

**AMERICAN EXPRESS FINANCIAL ADVISORS  
SEGMENT CONSOLIDATED INCOME STATEMENTS  
FOR YEARS ENDED DECEMBER 31**

**Unaudited**

(\$ Millions)

<b>Revenues:</b>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net investment income	\$ 2,375	\$ 2,279	\$ 2,058
Investment management and services fees	1,732	1,336 (C)	1,316
Distribution fees	1,298	1,092	976
Variable life insurance and variable annuity charges*	444	424	416
Life and health insurance premiums	356	351	334
Property-casualty insurance premiums	422	326	229
Other	408	334	288
<b>Total revenues</b>	<u>7,035</u>	<u>6,142</u>	<u>5,617</u>
<b>Expenses:</b>			
<b>Provision for losses and benefits:</b>			
Interest credited on annuities and universal life-type contracts	1,128	1,224	1,158
Benefits on insurance and annuities	459	440	436
Interest credited on investment certificates	224	201	183
Losses and expenses on property-casualty insurance	327	257	177
Total	<u>2,138</u>	<u>2,122</u>	<u>1,954</u>
Human resources - Field	1,332	1,067 (C)	979
Human resources - Non-field	919	729	598
Amortization of deferred acquisition costs	405	476	558
Other	1,155	889	663
<b>Total expenses</b>	<u>5,949</u>	<u>5,283</u>	<u>4,752</u>
<b>Pretax income before accounting change</b>	<b>1,086</b>	<b>859</b>	<b>865</b>
Income tax expense	<u>280</u>	<u>177</u>	<u>233</u>
<b>Income before accounting change</b>	<b>806</b>	<b>682</b>	<b>632</b>
Cumulative effect of accounting change, net of tax (A)	<u>(71) (A)</u>	<u>(13) (B)</u>	<u>-</u>
<b>Net income</b>	<u>\$ 735</u>	<u>\$ 669</u>	<u>\$ 632</u>

**Note:** Certain prior period amounts have been reclassified to conform to current year presentation.

\* Variable life insurance and variable annuity charges include variable universal life and universal life insurance charges.

- (A) Reflects a \$109 million non-cash charge (\$71 million after-tax) related to the January 1, 2004 adoption of SOP 03-1.
- (B) Reflects a \$20 million non-cash pre-tax charge (\$13 million after-tax) related to the December 31, 2003 adoption of Financial Accounting Standards Board (FASB) Interpretation No. 46, "Consolidation of Variable Interest Entities," as revised.
- (C) Reflects a \$30 million reclassification relating to certain Threadneedle activities reducing Human resources-field expenses and Investment Management and Services Fees revenue.

**AMERICAN EXPRESS FINANCIAL ADVISORS  
SEGMENT CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31**

**Unaudited**  
(\$ Millions)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>			
<b>Investments-</b>			
Securities	\$ 41,363	\$ 38,261	\$ 34,171
Mortgage loans	3,523	3,793	3,980
Other investments	254	346	419
<b>Total investments</b>	<b>45,140</b>	<b>42,400</b>	<b>38,570</b>
<b>Cash and cash equivalents</b>	<b>2,067</b>	<b>2,155</b>	<b>6,370</b>
<b>Life insurance policy and investment certificate loans</b>	<b>602</b>	<b>594</b>	<b>610</b>
<b>Consumer loans</b>	<b>709</b>	<b>184</b>	<b>215</b>
<b>Accounts, notes and investment income receivable</b>	<b>5,870</b>	<b>1,479</b>	<b>1,025</b>
<b>Land, buildings and equipment--less accumulated depreciation</b>	<b>677</b>	<b>699</b>	<b>714</b>
<b>Deferred acquisition costs</b>	<b>3,947</b>	<b>3,718</b>	<b>3,552</b>
<b>Deferred sales inducement costs</b>	<b>303</b>	<b>279</b>	<b>231</b>
<b>Goodwill--less accumulated amortization</b>	<b>632</b>	<b>574</b>	<b>223</b>
<b>Intangible assets--less accumulated amortization</b>	<b>292</b>	<b>279</b>	<b>11</b>
<b>Separate account assets</b>	<b>35,901</b>	<b>30,809</b>	<b>21,981</b>
<b>Restricted Cash</b>	<b>547</b>	<b>844</b>	<b>-</b>
<b>Other assets</b>	<b>464</b>	<b>555</b>	<b>222</b>
	<b>\$ 97,151</b>	<b>\$ 84,569</b>	<b>\$ 73,724</b>

**Note:** Certain reclassifications of prior period amounts have been made to conform to the current presentation.

**AMERICAN EXPRESS FINANCIAL ADVISORS  
SEGMENT CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31**

**Unaudited**  
(\$ Millions)

<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Liabilities:</b>			
<b>Future policy benefits:</b>			
Fixed annuities	\$ 27,012	\$ 26,377	\$ 23,411
Life and disability insurance	5,954	5,592	5,272
<b>Investment certificate reserves</b>	<b>11,332</b>	<b>9,207</b>	<b>8,666</b>
<b>Property/Casualty insurance reserves</b>	<b>361</b>	<b>247</b>	<b>172</b>
<b>Deferred income taxes, net</b>	<b>150</b>	<b>281</b>	<b>286</b>
<b>Other liabilities:</b>			
Accounts payable and accrued expenses	7,121	2,230	2,094
Open securities transactions	80	45	3,614
Short-term debt - due to Parent	1,102	1,118	897
Long-term debt - due to Parent	530	270	250
Long-term debt	68	120	120
Career Distributors' Retirement Plan	25	50	75
Non-recourse debt	317	325	-
Other	762	835	610
<b>Total other liabilities</b>	<b>10,005</b>	<b>4,993</b>	<b>7,660</b>
<b>Liabilities related to separate account assets</b>	<b>35,901</b>	<b>30,809</b>	<b>21,981</b>
<b>Total liabilities</b>	<b>90,715</b>	<b>77,506</b>	<b>67,448</b>
<b>Shareholder's Equity:</b>			
Additional paid-in capital	2,514	2,509	1,941
Other comprehensive income	386	486	661
Retained earnings	3,536	4,068	3,674
<b>Total shareholder's equity</b>	<b>6,436</b>	<b>7,063</b>	<b>6,276</b>
	<b>\$ 97,151</b>	<b>\$ 84,569</b>	<b>\$ 73,724</b>

**Note:** Certain reclassifications of prior period amounts have been made to conform to the current presentation.

**AMERICAN EXPRESS FINANCIAL ADVISORS  
SEGMENT SELECTED STATISTICAL INFORMATION  
YEARS ENDED DECEMBER 31**

**Unaudited**

(Dollars in millions, except where indicated)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Net Income	\$ 735	\$ 669	\$ 632	\$ 52	\$ 1,032
Revenues, Net of Provisions	\$ 4,897	\$ 4,020 (G)	\$ 3,663	\$ 2,825	\$ 4,219
Return on Average Equity (A)	11.8%	10.4%	10.9%	1.0%	25.8%
Investment Certificate Reserves (billions)	\$ 11.3	\$ 9.2	\$ 8.7	\$ 8.2	\$ 7.3
Deferred Annuities in Force (billions)	\$ 51.8	\$ 47.4	\$ 41.0	\$ 41.3	\$ 45.3
Life Insurance in Force (billions)	\$ 145.8	\$ 131.4	\$ 119.0	\$ 107.9	\$ 98.1
<b>Assets Owned, Managed or Administered (billions):</b>					
Assets managed for institutions (B)	\$ 139.3	\$ 116.4 (D)	\$ 42.3	\$ 49.7	\$ 55.0
Assets owned and managed for individuals:					
Owned Assets:					
Separate Account Assets (B)	35.9	30.8	22.0	27.3	32.3
Other Owned Assets (B)	61.2	53.8 (E)	51.7	44.2	41.3
Total Owned Assets	<u>97.1</u>	<u>84.6</u>	<u>73.7</u>	<u>71.5</u>	<u>73.6</u>
Managed Assets (B)	117.5	110.2	81.6	98.7	112.0
Administered Assets (C)	58.8	54.1	33.0	33.4	34.4
Total	<u>\$ 412.7</u>	<u>\$ 365.3</u>	<u>\$ 230.6</u>	<u>\$ 253.3</u>	<u>\$ 275.0</u>
<b>Market Appreciation/(Depreciation) During the Period:</b>					
Owned Assets:					
Separate Account Assets	\$ 3,198	\$ 5,514	\$ (5,057)	\$ (5,752)	\$ (5,109)
Other Owned Assets	\$ 45	\$ (244)	\$ 898	\$ 879	\$ 106
Managed Assets	\$ 23,447	\$ 26,213	\$ (16,788)	\$ (18,662)	\$ (14,467)
<b>Sales of Selected Products:</b>					
Mutual Funds	\$ 35,025	\$ 30,407	\$ 31,945	\$ 33,581	\$ 44,068
Annuities	7,820	8,335	8,541	5,648	5,886
Investment Certificates	7,141	5,736	4,088	3,788	3,297
Life and Other Insurance Products	907	760	710	895	900
Institutional	7,683	3,033	3,331 (F)	5,006	6,601
Other	4,477	5,787	5,201	5,276	3,557
Total Cash Sales	<u>\$ 63,053</u>	<u>\$ 54,058</u>	<u>\$ 53,816 (F)</u>	<u>\$ 54,194</u>	<u>\$ 64,309</u>
Number of Financial Advisors	12,344	12,121	11,689	11,535	12,663
Fees From Financial Plans and Advice Services	\$ 138.8	\$ 120.7	\$ 113.9	\$ 107.5	\$ 97.7
Percentage of Total sales from Financial Plans and Advice Services	75.3%	74.8%	73.3%	72.5%	68.1%

(A) Computed on a trailing 12-month basis using income before cumulative effect of accounting change and total shareholder's equity as included in the Consolidated Financial Statements prepared in accordance with GAAP. Prior period amounts have been revised to conform to current presentation.

(B) 2003 includes \$73.2 billion of assets managed for institutions, \$2.6 billion of separate account assets, \$1.0 billion of other owned assets and \$7.9 billion of assets managed for individuals related to the September 30, 2003 Threadneedle acquisition.

(C) Excludes non-branded administered assets of \$3.6 billion and \$2.3 billion at December 31, 2002 and 2001, respectively.

(D) As a result of AEFA's December 31, 2003 adoption of FIN 46, as revised, managed assets decreased by \$3.8 billion.

(E) As a result of AEFA's December 31, 2003 adoption of FIN 46, as revised, \$0.5 billion of additional assets were consolidated.

(F) Revised from previously reported December 31, 2002 institutional cash sales of \$3,727 million and total cash sales of \$54,212 million.

(G) Reflects a \$30 million reclassification relating to certain Threadneedle activities reducing Human resources-field expenses and Investment Management and Services Fees revenue.