted EPS $ 0.46 $ 0.40 -------- -- ----------~~

8. SEGMENT INFORMATION The following tables present the first quarter results for the company's operating segments, based on management's internal reporting structure. Net revenues (managed basis) exclude the effect of securitizations at TRS, and include provisions for losses and benefits for annuities, insurance and investment certificate products of AEFA. AEFA's revenues for the first quarter of 2001 include the effect of $182 million of losses from the write down and sale of certain high-yield securities.

Three Months Ended REVENUES (GAAP BASIS) March 31, --- --------------- ------ (in millions) 2002 2001 --------- - ---------- ~~Travel Related Services $ 4,199 $ 4,326 American Express Financial Advisors 1,434 1,283 American Express Bank 178 158 Corporate and Other (52) (48) ---------- ---------- Total $ 5,759 $ 5,719~~

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 March 31, 2002 and the related consolidated statements of income and cash flows for the three-month periods ended March 31, 2002 and 2001. 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, 2001, 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 January 28, 2002, 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, 2001 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 May 14, 2002 8 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS CONSOLIDATED RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 The company's consolidated net income and diluted earnings per share (EPS) rose 15 percent in the three-month period ended March 31, 2002 as compared to a year ago. The company's return on equity was 11.5 percent. Due to the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," in 2002, no goodwill amortization occurred in the first quarter of 2002. First quarter 2001 results included goodwill amortization of $25 million ($19 million after-tax) or $0.01 per share. Below is a summary of the impact of goodwill amortization on both 2001 Net Income and Diluted EPS for each quarter and the full year: 2001

(in millions, except per share amounts) Net Diluted Income EPS - --------- ----- ----- ~~FIRST QUARTER: Reported $~~

~~538 $ 0.40 Add back: Goodwill amortization (after-tax) 19 0.01 ---------- ----------- Adjusted $ 557 $ 0.41~~

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~~SECOND QUARTER: Reported $ 178 $ 0.13 Add back: Goodwill amortization (after-tax) 20 0.02 ---------- ----------- Adjusted $ 198 $ 0.15~~

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~~THIRD QUARTER: Reported $ 298 $ 0.22 Add back: Goodwill amortization (after-tax) 19 0.02 ---------- ----------- Adjusted $ 317 $ 0.24~~

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~~FOURTH QUARTER: Reported $ 297 $ 0.22 Add back: Goodwill amortization (after-tax) 24 0.02 ---------- ----------- Adjusted $ 321 $ 0.24~~

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~~FULL YEAR: Reported $ 1,311 $ 0.98 Add back: Goodwill amortization (after-tax) 82 0.06 ----------~~

~~Adjusted $ 1,393 $ 1.04~~

Consolidated net revenues on a managed basis rose three percent for the three months ended March 31, 2002, due to higher Cardmember lending spreads and loan balances, greater insurance revenues, and higher revenues related to American Express Financial Advisors' (AEFA) investment portfolio. Consolidated net revenues on a GAAP basis rose one percent in the first quarter of 2002 compared to the prior year. AEFA's revenues and pretax income for the first quarter of 2001 include the effect of $182 million of losses from the write down and sale of certain high-yield securities. Also included in the first quarter of 2001 was a $67 million expense increase due to an adjustment of Deferred Acquisition Costs for variable insurance and annuity products. 9 In addition, in the first quarter of 2002, the company recognized a net benefit of $13 million ($8 million after-tax) to adjust the restructuring charge reserve established during the second half of 2001. Excluding the effect of the adoption of SFAS No. 142, AEFA's high-yield write down and the restructuring charge adjustment, the company's net income would have been down double digits and revenues would have been flat for the first quarter of 2002 compared to 2001. Consolidated expenses on a managed basis increased due to larger provisions for losses, higher other operating expenses and increased marketing costs. These increases were partially offset by lower charge card funding costs, a decline in human resource expenses and the benefits of other reengineering activities and expense control initiatives. On a GAAP basis, consolidated expenses decreased slightly. As a result of the impact of the company's reengineering efforts, reduced overall risk position and opportunities to grow core businesses, the company believes it is in a stronger position than a year ago to perform in a weak economic environment. Early indications of certain economic factors, particularly unemployment, are somewhat better than the company expected. Additionally, savings from reengineering efforts and improving spreads are providing the opportunity for the company to invest in future revenue growth. For the full year 2002, the company expects to realize over $1 billion in reengineering related benefits, including approximately $605 million of savings from restructuring plans initiated in the second half of 2001. A portion of these benefits will flow through to earnings in the form of improved operating margins; the remainder is expected to be reinvested back into business areas with high-growth potential. To the extent that the economy and the company's businesses improve more than anticipated during the remainder of the year, the company expects to invest further in growth opportunities. As of March 31, 2002, the company has incurred costs of approximately $100 million related to the terrorist attacks of September 11th, which are expected to be covered by insurance and, consequently, did not impact results. These include the cost of duplicate facilities and equipment associated with the relocation of the company's offices from lower Manhattan and certain other business recovery expenses. Costs associated with the damage to the company's offices, extra operating expenses and business interruption losses continue to be evaluated. As of March 2002, approximately $30 million of such costs relating to the company's portion of the repair of its headquarters building have been identified. The company expects that a substantial portion of these losses will be covered by insurance. 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. 10 CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES In August 1999 and March 2000, the company entered into agreements under which a third party purchased an aggregate 29 million company common shares at an average purchase price of $50.41 per share. In the first quarter of 2001, the company elected to prepay $350 million of the aggregate outstanding amount. These agreements, which partially offset the company's exposure to the effect on diluted earnings per share of outstanding in-the-money stock options issued under the company's stock option program, are separate from the company's previously authorized share repurchase program. During the term of these agreements, the company, on a monthly basis, issues shares to or receives 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. Each of the agreements terminates after five years, at which time 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. To the extent that the price of the company's common stock declines to levels substantially lower than current levels for a sustained period of time, thereby resulting in significant net issuances of shares under these agreements, there could be an adverse impact on diluted earnings per share. There were no share repurchases during the first quarter of 2002; the decision to curtail share repurchases during the second half of 2001 was previously announced as a result of the negative impact of the second quarter 2001 charges related to AEFA's investment portfolio on book equity. The company has disclosed that it plans to restart its share repurchase program at the end of the second quarter 2002. Subsequent to the terrorist attacks of September 11th, the company's A+ and its subsidiaries' credit ratings were affirmed by Standard & Poor's and Fitch, two credit rating agencies. At the same time, however, each agency revised its respective rating outlook on the company and its subsidiaries from stable to negative in light of the ensuing weak climate for business and consumer travel and spending and weaker capital markets. On April 19th, 2002, Fitch affirmed the company's A+ and its subsidiaries' credit ratings and revised its ratings outlook to stable from negative citing the company's diversified financial services franchise, steady operating cash flows, recurring profitability, good capitalization, and strong balance sheet liquidity. In April 2002, the company and two subsidiaries, American Express Centurion Bank and American Express Credit Corporation (Credco), renegotiated their committed credit line facilities. Total available credit lines are $11.45 billion, including $1.5 billion allocated to the company and $9.35 billion allocated to Credco. As of April 30, 2002, Credco's allocated committed bank line coverage of its net short-term debt was 76%. Credco has the right to borrow up to a maximum amount of $10.85 billion, with a commensurate reduction in the amount available to the company. Based on this maximum amount of available borrowing, Credco's committed bank line coverage of its net short- term debt was 89% as of April 30, 2002. These facilities expire in increments from 2003 through 2007. 11 TRAVEL RELATED SERVICES RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001 STATEMENTS OF INCOME (Unaudited, Managed Basis)

(Dollars in millions) Three Months Ended

March 31, ---

Percentage
2002 2001
Inc/(Dec) ----
------ --------
-- ----------
~~Net Revenues:~~
~~Discount~~
~~Revenue $~~
~~1,845 $ 1,925~~
~~(4.2)% Net~~
~~Card Fees~~
~~423 422 0.1~~
~~Lending:~~
~~Finance~~
~~Charge~~
~~Revenue~~
~~1,099 1,120~~
~~(1.9) Interest~~
~~Expense 207~~
~~429 (51.7) ---~~
~~------- -------~~
~~--- Net~~
~~Finance~~
~~Charge~~
~~Revenue 892~~
~~691 29.1~~
~~Travel~~
~~Commissions~~
~~and Fees 328~~
~~418 (21.6)~~
~~Travelers~~
~~Cheque~~
~~Investment~~
~~Income 90 98~~
~~(7.8) Other~~
~~Revenues 874~~
~~911 (4.1) ----~~
~~------ --------~~
~~-- Total Net~~
~~Revenues~~
~~4,452 4,465~~
~~(0.3) ---------~~
~~- ----------~~
~~Expenses:~~
~~Marketing and~~
~~Promotion~~
~~301 296 1.4~~
~~Provision for~~
~~Losses and~~
~~Claims:~~
~~Charge Card~~
~~252 285~~
~~(11.7) Lending~~
~~644 501 28.6~~
~~Other 48 24 #~~
~~---------- ----~~
~~------ Total~~
~~944 810 16.6~~

~~Charge Card Interest Expense 241 393 (38.7) Human Resources 901 1,034 (12.9) Other Operating Expenses 1,412 1,195 18.2 Restructuring Charge (13) - # ---------- ---------- Total Expenses 3,786 3,728 1.6 ---------- ---------- Pretax Income 666 737 (9.7) Income Tax Provision 199 215 (7.4) ---------- ---------- Net Income $ 467 $ 522 (10.6)~~

- Denotes a variance of more than 100%. The above managed Statements of Income assume that gains of $42 million from lending securitizations in both the periods ended March 31, 2002 and 2001 were offset by higher marketing and promotion and other operating expense, and, accordingly, the incremental expenses, as well as the gains, have been eliminated. 12 TRAVEL RELATED SERVICES SELECTED STATISTICAL INFORMATION (Unaudited) (Amounts in billions, except percentages and where indicated)

Three Months Ended March 31, ------------------------ Percentage 2002 2001 Inc/(Dec) ---------- ---------- ----------

~~Total Cards in Force (millions): United States 34.8 34.2 1.7% Outside the United States 20.8 19.0 9.5 ---------- ---------- Total 55.6 53.2 4.5~~

~~Basic Cards in Force (millions):~~

~~United States 26.9 26.9 (0.1) Outside the United States 15.8 14.4 9.7 ---------- ---------- Total 42.7 41.3 3.3~~

~~Card Billed Business: United States $ 54.3 $ 55.6 (2.3) Outside the United States 17.3 18.4 (5.9) ---------- ---------- Total $ 71.6 $ 74.0 (3.2)~~

~~Average Discount Rate (A) 2.66% 2.68% - Average Basic Cardmember Spending (dollars) (A) $ 1,825 $ 1,933 (5.6) Average Fee per Card - Managed (dollars) (A) $ 33 $ 35 (5.7) Non-Amex Brand (B): Cards in Force (millions) 0.7 0.6 2.1 Billed Business $ 0.9 $ 0.8 12.8 Travel Sales $ 3.7 $ 5.0 (26.1) Travel Commissions and Fees/Sales (C) 8.8% 8.4% - Travelers Cheque: Sales $ 4.6 $ 5.0 (9.2) Average Outstanding $ 6.2 $ 6.1 1.4 Average~~

~~Investments $ 6.6 $ 6.3 4.4 Tax Equivalent Yield 8.8% 9.1% - Managed Charge Card Receivables: Total Receivables $ 24.2 $ 26.4 (8.3) 90 Days Past Due as a % of Total 3.1% 2.7% - Loss Reserves (millions) $ 1,031 $ 1,004 2.7 % of Receivables 4.3% 3.8% - % of 90 Days Past Due 138% 139% - Net Loss Ratio 0.39% 0.35% - Managed U.S. Lending: Total Loans $ 31.3 $ 30.2 3.6 Past Due Loans as a % of Total: 30-89 Days 2.1% 2.0% - 90+ Days 1.3% 0.9% - Loss Reserves (millions): Beginning Balance $ 1,077 $ 820 31.4 Provision 541 426 26.9 Net Charge-Offs/Other (474) (339) 39.6 ---------- ----------- Ending Balance $ 1,144 $ 907 26.2~~

~~% of Loans 3.7% 3.0% - % of Past Due 107% 103% - Average~~

~~Loans $ 31.5 $ 28.9 9.3 Net Write-Off Rate 6.5% 5.1% - Net Interest Yield 9.6% 8.3% -~~

(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. 13 TRAVEL RELATED SERVICES Travel Related Services' (TRS) net income decreased 11 percent in the first quarter of 2002 as compared to a year ago. Excluding the benefit from the elimination of goodwill amortization and the restructuring reserve write-back, net income declined 15 percent. Net revenues on a managed basis declined slightly as lower discount revenue and travel commissions and fees, reflecting continued weakness in the economy, particularly within the Corporate travel sector, were partially offset by growth in Cardmember loans outstanding. Net revenues on a GAAP basis also declined slightly compared to last year. Discount revenue declined 4 percent as a result of lower billed business and a lower discount rate. The 3 percent decline in billed business for the three-month period ended March 31, 2002 resulted from lower spending per basic Cardmember worldwide, which was partially offset by a 4 percent increase in worldwide cards in force. For the first quarter of 2002, the decrease in volumes over the prior year improved compared to the year-over-year decrease in the fourth quarter of 2001, but was comparable to the month of December 2001. U.S. billed business decreased 2 percent reflecting 4 percent growth within the consumer card business on 10 percent higher transaction volume, a 2 percent decrease within small business services and a 16 percent decline within corporate services. U.S. non-T&E related volume categories, representing approximately 60 percent of first quarter 2002 U.S. billed business, increased 7 percent over the prior year. U.S. T&E volumes declined 13 percent for the first quarter of 2002. In the U.S., cards in force increased slightly during the quarter reflecting more selective consumer card and small business services acquisition activities during the past year in light of weakening economic conditions. Outside the U.S., cards in force rose 10 percent over the prior year on continued network card growth. Net finance charge revenue rose 29 percent on 11 percent growth in average worldwide lending balances. The yield on the U.S. portfolio increased significantly versus the prior year reflecting a decrease in the proportion of the portfolio on introductory rates and the benefit of lower funding costs, which were partially offset by the evolving mix of products toward more lower-rate offerings. Travel commissions and fees declined 22 percent on a 26 percent contraction in travel sales due to the continued effects of the weak corporate travel environment. Other revenues decreased 4 percent as somewhat higher card-related fees and larger insurance premiums were offset by significantly lower interest income on investment and liquidity pools held within card funding vehicles. The provision for losses on the lending portfolio grew as compared to the first quarter of 2001 as a result of the growth in outstanding loan balances and an increase in the U.S. lending write-off and delinquency rates. Other provision from losses increased primarily due to reserve additions related to credit exposures to travel industry service establishments. Charge card interest expense was down 39 percent due to a lower effective cost of funds and lower billed business volumes. Human resources expenses decreased 13 percent as a result of a 13 percent decline in the number of employees compared to last year, resulting primarily from reengineering efforts. Other operating expenses were up 18 percent over last year as higher costs related to Cardmember loyalty programs and the effect of investment gains in the prior year were partially offset by reengineering initiatives and cost containment efforts. 14 TRAVEL RELATED SERVICES EFFECT OF SECURITIZATIONS 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' results included Cardmember lending securitization gains of $42 million ($27 million after-tax) for both three-month periods ended March 31, 2002 and 2001. The managed basis statements of income assume that gains were offset by higher marketing and promotion and other operating expenses, and accordingly, the incremental expenses, as well as the gains, have been eliminated. 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 items that are effected by securitizations. Additionally, beginning in the first quarter of 2002, TRS revised its GAAP reporting of revenues to include a separate securitization income line item.

Three Months Ended Three Months Ended March 31, 2002 March 31, 2001 --------------------------------------- ------------------------------------- (Dollars in millions) Managed Securitization GAAP Managed Securitization

GAAP Basis Effect Basis Basis Effect Basis ------- ------------- ------------- ----- ------- ------------- ------------- ---- ~~Net Revenues: Lending Net Finance Charge Revenue $ 892 $ (487) $ 405 $ 691 $ (360) $ 331 Securitization Income - 383 383 - 294 294 Other Revenues 874 (149) 725 911 (73) 838 Total Net Revenues 4,452 (253) 4,199 4,465 (139) 4,326 Expenses: Marketing and Promotion 301 25 326 296 25 321 Provision for Losses and Claims: Charge Card 252 - 252 285 (36) 249 Lending 644 (298) 346 501 (214) 287 Charge Card Interest Expense 241 3 244 393 (44) 349 Net Discount Expense - - - - 113 113 Other Operating Expenses 1,412 17~~

~~1,429 1,195 17 1,212 Total Expenses 3,786 (253) 3,533 3,728 (139) 3,589 Pretax Income $ 666 $ - $ 666 $ 737 $ - $ 737 ----- ------------ ------------ ------ ----- ------------ ------------ ------~~

15 TRAVEL RELATED SERVICES LIQUIDITY AND CAPITAL RESOURCES SELECTED BALANCE SHEET INFORMATION (Unaudited, GAAP Basis) (Dollars in billions, except percentages)

March 31, December 31, Percentage March 31, Percentage 2002 2001 Inc/(Dec) 2001 Inc/(Dec) ---------- ------ -------- ----- ------- ------ ----- -------- --- ~~Accounts Receivable, net $ 26.2 $ 28.5 (8.1)% $ 26.9 (2.9)% Travelers Cheque Investments $ 6.8 $ 6.8 (0.5) $ 6.5 4.0 U.S. Cardmember Loans $ 15.6 $ 16.9 (7.8) $ 17.5 (10.8) Total Assets $ 66.4 $ 69.4 (4.3) $ 67.5 (1.7) Travelers Cheques Outstanding $ 6.2 $ 6.2 (0.3) $ 6.0 3.0 Short-term Debt $~~

~~25.3 $ 31.8 (20.5) $ 32.0 (21.1) Long-term Debt $ 9.2 $ 6.0 53.0 $ 3.5 # Total Liabilities $ 59.4 $ 62.7 (5.2) $ 60.8 (2.3) Total Shareholder's Equity $ 7.0 $ 6.7 3.7 $ 6.7 4.1 Return on Average Equity* 20.6% 21.9% - 33.0% - Return on Average Assets** 2.1% 2.1% - 3.1% -~~

- Denotes a variance of more than 100% * Computed based on the past twelve months of net income and excludes the effect on Shareholder's Equity of SFAS No. 115 and SFAS No. 133. ** Computed based on the past twelve months of net income and excludes the effect on Total Assets of SFAS No. 115 and SFAS No. 133 to the extent that they directly affect Shareholder's Equity. In light of the current market environment, and as part of the company's ongoing funding activities, during the three months ended March 31, 2002, American Express Credit Corporation (Credco), a wholly-owned subsidiary of TRS, issued approximately $2 billion of medium-term notes at fixed and floating rates with maturities of one to three years. Proceeds from the sale of these securities have contributed toward an overall reduction in total commercial paper outstanding from $18 billion at December 31, 2001 to $14 billion at March 31, 2002 and an increase in committed bank line coverage of net short-term debt from 58% to 78%. As of March 31, 2002, Credco had the ability to issue approximately $8.0 billion of debt securities and warrants to purchase debt securities available for issuance under a shelf registration statement filed with the Securities and Exchange Commission. From March 31, 2002 through May 10, 2002, Credco issued an additional $2.1 billion of medium-term notes at floating rates with maturities of twelve to eighteen months. In addition, American Express Centurion Bank, a wholly-owned subsidiary of TRS, issued approximately $340 million of medium term notes at floating rates during the first quarter of 2002. In the first quarter of 2002, the American Express Credit Account Master Trust (the Trust) securitized $920 million of loans through the public issuance of investor certificates. The securitized assets consist primarily of loans arising in a portfolio of Credit and Sign & Travel/Extended Payment Option revolving credit accounts or features and, in the future, may include other charge or credit accounts or features or products. Additionally, in April 2002, the Trust securitized an additional $940 million of loans. The Trust expects to securitize an additional $920 million of loans in May 2002. In the first quarter of 2002, the American Express Master Trust (the Master Trust) securitized $750 million of Charge Card receivables which remain on the balance sheet. Travelers Cheque Investments increased 4 percent over the prior year primarily reflecting unrealized appreciation as a result of declining interest rates. Short-term debt declined from March 31, 2001 and December 31, 2001, mainly reflecting lower billed business and the issuance of medium-term notes, as previously discussed. 16 AMERICAN EXPRESS FINANCIAL ADVISORS RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001 STATEMENTS OF INCOME (Unaudited)

Three Months Ended (Dollars in millions) March 31, ---------------------- Percentage 2002 2001 Inc/(Dec) ---------- ---------- ----------

~~Net Revenues: Investment Income $ 529~~

~~$ 368 43.9 Management and Distribution Fees 597 638 (6.5) Other Revenues 308 277 11.2 ---------- ---------- Total Revenues 1,434 1,283 11.8 Provision for Losses and Benefits: Annuities 247 238 4.3 Insurance 171 157 8.7 Investment Certificates 52 82 (36.8) ---------- ---------- Total 470 477 (1.3) ---------- ---------- Net Revenues 964 806 19.5 ---------- ---------- Expenses: Human Resources 499 548 (9.0) Other Operating Expenses 213 188 13.0 ---------- ---------- Total Expenses 712 736 (3.4) ---------- ---------- Pretax Income 252 70 # Income Tax Provision 70 19 # ---------- ---------- Net Income $ 182 $ 51 #~~

- Denotes a variance of more than 100%. Note: 2001 results include charges of $182 million pretax ($132 million after-tax) reflecting losses associated with high-yield securities and $67 million pretax of additional expense reflecting an adjustment to the amortization of Deferred Acquisition Costs* (DACs) for variable insurance and annuity products. * DACs are the costs of acquiring new business, which are deferred and amortized according to a schedule that reflects a number of factors, the most significant of which are the anticipated profits and persistency of the product. The amortization schedule must be adjusted periodically to reflect changes in those factors. 17 AMERICAN EXPRESS FINANCIAL ADVISORS SELECTED STATISTICAL INFORMATION (Unaudited) (Dollars in millions, except where indicated)

Three Months Ended March

31, -----------

Percentage
2002 2001
Inc/(Dec) ----
------ --------
-- ----------
~~Life Insurance in Force (billions) $ 110.9 $ 100.0 11.0 Deferred Annuities in Force (billions) $ 40.4 $ 43.4 (7.0) Assets Owned, Managed or Administered (billions): Assets Managed for Institutions $ 49.2 $ 53.7 (8.3) Assets Owned, Managed or Administered for Individuals: Owned Assets: Separate Account Assets 27.2 27.4 (0.6) Other Owned Assets 42.8 42.0 1.9 ----- ----- --------- - Total Owned Assets 70.0 69.4 0.9 Managed Assets 98.6 99.8 (1.2) Administered Assets 36.4 30.8 18.1 ---- ------ -------- -- Total $ 254.2 $ 253.7 0.2~~

~~Market Appreciation (Depreciation) During the Period: Owned~~

~~Assets: Separate Account Assets $ (279) $ (5,204) - Other Owned Assets $ (278) $ 608 - Total Managed Assets $ 14 $ (16,657) - Cash Sales: Mutual Funds $ 8,749 $ 9,889 (11.5) Annuities 1,548 1,427 8.5 Investment Certificates 643 954 (32.5) Life and Other Insurance Products 184 244 (24.9) Institutional 1,815 2,506 (27.6) Other 1,028 1,955 (47.4) ---------- ---------- Total Cash Sales $ 13,967 $ 16,975 (17.7)~~

~~Number of Financial Advisors 11,502 12,052 (4.6) Fees from Financial Plans and Advice Services $ 29.7 $ 27.6 7.7 Percentage of Total Sales from Financial Plans and Advice Services 73.2% 73.0% -~~

18 AMERICAN EXPRESS FINANCIAL ADVISORS American Express Financial Advisors' (AEFA) reported net income of $182 million for the first quarter of 2002, up substantially from the same period a year ago. Net revenues increased 20 percent. These increases primarily reflect the effect of the first quarter 2001 $182 million pretax loss from the write-down and sale of certain high-yield securities. Investment income increased 44 percent. Excluding the effect of the 2001 high-yield related losses, investment income declined as higher invested assets were more than offset by a lower average yield, mostly due to the repositioning of the investment portfolio. Also included in investment income in 2001 was a decline in revenues resulting

from the effect of higher depreciation in the S&P 500 on the value of options used by AEFA to hedge outstanding stock market certificates and equity indexed annuities issued to customers and linked to the S&P 500, which was offset by lower provisions. Management and distribution fees decreased 6 percent due to lower average assets under management reflecting the negative impact of weak equity market conditions. Assets managed for individuals declined one percent from prior year levels while assets managed for institutions declined eight percent for the same period. The declines reflect market depreciation and positive net inflows within the retail channel while market depreciation and net outflows are reflected in the institutional business. Total gross cash sales were down 18 percent versus prior year as generally weak sales conditions persisted throughout the quarter. Other revenues increased 11 percent primarily due to higher life and property- casualty insurance premiums and charges and greater financial planning and advice services fees. Annuity product provisions increased due to the impact of a higher inforce level and the effect described above of depreciation in the S&P 500 on equity indexed annuities in the prior year, partially offset by a lower accrual rate. Insurance provisions rose due to higher inforce levels, partially offset by lower accrual rates. Certificate provisions decreased as higher inforce levels and the effect in the prior year on the stock market certificate product of depreciation in the S&P 500 were offset by significantly lower accrual rates. Total expenses decreased $24 million (or 3 percent) from a year ago. Included in 2001 is a $67 million adjustment to the amortization of DACs for variable insurance and annuity products due to a steep decline in equity markets. Human resource expenses declined 9 percent reflecting lower field force compensation related costs due to fewer advisors (11,502 versus 12,052 last year) and from the benefits of reengineering and cost containment initiatives within the home office where the average number of employees was down 16 percent, partially offset by higher incentive compensation accruals. $39 million of expenses from the DAC adjustment is included in human resource expenses in the prior year. The decrease in the number of advisors versus last year reflects reduced recruiting activities over the year as AEFA worked to improve the advisor platform economics, from higher termination rates due to the weaker environment and continued efforts to eliminate unproductive advisors. New advisor additions in the coming quarters will continue to be carefully managed to ensure overall field force costs are appropriately controlled and advisor production is maximized. Other operating expenses increased 13 percent due to a higher level of investment activities related to various strategic, reengineering, technology and product development projects, and a higher minority interest related to premium deposits (this is related to a joint venture with AEB). Prior year other operating expenses include $28 million of the DAC adjustment. 19 AMERICAN EXPRESS FINANCIAL ADVISORS LIQUIDITY AND CAPITAL RESOURCE SELECTED BALANCE SHEET INFORMATION (Unaudited) (Dollars in billions, except percentages)

March 31, December 31, Percentage March 31, Percentage 2002 2001 Inc/(Dec) 2001 Inc/(Dec) ----------- -------------- ------------- ------------- ------

~~Investments* $ 33.1 $ 33.6 (1.5)% $ 31.2 5.9% Separate Account Assets $ 27.2 $ 27.3 (0.4) $ 27.4 (0.6) Total Owned Assets $ 70.0 $ 71.5 (2.1) $ 69.4 0.9 Client Contract Reserves $ 32.9 $ 32.8 0.5 $ 31.7 4.0 Total Liabilities $ 64.7 $ 66.1 (2.2) $ 64.7 - Total Shareholder's Equity $ 5.3 $ 5.4 (1.0) $ 4.7 13.1 Return on Average Equity** 3.6% 1.0% - 17.8% -~~

* Excludes cash, derivatives, short term and other investments. ** Computed based on the past twelve months of net income and excludes the effect of SFAS No. 115 and SFAS No. 133. Investments increased compared to March 31, 2001 primarily as a result of positive net cash flows and in part due to unrealized appreciation. High-yield investments are 5 percent of the portfolio, up from 4 percent at December 31, 2001, but down from 11 percent at March 31, 2001. Going forward, AEFA targets a level more in line with industry averages of approximately 7 percent. Separate account assets decreased slightly from last year mainly due to market depreciation. 20 AMERICAN EXPRESS BANK RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001 STATEMENTS OF INCOME (Unaudited) (Dollars in millions)

Three Months Ended March 31, ----------- ------------ Percentage 2002 2001 Inc/(Dec) ---- ------ -------- -- ----------

~~Net Revenues: Interest Income $ 143 $ 187 (24.0)% Interest Expense 58 122 (52.7) --- ------- ------- --- Net Interest Income 85 65 30.5 Commissions and Fees 50 52 (3.1) Foreign Exchange Income & Other Revenue 43 41 3.5 ------- --- ---------- Total Net Revenues 178 158 12.4 ----- ----- --------- - Expenses: Human Resources 55 62 (11.3) Other Operating Expenses 62 66 (6.0) Provision for Losses 41 16 # ---------- -- -------- Total Expenses 158 144 9.9 ------ ---- ---------- Pretax Income 20 14 38.2 Income Tax Provision 7 5 33.7 --------- - ---------- Net Income $ 13 $ 9 40.8~~

=========

=========

- Denotes a variance of more than 100%. SELECTED STATISTICAL INFORMATION (Unaudited)
(Dollars in
billions)
Three
Months
Ended
March 31, --

Percentage
2002 2001
Inc/(Dec) ---
------- -----
----- -------
--- ~~Assets~~
~~Managed~~
~~**/~~
~~Administered~~
~~$ 11.8 $~~
~~10.7 9.7%~~
~~Assets of~~
~~Non-~~
~~Consolidated~~
~~Joint~~
~~Ventures $~~
~~1.9 $ 2.1~~
~~(11.5)%~~

** Includes assets managed by American Express Financial Advisors. American Express Bank (AEB) reported net income of $13 million for the first quarter of 2002, up 41 percent from the same period a year ago. Net interest income rose 31 percent primarily due to lower funding costs. Commissions and fees were down 3 percent due to lower results in Corporate Banking. Human resources expenses fell 11 percent and other operating expenses fell 6 percent primarily as a result of AEB's reengineering efforts. These benefits were partially offset by higher provisions for losses, which were primarily due to higher write-offs in AEB's consumer lending portfolio in Hong Kong. 21 AMERICAN EXPRESS BANK LIQUIDITY AND CAPITAL RESOURCES SELECTED BALANCE SHEET INFORMATION (Unaudited) (Dollars in billions, except where indicated)
March 31,
December
31,
Percentage
March 31,
Percentage
2002 2001
Inc/(Dec)
2001
Inc/(Dec) ---
-------- -----
--------- ----
-------- -----
------- ------
------ ~~Total~~
~~Assets $~~
~~11.9 $ 11.9~~
~~0.2% $ 12.4~~
~~(4.3)% Total~~
~~Liabilities $~~
~~11.1 $ 11.1~~
~~0.1 $ 11.7~~
~~(4.5) Total~~
~~Shareholder's~~
~~Equity~~
~~(millions) $~~
~~767 $ 761~~
~~0.8 $ 774~~

~~(0.8) Return on Average Common Equity (A) (1.4)% (2.0)% - 4.6% - Return on Average Assets (B) (0.08)% (0.11)% - 0.26% - Total Loans $ 5.3 $ 5.3 (0.3) $ 5.4 (2.8) Total Non-performing Loans (millions) (C) $ 128 $ 123 4.4 $ 187 (31.4) Other Non-performing Assets (millions) $ 2 $ 22 (91.2) $ 24 (91.8) Reserve for Credit Losses (millions) (D) $ 160 $ 148 8.2 $ 164 (2.0) Loan Loss Reserves as a Percentage of Total Loans 2.9% 2.4% - 2.8% - Deposits $ 8.2 $ 8.4 (2.3) $ 8.5 (3.9) Risk-Based Capital Ratios: Tier 1 10.7% 11.1% - 10.7% - Total 11.0% 12.2% - 11.4% - Leverage Ratio 5.2% 5.3% - 5.8% -~~

(A) Computed based on the past twelve months of net (loss)/ income and excludes the effect on Shareholder's Equity of SFAS No. 115 and SFAS

No. 133. (B) Computed based on the past twelve months of net (loss)/ income and excludes the effect on total assets of SFAS No. 115 and SFAS No. 133 to the extent that they affect Shareholder's Equity. (C) AEB defines non-performing loans as loans (other than smaller-balance homogeneous loans which may include, but are not limited to, consumer installment and residential mortgage loans) on which the accrual of interest is discontinued because the contractual payment of principal or interest has become 90 days past due or if, in management's opinion, the borrower is unlikely to meet its contractual obligations. For smaller-balance consumer loans, management establishes reserves it believes to be adequate to absorb credit losses inherent in the portfolio. Generally, these loans are written off in full when they are determined to be non-performing. (D) Allocation (millions): ~~Loans $ 154 $ 128 $ 149 Other Assets, primarily derivatives 5 4 12 Other Liabilities 1 16 3 ------- ------- ------- Total Reserve for Credit Losses $ 160 $ 148 $ 164 ======= ======= =======~~

~~AEB had loans outstanding of $5.3 billion at March 31, 2002, comparable to loans outstanding at December 31, 2001 and down from $5.4 billion at March 31, 2001. The decrease since the first quarter of 2001 resulted from an $800 million decrease in corporate banking loans and a $100 million decrease in financial institution loans, which were partially offset by a $800 million increase in consumer and private banking loans. Since December 31, 2001 corporate banking loans decreased by $250 million and financial institution loans were essentially flat, while consumer and private banking loans increased by $250 million. As of March 31, 2002 consumer and private banking loans comprised 66% of total loans versus 60% at December 31, 2001 and 50% at March 31, 2001. Total non-performing loans of $128 million at March 31, 2002 were up from $123 million at December 31, 2001, but down from $187 million at March 31, 2001. The decrease from last year is primarily due to loan payments and write-offs, mainly in Indonesia, partially offset by net downgrades of the risk status of various loans. During the first quarter of 2002, loan payments and write-offs were more than offset by downgrades. Other banking activities, such as securities, unrealized gains on foreign exchange and derivatives contracts, various contingencies and market placements added approximately $7.3 and $8.1 billion to AEB's credit exposures at March 31, 2002 and 2001, respectively. In December 2001 and January 2002, the Argentine government mandated the conversion of dollar denominated assets into pesos and simultaneously devalued the peso. AEB's credit exposures to Argentina at March 31, 2002 were $50 million, which includes loans of $37 million. 22 CORPORATE AND OTHER Corporate and Other reported net expenses of $44 million for the three months ended March 31, 2002 which is essentially unchanged from a year ago. Included in the results for both years is a $46 million ($39 million after-tax) preferred stock dividend based on earnings from Lehman Brothers which was offset by expenses related to business building initiatives in both years. The final dividend under the terms of this security, based on Lehman's results for the six-months ended May 31, 2002, is expected to be received in July 2002. FORWARD-LOOKING STATEMENTS This report contains forward-looking statements, which are subject to risks and uncertainties. The words "believe", "expect", "anticipate", "optimistic", "intend", "plan", "aim", "will", "should", "could" and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: the company's ability to successfully implement a business model that allows for significant earnings growth based on revenue growth that is lower than historical levels; fluctuation in the equity markets, which can affect the amount and types of investment products sold by AEFA, the market value of its managed assets, and management and distribution fees received based on those assets; potential deterioration in the high-yield sector and other investment areas, which could result in further losses in AEFA's investment portfolio; the ability of AEFA to sell certain high-yield investments at expected values and within anticipated timeframes and to maintain its high-yield portfolio at certain levels in the future; developments relating to AEFA's platform structure for financial advisors, including the ability to increase advisor productivity, increase the growth of productive new advisors and create efficiencies in the infrastructure; AEFA's ability to roll out new and attractive products in a timely manner and effectively manage the economics in selling a growing volume of non-proprietary products; investment performance in AEFA's businesses; the success, timeliness and financial impact, including costs, cost savings and other benefits, of reengineering initiatives being implemented or considered by the company, including cost management, structural and strategic measures such as vendor, process, facilities and operations consolidation, outsourcing (including, among others, technologies operations), relocating certain functions to lower cost overseas locations, moving internal and external functions to the Internet to save costs, the scale-back of corporate lending in certain regions, and planned staff reductions relating to certain of such reengineering actions; the ability to control and manage operating, infrastructure, advertising and promotion and other expenses as business expands or changes, including balancing the need for longer-term investment spending; the impact on the company's businesses and uncertainty created by the September 11th terrorist attacks, and the potential negative effect on the company of any such attacks in the future; the company's ability to recover under its insurance policies for losses resulting from the September 11th terrorist attacks; consumer and business spending on the company's travel related services products, particularly credit and charge 23 cards and growth in card lending balances, which depend in part on the ability to issue new and enhanced card products and increase revenues from such products, attract new Cardholders, capture a greater share of existing Cardholders' spending, sustain premium discount rates, increase merchant coverage, retain Cardmembers after low introductory lending rates have expired, and expand the global network services business; the ability to execute the company's global corporate services strategy, including greater penetration of middle market companies, increasing capture of non-T&E spending through greater use of the company's purchasing card and other means, and further globalizing business capabilities; the ability to manage and expand Cardmember benefits, including Membership Rewards(R), in a cost effective manner; the triggering of obligations to make payments to certain co-brand partners under contractual arrangements with such parties under certain circumstances; successfully expanding the company's on-line and off-line distribution channels and cross-selling financial, travel, card and other products and services to its customer base, both in the U.S. and abroad; effectively leveraging the company's assets, such as its brand, customers and international presence, in the Internet environment; investing in and competing at the leading edge of technology across all businesses; a downturn in the company's businesses and/or negative changes in the company's and its subsidiaries' credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs; the company's ability to restart its share repurchase program in mid-2002; increasing competition in all of the company's major businesses; fluctuations in interest rates, which impact the company's borrowing costs, return on lending products and spreads in the investment and insurance businesses; credit trends and the rate of bankruptcies, which can affect spending on card products, debt payments by individual and corporate customers and businesses that accept the company's card products and returns on the company's investment portfolios; foreign currency exchange rates; political or economic instability in certain regions or countries, which could affect lending activities, among other businesses; legal and regulatory developments, such as in the areas of consumer privacy and data protection; acquisitions; and outcomes in litigation. A further~~

~~description of these and other risks and uncertainties can be found in the company's Annual Report on Form 10-K for the year ended December 31, 2001, and its other reports filed with the SEC. 24 PART II. OTHER INFORMATION AMERICAN EXPRESS COMPANY Item 4. Submission of Matters to a Vote of Security Holders The Company's annual meeting of shareholders was held on April 22, 2002. The matters that were voted upon at the meeting, and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes, as to each such matter, where applicable, are set forth below.~~

Votes Votes Votes Broker For Against Withheld Abstentions Non-Votes --- ----------- --- --------- ----- ------- ------- ---- ---------- - ~~Ratification of Ernst & Young LLP's selection as independent auditors 1,123,174,391 31,431,326 - 7,801,554 - Proposal relating to an amendment to the American Express Company 1998 Incentive Compensation Plan, and the continuation of the deduction for tax purposes of certain compensation under the Plan 679,734,209 470,376,361 - 12,276,701 20,000 Shareholder proposal relating to rotating the location of the annual meeting of shareholders 54,630,163 893,466,781 - 17,591,785 196,718,542 Election of Directors: D.F. Akerson 1,142,673,167 - 19,734,104 - - E.L. Artzt~~

~~1,141,862,810~~
~~- 20,544,461 -~~
~~- C.~~
~~Barshefsky~~
~~1,147,618,891~~
~~- 14,788,380 -~~
~~- W.G. Bowen~~
~~1,142,566,606~~
~~- 19,840,665 -~~
~~- K.I. Chenault~~
~~1,147,852,150~~
~~- 14,555,121 -~~
~~- P.R. Dolan~~
~~1,148,246,474~~
~~- 14,160,797 -~~
~~- F.R. Johnson~~
~~1,142,222,668~~
~~- 20,184,603 -~~
~~- V.E. Jordan,~~
~~Jr.~~
~~1,142,674,190~~
~~- 19,733,081 -~~
~~- J. Leschly~~
~~1,148,434,120~~
~~- 13,973,151 -~~
~~- R.A. McGinn~~
~~1,141,258,127~~
~~- 21,149,144 -~~
~~- F.P. Popoff~~
~~1,148,043,435~~
~~- 14,363,836 -~~
~~-~~

~~25 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, filed January 28, 2002, Items 5 and 7, 1) reporting the Company's earnings for the quarter and year ended December 31, 2001 and including a Fourth Quarter/Full Year Earnings Supplement and 2) reporting on amendments to the By-Laws of the Company effective November 26, 2001. Form 8-K, dated February 6, 2002, Item 9, reporting on presentations delivered to the financial community by Kenneth I. Chenault, Chairman and Chief Executive Officer of the Company, and Edward P. Gilligan, Group President, Global Corporate Services. Form 8-K, dated April 18, 2002, Items 5 and 7, 1) reporting the Company's earnings for the quarter ended March 31, 2002 and including a First Quarter Earnings Supplement and 2) reporting restated financial information relating to the years 1999, 2000 and 2001, for the Company and its Travel Related Services (TRS) segment revising its GAAP reporting of revenues to include a separate Securitization Income line item. Form 8-K, dated April 23, 2002, Item 5, announcing the Company's (and two of its subsidiaries') renegotiation of their committed credit line facilities. 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: May 14, 2002 By /s/ Gary L. Crittenden ------------------------------ Gary L. Crittenden Executive Vice President and Chief Financial Officer Date: May 14, 2002 By /s/ Thomas A. Iseghohi ------------------------------ Thomas A. Iseghohi Senior Vice President and Comptroller (Principal Accounting Officer) 27 EXHIBIT INDEX The following exhibits are filed as part of this Quarterly Report: EXHIBIT DESCRIPTION 10.1 American Express 1998 Incentive Compensation Plan, as amended on April 22, 2002. 12 Computation in Support of Ratio of Earnings to Fixed Charges. 15 Letter re Unaudited Interim Financial Information. E-1~~