

10-Q 1 amexdoc.txt 2000 AMERICAN EXPRESS CO. 2ND QTR - 10Q 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 June 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 July 31, 2000 ----- Common

Shares (par value \$.20 per share) 1,331,880,207 shares AMERICAN EXPRESS COMPANY FORM 10-Q INDEX Page No. Part I. Financial  
 Information: Consolidated Statements of Income - Three months ended June 30, 2000 and 1999 1 Consolidated Statements of Income - Six months  
 ended June 30, 2000 and 1999 2 Consolidated Balance Sheets - June 30, 2000 and December 31, 1999 3 Consolidated Statements of Cash Flows -  
 Six months ended June 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 9-24 Part II. Other Information 25 PART I--FINANCIAL  
 INFORMATION AMERICAN EXPRESS COMPANY CONSOLIDATED STATEMENTS OF INCOME (dollars in millions, except per share  
 amounts) (Unaudited)

Three Months  
 Ended June 30,

-----  
 --- 2000 1999 -

-----

Revenues:

Discount

revenue \$ 1,949

\$ 1,662 Interest

and dividends,

net 836 844

Management

and distribution

fees 701 553

Net card fees

411 393 Travel

commissions

and fees 507

469 Other

commissions

and fees 568

428

Cardmember

lending net

finance charge

revenue 242

309 Life and

other insurance

premiums 141

127 Other 615

513 -----

Total 5,970

5,298 -----

Expenses:

Human

resources 1,677

1,499

Provisions for

losses and

benefits:

Annuities and

investment  
certificates 322  
346 Life  
insurance,  
international  
banking and  
other 173 164  
Charge card  
302 249  
Cardmember  
lending 170 137  
Interest 345  
255 Marketing  
and promotion  
416 354  
Occupancy and  
equipment 366  
316  
Professional  
services 387  
317  
Communications  
129 131 Other  
637 635 -----  
----- Total 4,924  
4,403 -----  
- Pretax income  
1,046 895  
Income tax  
provision 306  
249 -----  
Net income \$  
740 \$ 646

=====

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  
1,328 1,342

=====

Diluted 1,361  
1,371 =====

=====

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)

Six Months  
Ended June 30,

-----  
--- 2000 1999 -

-----  
Revenues:  
Discount  
revenue \$ 3,754  
\$ 3,175 Interest  
and dividends,  
net 1,632 1,639  
Management  
and distribution  
fees 1,390  
1,075 Net card  
fees 816 796  
Travel  
commissions  
and fees 945  
895 Other  
commissions  
and fees 1,118  
845  
Cardmember  
lending net  
finance charge  
revenue 534  
656 Life and  
other insurance  
premiums 279  
251 Other  
1,159 937 -----  
----- Total  
11,627 10,269  
-----

Expenses:  
Human  
resources 3,311  
2,930  
Provisions for  
losses and  
benefits:  
Annuities and  
investment  
certificates 670  
679 Life  
insurance,  
international  
banking and  
other 351 321  
Charge card  
543 431  
Cardmember  
lending 346 372  
Interest 644  
489 Marketing  
and promotion  
786 650  
Occupancy and  
equipment 728  
624

Professional services 704	
598	
Communications	
255 252 Other	
1,323 1,236	
-----	
Total	
9,661 8,582	
-----	
Pretax income 1,966	
1,687 Income	
tax provision	
570 466	
-----	
Net income	
\$ 1,396 \$ 1,221	

Earnings Per Common Share:	
Basic \$ 1.05 \$	
0.91	

Diluted \$ 1.03 \$	
0.89	

Average common shares outstanding for earnings per common share (millions): Basic	
1,330 1,342	

Diluted 1,361	
1,370	

Cash dividends declared per common share \$	
0.16 \$ 0.15	

See notes to Consolidated Financial Statements. 2 AMERICAN EXPRESS COMPANY CONSOLIDATED BALANCE SHEETS (millions)  
(Unaudited)

June 30,	
December 31,	
Assets 2000	
1999 -----	

-----	
Cash and cash equivalents \$	
6,841 \$ 7,471	
Accounts receivable and accrued interest:	
Cardmember receivables;	
less reserves:	
2000, \$834;	

1999, \$728  
 22,753  
 22,541 Other  
 receivables,  
 less reserves:  
 2000, \$97;  
 1999, \$78  
 4,242 3,926  
 Investments  
 42,838  
 43,052 Loans:  
 Cardmember  
 lending, less  
 reserves:  
 2000, \$510;  
 1999, \$581  
 17,255  
 17,666  
 International  
 banking, less  
 reserves:  
 2000, \$166;  
 1999, \$169  
 4,981 4,928  
 Other, net  
 1,076 988  
 Separate  
 account assets  
 36,458  
 35,895  
 Deferred  
 acquisition  
 costs 3,384  
 3,235 Land,  
 buildings and  
 equipment--at  
 cost, less  
 accumulated  
 depreciation:  
 2000, \$2,128;  
 1999, \$2,109  
 2,190 1,996  
 Other assets  
 6,535 6,819

-----  
 Total assets \$  
 148,553 \$  
 148,517  
 =====

=====  
 Liabilities and  
 Shareholders'  
 Equity -----  
 -----

Customers'  
 deposits \$  
 13,533 \$  
 12,197  
 Travelers  
 Cheques

outstanding  
 6,900 6,213  
 Accounts  
 payable 9,103  
 7,309  
 Insurance and  
 annuity  
 reserves:  
 Fixed annuities  
 19,939  
 20,552 Life  
 and disability  
 policies 4,564  
 4,459  
 Investment  
 certificate  
 reserves 6,546  
 5,951 Short-  
 term debt  
 26,170  
 30,627 Long-  
 term debt  
 4,836 5,995  
 Separate  
 account  
 liabilities  
 36,458  
 35,895 Other  
 liabilities 9,495  
 8,724 -----  
 ----- Total  
 liabilities  
 137,544  
 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  
 1,333 million  
 shares in 2000  
 and 1,341  
 million shares  
 in 1999 267  
 268 Capital

surplus 5,309  
 5,196  
 Retained  
 earnings 5,535  
 5,033 Other  
 comprehensive  
 income, net of  
 tax: Net  
 unrealized  
 securities  
 losses (504)  
 (296) Foreign  
 currency  
 translation  
 adjustments  
 (98) (106) ----  
 -----  
 Accumulated  
 other  
 comprehensive  
 loss (602)  
 (402) -----  
 ----- Total  
 shareholders'  
 equity 10,509  
 10,095 -----  
 ----- Total  
 liabilities and  
 shareholders'  
 equity \$  
 148,553 \$  
 148,517  
 =====  
 =====

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

Six Months Ended June  
 30, -----  
 2000 1999 ---- ----

Cash Flows from  
 Operating Activities Net  
 income \$ 1,396 \$1,221  
 Adjustments to reconcile  
 net income to net cash  
 provided by operating  
 activities: Provisions for  
 losses and benefits  
 1,284 1,137  
 Depreciation,  
 amortization, deferred  
 taxes and other 307 144  
 Changes in operating  
 assets and liabilities, net  
 of effects of acquisitions  
 and dispositions:  
 Accounts receivable and  
 accrued interest (276)  
 (499) Other assets 330  
 86 Accounts payable  
 and other liabilities  
 2,254 1,779 Increase in

Travelers Cheques  
 outstanding 694 504  
 Increase in insurance  
 reserves 90 86 -----  
 --- Net cash provided by  
 operating activities  
 6,079 4,458 -----  
 Cash Flows from  
 Investing Activities Sale  
 of investments 809  
 1,390 Maturity and  
 redemption of  
 investments 3,016 3,367  
 Purchase of investments  
 (3,986) (6,534) Net  
 increase in Cardmember  
 receivables (1,231)  
 (981) Cardmember  
 loans/receivables sold to  
 trust, net 3,203 2,492  
 Proceeds from  
 repayment of loans  
 12,052 10,684 Issuance  
 of loans (15,344)  
 (12,529) Purchase of  
 land, buildings and  
 equipment (367) (332)  
 Sale of land, buildings  
 and equipment 25 8  
 Dispositions/acquisitions,  
 net of cash sold/acquired  
 214 (27) ----- Net  
 cash used in investing  
 activities (1,609)  
 (2,462) ----- Cash  
 Flows from Financing  
 Activities Net increase  
 (decrease) in customers'  
 deposits 1,400 (1,283)  
 Sale of annuities and  
 investment certificates  
 2,685 2,790  
 Redemption of annuities  
 and investment  
 certificates (2,851)  
 (2,521) Net increase  
 (decrease) in debt with  
 maturities of three  
 months or less 1,200  
 (2,214) Issuance of debt  
 5,352 10,007 Principal  
 payments on debt  
 (12,139) (6,093)  
 Issuance of American  
 Express common shares  
 111 137 Repurchase of  
 American Express  
 common shares (683)  
 (634) Dividends paid  
 (206) (202) -----  
 Net cash used in



financing activities	
(5,131) (13)	
Effect of exchange rate	
changes on cash 31 21	
-----	
Net	
(decrease) increase in	
cash and cash	
equivalents (630) 2,004	
Cash and cash	
equivalents at beginning	
of period 7,471 4,092	
-----	
Cash and cash	
equivalents at end of	
period \$ 6,841 \$ 6,096	

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 \$258 million and \$156 million for the second quarter of 2000 and 1999, respectively, and \$490 million and \$312 million for the six months ended June 30, 2000 and 1999, respectively. Interest and dividends is presented net of interest expense of \$141 million and \$110 million for the second quarter of 2000 and 1999, respectively, and \$274 million and \$231 million for the six months ended June 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. During the second quarter of 2000, the company's shareholders approved an increase in authorized shares to effectuate a three-for-one stock split for shareholders of record as of April 25, 2000. All of the information in this financial report reflects the effect of the stock split. 2. Investment Securities The following is a summary of investments at June 30, 2000 and December 31, 1999:

June 30,  
December  
31, (in  
millions)  
2000 1999

-----	
-----	
Held to Maturity, at amortized cost (fair value: 2000, \$8,766; 1999, \$9,218) \$ 8,821 \$ 9,221	
Available for Sale, at fair value (cost: 2000, \$30,591; 1999, \$30,053) 29,777 29,570	
Investment mortgage loans (fair value: 2000, \$3,922; 1999, \$3,901) 3,979 3,984	
Trading 261 277	
-----	
--- Total \$ 42,838 \$ 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 six months ended June 30, 2000 and 1999 were as follows:

Three  
Months  
Ended Six  
Months  
Ended June  
30, June  
30, -----  
-----

----- (in  
millions)  
2000 1999  
2000 1999  
-----  
-----

---- Net  
income \$  
740 \$ 646  
\$ 1,396 \$  
1,221  
Change in:  
Net  
unrealized  
securities  
gains/losses  
(138)  
(384)  
(208)  
(594)  
Foreign  
currency  
translation  
adjustments  
11913--  
-----  
-----  
Total \$ 603  
\$ 263 \$  
1,197 \$  
640  
=====

4. Taxes and Interest Net income taxes paid during the six months ended June 30, 2000 and 1999 were approximately \$346 million and \$225 million, respectively. Interest paid during the six months ended June 30, 2000 and 1999 was approximately \$1.7 billion and \$1.2 billion, respectively. 5. Earnings per Share The computations of basic and diluted earnings per common share (EPS) for the three and six months ended June 30, 2000 and 1999 are as follows:

(in millions,  
except per  
Three  
Months  
Ended Six  
Months  
Ended share  
amounts)  
June 30,  
June 30, ----  
-----  
-----

-----  
2000 1999  
2000 1999 -  
-----

-----  
Numerator:  
Net income  
\$ 740 \$ 646  
\$ 1,396 \$  
1,221

Denominator:  
Denominator  
for basic  
EPS--  
weighted-  
average  
shares 1,328  
1,342 1,330  
1,342 Effect  
of dilutive  
securities:  
Stock  
Options;  
Restricted  
Stock  
Awards and  
other 33-29  
31-28 -----

-----  
Potentially  
dilutive  
common  
shares 33-29  
31-28 -----  
-----

--  
Denominator  
for diluted  
EPS 1,361  
1,371 1,361  
1,370 -----

-----  
Basic EPS  
\$ 0.56 \$  
0.48 \$ 1.05  
\$ 0.91

=====

Diluted EPS  
\$ 0.54 \$  
0.47 \$ 1.03  
\$ 0.89

6 6. Segment Information The following tables present three and six-month 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 provisions for losses and benefits for

annuities, insurance and investment certificate products of AEFA:

Net  
Revenues  
Three  
Months  
Ended Six  
Months  
Ended  
(managed  
basis) June  
30, June  
30, -----

-----  
-----  
-----  
(in millions)  
2000 1999  
2000 1999  
-----  
-----  
-----

-----  
Travel  
Related  
Services \$  
4,278 \$  
3,669 \$  
8,322 \$  
7,103  
American  
Express  
Financial  
Advisors  
1,081 916  
2,100  
1,802  
American  
Express  
Bank/  
Travelers  
Cheque  
262 259  
513 506  
Corporate  
and Other  
(63) (33)  
(118) (75)  
-----

-----  
Total \$  
5,558 \$  
4,811 \$  
10,817 \$  
9,336  
=====

Revenues  
(GAAP  
basis)  
Three  
Months  
Ended Six  
Months  
Ended June  
30, June  
30, -----

-----  
-----  
-----  
(in millions)  
2000 1999  
2000 1999

-----  
-----  
-----  
Travel  
Related  
Services \$  
4,230 \$  
3,678 \$  
8,185 \$  
7,009  
American  
Express  
Financial  
Advisors  
1,541  
1,394  
3,047  
2,739  
American  
Express  
Bank/  
Travelers  
Cheque  
262 259  
513 506  
Corporate  
and Other  
(63) (33)  
(118) (75)

-----  
-----  
Total \$  
5,970 \$  
5,298 \$  
11,627 \$  
10,269

=====

Net  
Income  
Three  
Months  
Ended Six  
Months  
Ended  
June 30,  
June 30, -

----- (in  
millions)  
2000  
1999  
2000  
1999 ----

-- Travel  
Related  
Services \$  
472 \$  
411 \$  
888 \$  
774

American  
Express  
Financial  
Advisors  
275 242  
520 456  
American  
Express  
Bank/  
Travelers  
Cheque  
40 38 80  
79

Corporate  
and Other  
(47) (45)  
(92) (88)

-----  
Total \$  
740 \$  
646 \$  
1,396 \$  
1,221

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 June 30, 2000 and the related

consolidated statements of income for the three and six-month periods ended June 30, 2000 and 1999 and consolidated statements of cash flows for the six-month periods ended June 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 August 11, 2000

8 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Results of Operations for the Three and Six Months Ended June 30, 2000 The company's consolidated net income rose 15 percent and 14 percent and diluted earnings per share rose 15 percent and 16 percent in the three and six-month periods ended June 30, 2000, respectively. The company's return on equity was 25.5 percent. Consolidated net revenues on a managed basis grew 16 percent for both the three and six-month periods ended June 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 marketing and promotion and 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 six months of 2000, the company repurchased 13.8 million common shares at an average price of \$49.51 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 June 30, 2000, 1,161,800 shares have 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 six months of 2000, net settlements under the August 1999 agreement resulted in the company receiving 1,186,337 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. Other Matters During the second quarter of 2000, the company's shareholders approved an increase in authorized shares to effectuate a three-for-one stock split for shareholders of record as of April 25, 2000. All of the information in this financial report reflects the effect of the stock split. Beginning in the third quarter of 2000, the Travelers Cheque operations, which are currently included in the American Express Bank/Travelers Cheque segment, will be reported in the same segment as TRS, to reflect recent organizational changes.

10 Travel Related Services Results of Operations for the Three and Six Months Ended June 30, 2000 and 1999

Statements  
of Income --

-----  
(Unaudited,  
Managed  
Basis)  
(Dollars in  
millions)  
Three  
Months  
Ended Six  
Months  
Ended June  
30, June 30,

-----  
Percentage -  
-----  
-----



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

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

-----  
Net  
Revenues:  
Discount  
Revenue \$  
1,949 \$  
1,662 17.3  
% \$ 3,754 \$  
3,175 18.2  
% Net Card  
Fees 411  
393 4.6 816  
796 2.5

Travel  
Commissions  
and Fees  
507 469 8.3  
945 895 5.6

Other  
Revenues  
848 669  
26.6 1,689  
1,310 29.1  
Lending:  
Finance  
Charge  
Revenue 948  
684 38.7  
1,835 1,335  
37.4 Interest  
Expense 385  
208 85.2  
717 408  
76.0 -----

-----  
-Net  
Finance  
Charge  
Revenue 563  
476 18.4  
1,118 927  
20.5 -----

-----  
-Total Net  
Revenues  
4,278 3,669  
16.6 8,322  
7,103 17.2 -----

-----  
Expenses:  
Marketing

and  
 Promotion  
 330 267  
 23.6 648  
 537 20.6  
 Provision for  
 Losses and  
 Claims:  
 Charge Card  
 344 288  
 19.4 622  
 521 19.5  
 Lending 332  
 260 27.9  
 668 542  
 23.2 Other  
 20 14 42.3  
 40 27 46.7--

-----  
 Total 696  
 562 23.9  
 1,330 1,090  
 22.0 -----

-----  
 --Charge  
 Card Interest  
 Expense 350  
 257 36.4  
 663 497  
 33.1 Human  
 Resources  
 1,028 968  
 6.2 2,026  
 1,880 7.8  
 Other  
 Operating  
 Expenses  
 1,147 987  
 16.2 2,292  
 1,917 19.7--

-----  
 Total  
 Expenses  
 3,551 3,041  
 16.8 6,959  
 5,921 17.5--

-----  
 Pretax  
 Income 727  
 628 15.7  
 1,363 1,182  
 15.2 Income  
 Tax  
 Provision  
 255 217  
 17.5 475  
 408 16.2----

~~Net~~  
~~Income \$~~  
~~472 \$ 411~~  
~~14.8 \$ 888 \$~~  
~~774 14.7~~  
~~=====~~  
~~=====~~  
~~=====~~  
~~=====~~

11 Travel Related Services Selected Statistical Information ----- (Unaudited)

(Amounts in  
 billions,  
 except  
 where  
 indicated)  
 Three  
 Months  
 Ended Six  
 Months  
 Ended June  
 30, June 30,  
 -----

---  
 Percentage -  
 -----

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

-----  
 Total Cards  
 in Foree  
 (millions):  
 United  
 States 32.5  
 28.7 13.1%  
 32.5 28.7  
 13.1%  
 Outside the  
 United  
 States 16.9  
 15.2 11.2  
 16.9 15.2  
 11.2 -----  
 -----

-----  
 Total 49.4  
 43.9 12.5  
 49.4 43.9  
 12.5 -----  
 -----

----- Basic  
 Cards in  
 Foree  
 (millions):  
 United  
 States 25.3

22.5 12.6  
25.3 22.5  
12.6 Outside  
the United  
States 12.9  
11.7 10.4  
12.9 11.7  
10.4 -----

-----  
Total 38.2  
34.2 11.8  
38.2 34.2  
11.8 =====  
=====

===== Card  
Billed  
Business:  
United  
States \$  
55.8 \$ 46.0  
21.5 \$106.4  
\$ 87.6 21.5  
Outside the  
United  
States 18.7  
16.4 13.3  
36.4 31.6  
14.9 -----

-----  
----- Total \$  
74.5 \$ 62.4  
19.3 \$142.8  
\$119.2 19.8  
=====

=====

Average  
Discount  
Rate (A)  
2.69%  
2.73%  
2.70%  
2.73%  
Average  
Basic

Cardmember  
Spending  
(dollars) (A)  
\$ 2,085 \$  
1,933 7.9 \$  
4,069 \$  
3,714 9.6

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 \$  
0.7 \$ 0.2 # \$  
1.3 \$ 0.3 #  
Travel Sales  
\$ 6.2 \$ 6.0  
2.9 \$ 11.7  
\$ 11.4 3.2  
Travel  
Commissions  
and  
Fees/Sales  
(C) 8.2%  
7.8% -- 8.1%  
7.9% --  
Managed  
Charge Card  
Receivables:  
Total  
Receivables  
\$ 27.4 \$ 24.6  
11.3 \$ 27.4  
\$ 24.6 11.3  
90 Days  
Past Due as  
a % of Total  
2.4% 2.6% --  
2.4% 2.6% --  
Loss  
Reserves  
(millions) \$  
986 \$ 932  
5.9 \$ 986 \$  
932 5.9 %  
of  
Receivables  
3.6% 3.8% --  
3.6% 3.8% --  
% of 90  
Days Past  
Due 153%  
148% --  
153% 148%  
-- Net Loss  
Ratio 0.36%  
0.39% --  
0.35%  
0.41% --  
Managed  
U.S.  
Cardmember  
Lending:  
Total Loans  
\$ 25.9 \$ 18.3  
41.8 \$ 25.9  
\$ 18.3 41.8

Past Due
Loans as a
% of Total:
30-89 Days
1.6% 1.8%—
1.6% 1.8%—
90+ Days
0.8% 0.9%—
0.8% 0.9%—
Loss
Reserves
(millions):
Beginning
Balance \$
689 \$ 623
10.6 \$ 672 \$
619 8.4
Provision
268 209
28.3 553
453 22.2
Net Charge-
Offs/Other
(271) (230)
18.0 (539)
(470) 14.7—

Ending
Balance \$
686 \$ 602
13.9 \$ 686 \$
602 13.9
=====
=====
=====

===== % of
Loans 2.6%
3.3%—2.6%
3.3%— % of
Past Due
109% 124%
—109%
124%—
Average
Loans \$25.2
\$17.4 44.7
\$24.4 \$17.1
43.1 Net
Write-Off
Rate 4.4%
5.3%—4.5%
5.6%—Net
Interest
Yield 7.4%
9.3%—7.6%
9.3%—

(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. # Denotes variance of more than 100%. 12 Travel Related Services Travel Related Services' (TRS) net income rose 15 percent for both the three and six-month periods ended June 30, 2000 compared with a year ago. Net revenues increased 17 percent in both periods, reflecting higher billed business as well as strong growth in Cardmember loans. The improvement in discount revenue for the three and

six-month periods ended June 30, 2000, compared with a year ago, is the result of higher billed business, reflecting an increase of 5.5 million cards in force, up 12 percent from a year ago, and greater average spending per Cardmember, partially offset by a decline in the discount rate in the second quarter of 2000. 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 the successful launch of Blue and co-branded Costco cards. The decline in the second quarter 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. Growth in travel commissions and fees reflects new fees related to certain client services, which were partly offset by continued cost containment efforts by airlines and corporate clients. The net interest yield on Cardmember loans decreased for the three and six-month periods ended June 30, 2000 compared with a year ago, reflecting a higher percentage of loan balances on introductory rates and a broader mix of lower rate products. Other revenues increased for both periods, 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 six-month periods ended June 30, 2000 as a result of higher volume, partly offset by a continued improvement in credit quality in the lending portfolio. Charge Card interest expense rose for both periods due to higher volumes and increased borrowing costs. Marketing and promotion expenses rose in both periods as a result of increased card acquisition and media advertising 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. Included in other operating expenses for the current quarter was a gain on the sale of an international leisure travel business; other operating expenses for the six-month period ended June 30, 2000 also included 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 in both periods and other business building initiatives in the current quarter and, therefore, had no material impact on net income or total expenses in either period. 13

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 \$80 million  
 (\$52 million  
 after-tax) and  
 \$99 million  
 (\$64 million  
 after-tax) in  
 the second  
 quarter of  
 2000 and  
 1999,  
 respectively,  
 and \$115  
 million (\$75  
 million after-  
 tax) and \$99  
 million (\$64  
 million after-  
 tax) for the six  
 months ended  
 June 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 June  
 30, 2000 June  
 30, 1999 ----  
 -----  
 -----  
 -----  
 -----

-----  
 Managed  
 Securitization  
 GAAP  
 Managed  
 Securitization  
 GAAP Basis  
 Effect Basis



Basis Effect	
Basis -----	
-----	
-----	
- ----- Net	
Revenues:	
Other	
Revenues \$	
848 \$ 273 \$	
1,121 \$ 669	
\$ 176 \$ 845	
Lending Net	
Finance	
Charge	
Revenue 563	
(321) 242	
476 (167)	
309 Total Net	
Revenues	
4,278 (48)	
4,230 3,669	
9 3,678	
Expenses:	
Marketing	
and	
Promotion	
330 48 378	
267 58 325	
Provision for	
Losses and	
Claims:	
Charge Card	
344 (42) 302	
288 (39) 249	
Lending 332	
(162) 170	
260 (123)	
137 Charge	
Card Interest	
Expense 350	
(55) 295 257	
(59) 198 Net	
Discount	
Expense -	
131 131 -	
131 131	
Other	
Operating	
Expenses	
1,147 32	
1,179 987 41	
1,028 Total	
Expenses	
3,551 (48)	
3,503 3,041	
9 3,050	
Pretax	
Income \$ 727	
\$ - \$ 727 \$	
628 \$ - \$ 628	

-----  
-----  
-----  
-----  
Six Months  
Ended Six  
Months  
Ended June  
30, 2000  
June 30,  
1999 -----  
-----  
-----  
-----

-----  
Managed  
Securitization  
GAAP  
Managed  
Securitization  
GAAP Basis  
Effect Basis  
Basis Effect  
Basis -----  
-----  
-----  
-----

-----  
Net  
Revenues:  
Other  
Revenues \$  
1,689 \$ 447  
\$ 2,136 \$  
1,310 \$ 267  
\$ 1,577  
Lending Net  
Finance  
Charge  
Revenue  
1,118 (584)  
534 927  
(271) 656  
Total Net  
Revenues  
8,322 (137)  
8,185 7,103  
(4) 7,099  
Expenses:  
Marketing  
and  
Promotion  
648 69 717  
537 58 595  
Provision for  
Losses and  
Claims:  
Charge Card  
622 (79)

543 521  
 (90) 431  
 Lending 668  
 (322) 346  
 542 (170)  
 372 Charge  
 Card Interest  
 Expense 663  
 (108) 555  
 497 (116)  
 381 Net  
 Discount  
 Expense --  
 257 257 --  
 273 273  
 Other  
 Operating  
 Expenses  
 2,292 46  
 2,338 1,917  
 41 1,958  
 Total  
 Expenses  
 6,959 (137)  
 6,822 5,921  
 (4) 5,917  
 Pretax  
 Income \$  
 1,363 \$ -- \$  
 1,363 \$  
 1,182 \$ -- \$  
 1,182 -----  
 -----  
 -----  
 -----  
 -----

14 Travel Related Services Liquidity and Capital Resources

Selected  
 Balance  
 Sheet  
 Information -

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

(Unaudited,  
 GAAP  
 Basis)  
 (Dollars in  
 billions,  
 except  
 percentages)  
 June 30,  
 December  
 31,  
 Percentage  
 June 30,  
 Percentage  
 2000 1999  
 Inc/(Dec)  
 1999

Inc/(Dec) ---

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

\* Computed based on the past twelve months of net income and excludes the effect of SFAS No. 115. In the first and second quarters of 2000, the American Express Credit Account Master Trust (the Trust) securitized \$1 billion and \$2.2 billion of loans, respectively, through the public issuance of investor certificates. The securitized assets consist 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. 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. 15 American Express Financial Advisors Results of Operations for the Three and Six Months Ended June 30, 2000 and 1999

Statements

of Income --

-----

-----

-----

-----

-----

-----

(Unaudited)  
 (Dollars in  
 millions)  
 Three  
 Months  
 Ended Six  
 Months  
 Ended June  
 30, June 30,

-----  
 -----  
 Percentage -  
 -----

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

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

----- Net  
 Revenues:  
 Investment  
 Income \$  
 592 \$ 615  
 (3.7) % \$  
 1,164 \$  
 1,210 (3.8)  
 %

Management  
 and  
 Distribution  
 Fees 701  
 553 27.0  
 1,389 1,075  
 29.3 Other  
 Revenues  
 248 226 9.5  
 494 454 8.8

-----  
 -----  
 Total  
 Revenues  
 1,541 1,394  
 10.6 3,047  
 2,739 11.3  
 Provision for  
 Losses and  
 Benefits:  
 Annuities  
 254 273  
 (6.9) 513  
 543 (5.6)  
 Insurance  
 138 132 4.6  
 277 258 7.4  
 Investment  
 Certificates

68.73 (6.2)  
157.136  
15.7-----

-----  
Total 460  
478 (3.6)  
947.937 1.1  
-----

-----  
Net  
Revenues  
1,081.916  
18.0 2,100  
1,802.16.6--  
-----

-----  
Expenses:  
Human  
Resources  
528.430  
22.8 1,026  
846.21.3  
Other  
Operating  
Expenses  
156.133  
17.4 322  
291.11.0---  
-----

-----  
Total  
Expenses  
684.563  
21.5 1,348  
1,137.18.6--  
-----

-----  
Pretax  
Income 397  
353.12.4  
752.665  
13.1 Income  
Tax  
Provision  
122.111 9.3  
232.209  
10.7-----  
-----

-----  
Net  
Income \$  
275 \$ 242  
13.8 \$ 520  
\$ 456 14.1  
=====

=====

16 American Express Financial Advisors  
Selected  
Statistical  
Information --  
-----

-----  
--  
(Unaudited)  
(Dollars in  
millions,  
except  
percentages  
and where  
indicated)  
Three Months  
Ended Six  
Months  
Ended June  
30, June 30, -  
-----

-----  
Percentage --  
-----

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

-----  
---- Life  
Insurance in  
Force  
(billions) \$  
93.8 \$ 84.6  
10.9 % \$  
93.8 \$ 84.6  
10.9 %  
Deferred  
Annuities in  
Force  
(billions) \$  
48.3 \$ 44.8  
7.8 \$ 48.3 \$  
44.8 7.8  
Assets  
Owned,  
Managed or  
Administered  
(billions):  
Assets  
Managed for  
Institutions \$  
56.1 \$ 49.8  
12.7 \$ 56.1 \$  
49.8 12.7  
Assets  
Owned,  
Managed or  
Administered  
for  
Individuals:  
Owned

Assets:  
Separate  
Account  
Assets 36.5  
30.1 21.3  
36.5 30.1  
21.3 Other  
Owned  
Assets 39.9  
37.8 5.5 39.9  
37.8 5.5 -----

-----  
Total Owned  
Assets 76.4  
67.9 12.5  
76.4 67.9  
12.5  
Managed  
Assets 119.6  
102.1 17.1  
119.6 102.1  
17.1  
Administered  
Assets 34.1  
20.8 64.1  
34.1 20.8  
64.1 -----

----- Total  
\$ 286.2 \$  
240.6 19.0 \$  
286.2 \$  
240.6 19.0

=====

Market  
Appreciation  
(Depreciation)  
During the  
Period:  
Owned  
Assets:  
Separate  
Account  
Assets \$  
(2,301)  
\$1,520 — \$ 31  
\$2,432 (98.7)  
Other Owned  
Assets \$ (90)  
\$ (395)  
(77.2) \$  
(210) \$ (599)  
(64.9) Total  
Managed  
Assets \$  
(6,488)  
\$5,329 — \$



532 \$8,347  
 (93.6) Cash  
 Sales: Mutual  
 Funds \$  
 10,376  
 \$8,872 17.0  
 \$ 22,480 \$  
 17,355 29.7  
 Annuities  
 1,566 980  
 59.8 2,928  
 1,773 65.1  
 Investment  
 Certificates  
 871 835 4.3  
 1,706 1,537  
 11.0 Life and  
 Other  
 Insurance  
 Products 219  
 169 29.9 455  
 327 39.7  
 Institutional  
 1,557 1,432  
 8.7 3,108  
 2,175 42.9  
 Other 661  
 805 (18.0)  
 1,235 1,696  
 (27.2) -----

-----  
 Total Cash  
 Sales \$  
 15,250 \$  
 13,093 16.5  
 \$ 31,912 \$  
 24,863 28.4

-----  
 -----  
 -----  
 -----  
 Number of  
 Financial  
 Advisors  
 11,486  
 10,489 9.5  
 11,486  
 10,489 9.5  
 Fees from  
 Financial  
 Plans and  
 Advice  
 Services \$  
 23.9 \$ 22.8  
 4.6 \$ 50.1 \$  
 44.1 13.8  
 Percentage of  
 Total Sales  
 from Financial  
 Plans and

Advice  
Services  
66.1% 65.2%  
-66.5%  
65.8%—

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. 17 American Express Financial Advisors American Express Financial Advisors' (AEFA) net income rose 14 percent for both the three and six-month periods ended June 30, 2000 compared with 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 mutual fund 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, despite market depreciation during the second quarter of 2000. Investment income, net of provisions for losses and benefits, decreased in both periods due to a lower average yield on invested assets, partly offset by a higher average level of invested assets; additionally, the six-month period includes losses related to the high-yield investment portfolio. Other revenues benefited from higher insurance premiums and greater fees from financial planning and advice services. Human resources expenses rose for both the three and six-month periods ended June 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. 18 American Express Financial Advisors Liquidity and Capital Resources

Selected  
Balance  
Sheet  
Information -  
-----  
-----  
-----

(Unaudited)  
(Dollars in  
billions,  
except  
percentages)  
June 30,  
December  
31,  
Percentage  
June 30,  
Percentage  
2000 1999  
Inc/(Dec)  
1999  
Inc/(Dec) ---  
-----  
-----  
-----  
-----  
-----

-----  
Investments  
\$ 30.0 \$  
30.3 (0.7)%  
\$ 30.7  
(2.0)%  
Separate  
Account  
Assets \$  
36.5 \$ 35.9  
1.6 \$ 30.1  
21.3 Total  
Assets \$  
76.4 \$ 74.6  
2.4 \$ 67.9  
12.5 Client  
Contract  
Reserves \$  
31.0 \$ 31.0  
0.3 \$ 30.8  
0.9 Total  
Liabilities \$  
72.4 \$ 70.7  
2.4 \$ 63.9  
13.3 Total  
Shareholder's  
Equity \$ 4.0  
\$ 3.9 2.6 \$  
4.0 - 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 higher net sales. 19 American Express Bank/Travelers Cheque (AEB/TC) Results of Operations for the Three and Six Months Ended June 30, 2000 and 1999

Statements  
of Income --

-----  
-----  
(Unaudited)  
(Dollars in  
millions)  
Three  
Months  
Ended Six  
Months  
Ended June  
30, June 30,

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

-----  
Net  
Revenues:  
Interest  
Income \$  
183 \$ 183  
(0.1)% \$  
366 \$ 376  
(2.7)%  
Interest  
Expense 120  
108 10.5  
238 228 4.3  
-----

----- Net  
Interest  
Income 63  
75 (15.5)  
128 148  
(13.5) TC  
Investment  
Income 98  
86 13.6 189  
166 14.3  
Commissions  
and Fees 59  
47 26.0 113  
89 26.3  
Foreign  
Exchange  
Income &  
Other  
Revenue 42  
51 (18.1) 83  
103 (19.5) --

-----  
 Total  
 Net  
 Revenues  
 262 259 1.1  
 513 506 1.4  
 -----

-----  
 Expenses:  
 Human  
 Resources  
 84 85 (0.5)  
 168 166 0.9  
 Other  
 Operating  
 Expenses  
 159 150 5.4  
 307 287 7.2  
 Provision for  
 Losses 15  
 18 (15.5) 31  
 35 (10.2) ----  
 -----

-- Total  
 Expenses  
 258 253 1.9  
 506 488 3.8  
 -----

----- Pretax  
 Income 4 6  
 (34.0) 7 18  
 (62.8)  
 Income Tax  
 Benefit (36)  
 (32) 13.4  
 (73) (61)  
 20.5 -----

-----  
 Net Income  
 \$ 40 \$ 38  
 6.0 \$ 80 \$  
 79 1.4 =====  
 =====

=====

Selected Statistical Information -----

(Amounts in  
 billions,  
 except  
 percentages)  
 Three  
 Months  
 Ended Six  
 Months  
 Ended June  
 30, June 30,  
 -----  
 -----  
 Percentage -  
 -----  
 ---  
 Percentage  
 2000 1999  
 Inc/(Dec)  
 2000 1999  
 Inc/(Dec) ---  
 -----  
 -----  
 -----  
 -----  
 -- American  
 Express  
 Bank: Assets  
 Managed \*/  
 Administered  
 \$10.3 \$ 7.0  
 47.4 %  
 \$10.3 \$ 7.0  
 47.4 %  
 Assets of  
 Non-  
 Consolidated  
 Joint  
 Ventures \$  
 2.3 \$ 2.2 8.0  
 \$ 2.3 \$ 2.2  
 8.0 Travelers  
 Cheque:  
 Sales \$ 6.7 \$  
 6.1 10.6  
 \$11.8 \$10.6  
 10.5  
 Average  
 Outstanding  
 \$ 6.5 \$ 6.1  
 7.3 \$ 6.3 \$  
 6.0 6.0  
 Average  
 Investments  
 \$ 6.2 \$ 5.7  
 7.4 \$ 6.1 \$  
 5.7 6.8 Tax  
 Equivalent  
 Yield 8.9%  
 8.8% -- 8.9%  
 8.8% --

\* Includes assets managed by American Express Financial Advisors. 20 American Express Bank/Travelers Cheque (AEB/TC) AEB/TC net income for

the three and six-month periods ended June 30, 2000 rose 6% and 1%, respectively, from a year ago. Net income at American Express Bank rose for both periods. Net interest income declined from a year ago, primarily due to the effects of a lower loan portfolio and higher funding costs. Commissions and fees grew on greater Private Banking, Correspondent Banking and Personal Financial Services fees. Foreign exchange income and other revenue declined due to lower security gains and joint venture earnings in the second quarter of 2000; additionally, the decline for the six-month period reflects a decrease in client related trading activities due to the stabilization of currencies in key markets. Human resources expenses declined for both periods from a year ago, reflecting personnel reductions as AEB rationalizes certain country activities. Travelers Cheque results for the second quarter of 2000 rose slightly from a year ago but were essentially flat for the six-month period. Results for both periods reflect strong sales and greater investment income, as well as higher other operating expenses on increased business building initiatives. 21 American Express Bank/Travelers Cheque (AEB/TC) Liquidity and Capital Resources

Selected  
Balance  
Sheet  
Information -  
-----  
-----  
-----

(Unaudited)  
(Amounts in  
billions,  
except  
percentages  
and where  
indicated)  
June 30,  
December  
31,  
Percentage  
June 30,  
Percentage  
2000 1999  
Inc/(Dec)  
1999  
Inc/(Dec) ---  
-----  
-----  
-----

----- Total  
Assets \$  
20.2 \$ 18.9  
6.9 % \$ 18.7  
7.8 % Total  
Liabilities \$  
19.2 \$ 18.0  
6.8 \$ 17.7  
8.8 Total

Shareholder's  
Equity  
(millions) \$  
956 \$ 875  
9.3 \$ 1,048  
(8.8) Return  
on Average  
Assets\*  
0.80%  
0.82%  
0.86%  
Return on  
Average  
Common  
Equity\*  
17.6%

17.5%—  
18.5%—  
American  
Express  
Bank:  
Shareholder's  
Equity  
(millions) \$  
707 \$ 691  
2.4 \$ 714  
(1.0) Total  
Loans \$ 5.1  
\$ 5.1 0.2 \$  
5.2 (2.3)  
Total Non-  
performing  
Loans  
(millions) \$  
174 \$ 168  
3.8 \$ 210  
(17.0) Other  
Non-  
performing  
Assets  
(millions) \$  
36 \$ 37 (0.1)  
\$ 55 (33.5)  
Reserve for  
Credit  
Losses  
(millions)\*\* \$  
187 \$ 189  
(0.9) \$ 249  
(25.1) Loan  
Loss  
Reserves as  
a Percentage  
of Total  
Loans 3.3%  
3.3%—4.1%  
—Deposits \$  
8.2 \$ 8.3  
(2.0) \$ 8.0  
2.1 Risk-  
Based  
Capital  
Ratios: Tier 1  
10.3% 9.9%  
—9.8%—  
Total 11.9%  
12.0%—  
12.1%—  
Leverage  
Ratio 5.8%  
5.6%—5.7%  
—Travelers  
Cheque:  
Travelers  
Cheque  
Investments  
\$ 6.7 \$ 6.0



12.1 \$ 6.3  
 6.0 Travelers  
 Cheques  
 Outstanding  
 \$ 6.9 \$ 6.2  
 11.1 \$ 6.3  
 9.1 \*  
 Computed  
 based on the  
 past twelve  
 months of net  
 income and  
 excludes the  
 effect of  
 SFAS No.  
 115. \*\*  
 Allocation  
 (millions):  
 Loans \$ 166  
 \$ 169 \$ 216  
 Other  
 Assets,  
 primarily  
 derivatives  
 16 16 32  
 Other  
 Liabilities 5 4  
 1 -----  
 ----- Total  
 Credit Loss  
 Reserves \$  
 187 \$ 189 \$  
 249 =====  
 =====  
 =====

AEB had loans outstanding of \$5.1 billion at June 30, 2000, unchanged from December 31, 1999, and down from \$5.2 billion at June 30, 1999. The reduction since second quarter 1999 resulted from a \$330 million decrease in corporate and correspondent banking loans, partially offset by an increase in consumer and private banking loans of \$153 million (\$500 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 \$40 million and consumer and private banking loans rose by \$24 million. As of June 30, 2000, consumer and private banking loans comprised 37% of total loans versus 35% at December 31, 1999 and 33% at June 30, 1999. 22 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 June 30, 2000, compared with \$7.6 billion at both June 30, 1999 and December 31, 1999. Of the \$7.2 billion of additional exposures at June 30, 2000, \$4.8 billion were relatively less risky cash and securities related balances.

American  
 Express Bank  
 Exposures By  
 Country and  
 Region  
 (Unaudited) (\$  
 in billions) Net  
 Guarantees  
 6/30/00  
 12/31/99 FX  
 and and Total  
 Total Country  
 Loans  
 Derivatives  
 Contingents  
 Other\*  
 Exposure\*\*

Exposure\*\* ---

-----

-----

-----

-----

Hong Kong

\$0.5--\$0.1

\$0.1 \$0.6 \$0.8

Indonesia 0.1--

0.1 0.1 0.3 0.4

Singapore 0.5--

0.1 0.1 0.6 0.6

Korea 0.2--

0.3 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\*\* 1.6--

0.4 0.7 2.7 2.9

-----

-----

-----Chile

0.2--0.1 0.4

0.3 Brazil 0.2--

--0.1 0.3 0.3

Mexico 0.1--

--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\*\* 0.9

--0.2 0.3 1.4

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\*\*  
0.5 0.2 0.6  
1.2 1.2-----

-----Egypt 0.3  
0.2 0.5 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 1.8  
2.0-----

-----Total  
Worldwide\*\*  
\$5.1 \$0.2 \$1.5  
\$5.4 \$12.3  
\$12.7

\* Includes cash, placements and securities. \*\* Individual items may not add to totals due to rounding. \*\*\* Total exposures at 6/30/00 and 12/31/99 include \$5 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. 23 Corporate and Other Corporate and Other reported net expenses of \$47 million and \$92 million for the three and six months ended June 30, 2000, respectively, compared with net expenses of \$45 million and \$88 million in the same periods a year ago. Results for the current quarter include an investment gain that was offset by expenses related to business building initiatives during the quarter. The six-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. 24 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. Since October 1, 1999, eight 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. Five of the charges were filed with the EEOC in Minnesota, two in New Jersey and one in Michigan. 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. The two matters described above were previously reported in the Company's Form 10-Q for the quarter ended March 30, 2000. 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 intends to file its motion opposing class certification on August 31, 2000. The Company believes it has meritorious defenses to such action and intends to pursue them vigorously. This matter was previously reported in the Company's Form 10-K for the year ended December 31, 1999.

Item 4. Submission of Matters to a Vote of Security Holders For information relating to the matters voted upon at the Company's annual meeting for shareholders held on April 24, 2000, see Item 4 on page 24 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, which is incorporated herein by reference.

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 April 26, 2000, Item 5, reporting the Company's earnings for the quarter ended March 31, 2000 and including a First Quarter Earnings Supplement. Form 8-K, dated April 27, 2000, Item 5, announcing the appointment of Gary Crittenden as its Executive Vice President and Chief Financial Officer. Form 8-K, dated May 3, 2000, Item 5, 1) announcing a leave of absence of Steve Alesio, President of the Small Business Services group, and resulting organizational changes and 2) making publicly available a consolidated five-year and quarterly summary of restated common share statistics to reflect the Company's recent 3-for-1 stock split. Form 8-K, dated June 27, 2000, Item 5, announcing a number of organizational changes. 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.

25 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: August 11, 2000 By /s/ Gary L. Crittenden ----- Gary L. Crittenden Executive Vice President and Chief Financial Officer  
 Date: August 11, 2000 /s/ Daniel T. Henry ----- Daniel T. Henry Senior Vice President and Comptroller (Chief Accounting Officer)

26 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