

2001 Second Quarter Earnings Supplement

The enclosed summary should be read in conjunction with the text and statistical tables included in American Express Company's (the "Company" or "AXP") Second Quarter 2001 Earnings Release.

This summary contains certain forward-looking statements which are subject to risks and uncertainties and speak only as of the date on which they are made. Important factors that could cause actual results to differ materially from these forward-looking statements, including the Company's financial and other goals, are set forth on page 14 herein and in the Company's 2000 10-K Annual Report, and other reports, on file with the Securities and Exchange Commission.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001
HIGHLIGHTS

- Second quarter diluted EPS declined 76%, net revenue (managed basis) decreased 12%, and ROE was 18%. Results for the quarter were negatively impacted by the generally weaker economy and equity markets, as well as a previously announced pre-tax charge of \$826MM from write-downs and losses on high-yield securities at AEFA and the decision to reduce the risk profile of its investment portfolio. Excluding the high-yield losses, consolidated diluted EPS declined 5% and net revenues rose 3%.
- Compared with the second quarter of 2000:
 - Worldwide billed business rose 4% (5% excluding foreign exchange translation);
 - TRS' worldwide lending balances on a managed asset basis of \$34.7B were up 23%;
 - Worldwide cards in force increased 10%, up 4.9MM from last year. In the second quarter, 1.1MM net new cards were added; and,
 - AEFA assets owned, managed and administered of \$262B were 9% lower than last year reflecting substantial market depreciation since 2Q '00.
- American Express expanded its products and services during the quarter as it:
 - Signed Pathmark supermarkets, a long-time merchant holdout, with locations in New York, New Jersey and Pennsylvania.
 - Launched/announced several new proprietary card products and services:
 - The Starwood Preferred Guest Credit Card from American Express, offering its members a number of special benefits that will make it easier to earn free travel at more than 700 Starwood hotels in 80 countries, and with 29 major airline partners;
 - Blue from American Express in the United Arab Emirates;
 - The Platinum Card International Airline Program in Canada, giving American Express Platinum Cardmembers a free companion ticket with the purchase of a full-fare ticket in specified classes and routes on Alitalia, British Airways and Cathay Pacific Airways;
 - The Westpac Business Choice Charge Card, a cobranded card with Westpac in Australia that will provide accounting and reward benefits to small and medium-size businesses; and
 - Agreements with Banco Ciudad de Buenos Aires and BNP PARIBAS to offer American Express Cards in Argentina.
 - Launched/announced several new network card products:
 - The new Swedbank American Express Business Card in Sweden, offering a vast array of business and travel benefits for small business customers;
 - The Co-branded AEON JUSCO American Express Credit Card in Hong Kong with AEON Credit Service Company, Ltd. and JUSCO Stores Co., targeting young consumers, providing them with a broad spectrum of value added shopping and travel privileges; and
 - The HSBC American Express Card, a dual currency card in Argentina.
 - Introduced Mortgages from American Express, a comprehensive mortgage program, available through our direct consumer bank service, Membership B@nking, offering access to more than 50 different mortgage products, a best price guarantee, quick loan decisions and guaranteed closing dates.
 - Launched three new mutual funds subadvised by leading value fund managers Lord Abbett & Co., Davis Selected Advisors, EQSF Advisors, Inc. and Royce & Associates, Inc.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001
HIGHLIGHTS (cont'd)

- American Express continued to build its Internet presence as it:
 - Launched Blue for Music, a smart chip-based program that provides Blue customers with special music offers and concert benefits;
 - Announced American Express Online Restaurant Reservations, a free online service that allows users to conveniently access restaurant ratings and reviews while they make and instantly confirm, restaurant reservations, 24 hours a day, 7 days a week.
 - Invested in StarCite, Inc., a provider of web-based global meetings and events services;
 - Partnered with TIBCO Software Inc., Infosys Technologies Ltd. and WestBridge Capital Partners to form a new company Workadia, L.L.C, which will provide companies with comprehensive, customizable business intranets through browser accessed hosted portals, and consulting services to help customers select and deploy their intranet applications, content and services; and
 - Signed an agreement with Proton World to adopt their Proton Prisma DP product for future issuances of American Express' Java Card-based smart cards worldwide.

- Additional progress was made in broadening relationships with existing AXP customers as:
 - Average lending balances per cardmember continued to increase;
 - Approximately 30% of new AEFA clients were again obtained from the cardmember base; and
 - AEFA-manufactured investment certificates sold by AEB to its international clients continued to grow.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
CONSOLIDATED
(unaudited)

(millions, except per share amounts)

| | Quarters Ended June 30, | | Percentage Inc/(Dec) |
|-------------------------------|----------------------------|----------------|-------------------------|
| | 2001 | 2000 | |
| <u>Consolidated revenues:</u> | | | |
| Net (managed basis) | <u>\$4,910</u> | <u>\$5,558</u> | (12)% |
| GAAP reporting basis | <u>\$5,268</u> | <u>\$5,970</u> | (12) |
| <u>Net income:</u> | <u>\$178</u> | <u>\$740</u> | (76) |
| <u>EPS:</u> | | | |
| Basic | <u>\$0.13</u> | <u>\$0.56</u> | (77) |
| Diluted | <u>\$0.13</u> | <u>\$0.54</u> | (76) |

- Results reflect a previously announced pre-tax charge of \$826MM (\$537MM after-tax) from write-downs and losses on high-yield securities at AEFA and the decision to reduce the risk profile of its investment portfolio. Excluding the losses from the high-yield portfolio, net income of \$714MM would have been 6% lower, diluted EPS of \$0.53 would be 5% lower, and net revenues 3% higher versus last year.
- Consolidated Revenues: Net revenues declined due to lower spreads on AEFA's investment portfolio, which reflect the charge discussed above and the lagging impact of lower interest rates, weaker travel revenues, as well as lower management and distribution fees. These items were partially offset by an increase in cards in force, higher billed business volumes, larger loan balances and greater insurance premiums.
- Consolidated Expenses: Rose due to larger provisions for losses, greater interest costs, and higher operating expenses. These increases were partially offset by lower marketing costs, reengineering activities and expense control initiatives.
- Separately, the Company indicated that it is making strong progress on its reengineering initiatives and expects to significantly exceed its previously announced target of \$500MM of expense savings in 2001. Based on this progress and the Company's belief that the economy will remain weak during the remainder of this year and into 2002, it announced on July 18th that it expects to recognize a restructuring charge during the third quarter of approximately \$310MM to \$370MM pre-tax (\$200MM to \$240MM after-tax) to accelerate several major reengineering initiatives that were being planned for 2002. The charge would relate primarily to severance and related costs of eliminating 4,000-5,000 jobs. The initiatives related to the restructuring charge are expected to produce expense savings of approximately \$275-300MM in 2002 and \$345-370MM on an annualized basis thereafter.
- Share Repurchases: 4.8MM shares were purchased in 2Q '01; since the inception of repurchase programs in September 1994, 357.2MM shares have been acquired. Due to the negative capital generation impact of the charges discussed above, share repurchases for the remainder of 2001 will be reduced substantially.

| | Millions of Shares | | |
|---|--------------------|--------------|--------------|
| | 2Q '01 | 1Q '01 | 2Q '00 |
| - <u>Average shares:</u> | | | |
| Basic | <u>1,321</u> | <u>1,323</u> | <u>1,328</u> |
| Diluted | <u>1,336</u> | <u>1,344</u> | <u>1,361</u> |
| - <u>Actual shares:</u> | | | |
| Shares outstanding – beginning of period | 1,326 | 1,326 | 1,334 |
| Repurchase of common shares | (5) | (9) | (5) |
| Net settlements – 3 rd party share purchase agreements | 1 | 9 | - |
| Employee benefit plans, compensation and other | <u>2</u> | <u>-</u> | <u>4</u> |
| Shares outstanding – end of period | <u>1,324</u> | <u>1,326</u> | <u>1,333</u> |

CORPORATE AND OTHER

- The net expense of \$46MM in 2Q '01 compared with \$47MM in 2Q '00 and \$44MM in 1Q '01.
- Last year's results included a gain related to the completion of sales of assets transferred from AEB in the early 1990's after the decision to discontinue LDC lending activities. This gain was offset by higher internet spending and, therefore, had no material impact on the reported net expense.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
TRAVEL RELATED SERVICES

(preliminary)

Statements of Income
(unaudited, managed basis)

| (millions) | Quarters Ended June 30, | | Percentage Inc/(Dec) |
|----------------------------------|----------------------------|--------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Net revenues: | | | |
| Discount revenue | \$2,007 | \$1,949 | 3% |
| Net card fees | 420 | 411 | 2 |
| Lending: | | | |
| Finance charge revenue | 1,159 | 948 | 22 |
| Interest expense | <u>408</u> | <u>385</u> | 6 |
| Net finance charge revenue | 751 | 563 | 33 |
| Travel commissions and fees | 427 | 507 | (16) |
| TC investment income | 100 | 98 | 2 |
| Other revenues | <u>939</u> | <u>844</u> | 11 |
| Total net revenues | <u>4,644</u> | <u>4,372</u> | 6 |
| Expenses: | | | |
| Marketing and promotion | 269 | 345 | (22) |
| Provision for losses and claims: | | | |
| Charge card | 320 | 344 | (7) |
| Lending | 564 | 332 | 70 |
| Other | <u>25</u> | <u>28</u> | (8) |
| Total | <u>909</u> | <u>704</u> | 29 |
| Charge card interest expense | 383 | 350 | 10 |
| Human resources | 1,053 | 1,048 | 1 |
| Other operating expenses | <u>1,300</u> | <u>1,204</u> | 8 |
| Total expenses | <u>3,914</u> | <u>3,651</u> | 7 |
| Pretax income | 730 | 721 | 1 |
| Income tax provision | <u>211</u> | <u>216</u> | (2) |
| Net income | <u>\$519</u> | <u>\$505</u> | 3 |

Note: Unless indicated otherwise, the following discussion addresses the "managed basis" Statements of Income. The GAAP Statements of Income are also included in the Company's Earnings Release.

- Revenues benefited from increased cards in force, higher worldwide billed business and strong growth in cardmember loans outstanding, which was partially offset by lower travel revenues. Growth was suppressed by approximately 2% due to the impact of F/X translation.
- The higher expenses reflect greater provisions for losses, higher interest expenses, and increased operating costs, primarily due to business growth, which were partially offset by reduced marketing and promotion costs, expense control initiatives and the impact of F/X translation.
- On a GAAP reporting basis, TRS recognized net pre-tax gains of \$84MM (\$55MM after-tax) in 2Q '01 and \$80MM (\$52MM after-tax) in 2Q '00 related to the securitization of \$2.7B and \$2.2B of U.S. Lending receivables, respectively. In 2Q '01, this gain is net of a pre-tax loss of \$25MM (\$16MM after-tax) related to the maturity of a \$1.0B U.S. Lending receivables securitization. In both periods, these net gains were offset by expenses related to card acquisition initiatives and, therefore, had no material impact on net income or total expenses in either period.

For purposes of the above "managed basis" Statements of Income, which present TRS' results as if there had been no securitizations, such net gains (reported on the GAAP Statements of Income as a \$35MM and \$53MM reduction in the Lending Provision for Losses in 2Q '01 and 2Q '00, respectively, and increases in Other Revenues and Lending Interest Expense) and corresponding changes in Marketing and Promotion and Other Operating Expenses have been eliminated.

- The pre-tax margin was 15.7% in 2Q '01 versus 16.5% last year.
- The effective tax rate was 29% in 2Q '01, 29% in 1Q '01 and 30% in 2Q '00.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
TRAVEL RELATED SERVICES (Cont'd)

- **Discount Revenue:** Higher billed business and a lower discount rate yielded a 3% increase in discount revenue.
 - The average discount rate in 2Q '01 was 2.67% versus 2.69% in 2Q '00 and 2.68% in 1Q '01. The decline from last year and 1Q '01 reflects the cumulative impact of stronger than average growth in the lower rate retail and other "everyday spend" merchant categories (e.g., supermarkets, discounters, etc.), as well as relatively weaker T&E spending within Corporate Services during the quarter.
 - We believe the AXP value proposition is strong. However, continued changes in the mix of business, the continued shift to electronic data capture, volume related pricing discounts, and selective repricing initiatives will probably result in some rate erosion over time.

| | Quarters Ended June 30, | | Percentage Inc/(Dec) |
|---|----------------------------|---------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Card billed business (billions): | | | |
| United States | \$58.8 | \$55.8 | 5% |
| Outside the United States | <u>18.5</u> | <u>18.7</u> | (1) |
| Total | <u>\$77.3</u> | <u>\$74.5</u> | 4 |
| Cards in force (millions): | | | |
| United States | 34.6 | 32.5 | 7 |
| Outside the United States | <u>19.7</u> | <u>16.9</u> | 16 |
| Total | <u>54.3</u> | <u>49.4</u> | 10 |
| Basic cards in force (millions): | | | |
| United States | 26.9 | 25.3 | 6 |
| Outside the United States | <u>15.0</u> | <u>12.9</u> | 16 |
| Total | <u>41.9</u> | <u>38.2</u> | 10 |
| Spending per basic card in force (dollars) (a): | | | |
| United States | \$2,176 | \$2,242 | (3) |
| Outside the United States | \$1,510 | \$1,688 | (11) |
| Total | \$1,986 | \$2,085 | (5) |

(a) Proprietary card activity only.

- **Billed Business:** The 4% increase in billed business resulted from growth in cards in force, which was partially offset by lower spending per basic cardmember worldwide.
 - U.S. billed business increased 5% reflecting 9% growth within the consumer card business, a mid single-digit increase within small business services and a mid single-digit decline within Corporate Services.
 - Spending per basic card in force declined 3% reflecting the dilutive effect of multiple consecutive quarters of strong card growth and weaker corporate T&E spending and general economic conditions.
 - Excluding the impact of foreign exchange translation:
 - Total billed business outside the U.S. rose approximately 5% on mid single-digit increases in Europe, Latin America and Asia, and a minimal increase in Canada.
 - Spending per proprietary basic card in force outside the U.S. declined 9%.
 - Network partnership and Purchasing Card volumes sustained their stronger growth levels, in excess of the consolidated worldwide billed business growth rate.
 - Retail and "everyday spend" categories continued to contribute more strongly to worldwide business growth.
 - Airline related volume declined approximately 10% as both the average airline charge and transaction volume were down.
- **Cards in force** worldwide rose 10% versus last year.
 - U.S. card acquisitions during the quarter (400K net new cards added) reflect somewhat more selective consumer card and small business services activities in light of economic conditions.
 - Outside the United States, 700K cards in force were added during the quarter on continued strong proprietary card growth and network card results.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
TRAVEL RELATED SERVICES (Cont'd)

- Non-Amex Branded statistics: Total cards in force and billed business exclude activities on Non-Amex Branded cards (Visa and Eurocards) issued in connection with joint venture activities. These are reported as separate line items within TRS' selected statistical information. This disclosure is consistent with our previously discussed plans to broaden the scope of our card activities through possible acquisitions of card portfolios and additional joint ventures.

| | Quarters Ended June 30, | | Percentage Inc/(Dec) |
|----------------------------|----------------------------|-------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Cards in force (millions) | 0.7 | 0.6 | 10% |
| Billed business (billions) | \$0.8 | \$0.7 | 17 |

- Net Card Fees: Rose 2% as new cards in force were added. The average fee per card in force of \$34 in 2Q '01 declined from \$35 in 1Q '01 and \$36 in 2Q '00 as the mix evolved toward lower and no fee products.
- Net Finance Charge Revenue: Rose 33% on strong growth in worldwide lending balances, which rose 25% on average during the quarter.
 - The yield on the U.S. portfolio rose to 8.6% in 2Q '01 from 7.4% in 2Q '00 and 8.3% in 1Q '01 as a decrease in the proportion of the portfolio on introductory rates and the benefit of lower funding costs, which lag in their effect on finance charge revenue, were partially offset by the evolving mix of products toward more lower-rate offerings.
- Travel Commissions and Fees: Declined 16% on a 20% contraction in travel sales due to the weaker corporate travel environment. The revenue earned per dollar of sales increased (8.7% in 2Q '01 versus 8.4% in 1Q '01 and 8.2% in 2Q '00), reflecting new fees related to certain client services, which were partially offset by continued efforts by airlines to reduce distribution costs and by corporate clients to contain travel and entertainment expenses.
- TC Investment Income: Was up 2% reflecting a higher TC investment yield and growth in Money Order related activities.
- Other Revenues: Increased 11% due to higher card-related and membership rewards fees and larger insurance premiums.
- Marketing and Promotion Expenses: Decreased 22% as we rationalized certain marketing efforts in light of the weaker business environment.
- Charge Card Interest Expense: Rose 10% due to a greater worldwide effective cost of funds and higher billed business volumes.
- Human Resource Expenses: Increased 1% versus last year as a result of merit increases and a higher average number of employees, partially offset by lower levels of incentive compensation.
 - The employee count at 6/01 of 75,500 was up approximately 400 versus last year primarily due to increased global technology business demands, greater business volumes and the substitution of contract programmers with full-time employees. In the quarter, the number of employees declined by approximately 100.
- Other Operating Expenses: Were up 8% as higher costs related to business growth, cardmember loyalty programs, professional fees for outsourcing activities and various business building initiatives were offset by reengineering activities and cost containment efforts. Excluding the gain in 2Q '00 on the sale of the leisure travel activities of Havas Voyages in France, operating expenses rose modestly versus last year.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
TRAVEL RELATED SERVICES (Cont'd)

• Credit Quality:

- As a result of a weaker economy, overall credit quality deteriorated modestly in the quarter, but remained at relatively attractive levels.
- The provision for losses on charge card products was 7% below last year on relatively weak volume growth.
- The lending provision for losses was 70% above last year on growth in outstanding loans, higher write-off rates and our more pessimistic view that the economy will remain weak into 2002.
- Reserve coverage ratios at more than 100% of past due balances remained strong.

- Worldwide Charge Card:

- The write-off rate increased from the historically low levels achieved last quarter and last year. Past due rates also rose versus last year and last quarter. The increases partially reflect economic conditions, but also the impact of slower volume growth and a lower receivable base on the calculation.

| | 6/01 | 3/01 | 6/00 |
|--|-------|-------|-------|
| Loss ratio, net of recoveries | 0.42% | 0.35% | 0.36% |
| 90 days past due as a % of receivables | 2.9% | 2.7% | 2.4% |

- Reserve coverage of past due accounts remained strong.

| | 6/01 | 3/01 | 6/00 |
|------------------------|---------|---------|-------|
| Reserves (MM) | \$1,034 | \$1,004 | \$986 |
| % of receivables | 4.0% | 3.8% | 3.6% |
| % of past due accounts | 138% | 139% | 153% |

- U.S. Lending:

- The write-off rate increased from last quarter and last year. The past due rate rose versus last year, but was flat compared to last quarter.

| | 6/01 | 3/01 | 6/00 |
|-----------------------------------|------|------|------|
| Write-off rate, net of recoveries | 5.7% | 5.1% | 4.4% |
| 30 days past due as a % of loans | 2.9% | 2.9% | 2.4% |

- Lending reserve coverage ratios rose as reserves were increased during the quarter.

| | 6/01 | 3/01 | 6/00 |
|------------------------|-------|-------|-------|
| Reserves (MM) | \$959 | \$907 | \$686 |
| % of total loans | 3.1% | 3.0% | 2.6% |
| % of past due accounts | 107% | 103% | 109% |

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
AMERICAN EXPRESS FINANCIAL ADVISORS

(preliminary)

Statements of Income
(unaudited)

| (millions) | Quarters Ended June 30, | | Percentage Inc/(Dec) |
|------------------------------------|----------------------------|--------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Revenues: | | | |
| Investment income | \$(246) | \$592 | - |
| Management and distribution fees | 623 | 701 | (11)% |
| Other revenues | <u>290</u> | <u>248</u> | 17 |
| Total revenues | 667 | 1,541 | (57) |
| Provision for losses and benefits: | | | |
| Annuities | 255 | 254 | - |
| Insurance | 152 | 138 | 10 |
| Investment certificates | <u>98</u> | <u>68</u> | 44 |
| Total | <u>505</u> | <u>460</u> | 10 |
| Total net revenues | <u>162</u> | <u>1,081</u> | (85) |
| Expenses: | | | |
| Human resources | 496 | 528 | (6) |
| Other operating expenses | <u>174</u> | <u>156</u> | 11 |
| Total expenses | <u>670</u> | <u>684</u> | (2) |
| Pretax income/(loss) | (508) | 397 | - |
| Income tax provision/(benefit) | <u>(201)</u> | <u>122</u> | - |
| Net income/(loss) | <u>\$(307)</u> | <u>\$275</u> | - |

- Results include the previously discussed \$826MM pre-tax charge (\$537MM after-tax) related to high-yield securities and the reduction of the risk profile within the investment portfolio. Excluding the impact of the high yield losses, net income of \$230MM declined 22% and net revenues fell 11% reflecting the continuing effect of the weak economy and financial markets.

- Net revenues declined 85% reflecting:

- Lower spreads on investment portfolio products, mostly due to the effect of the charge;
- Reduced management fees from lower average managed asset levels;
- A decrease in distribution fees from weaker mutual fund sales levels; partially offset by
- Higher insurance premiums and financial planning and advice services fees.

- Assets Owned, Managed and Administered:

| (billions) | June 30, | | Percentage Inc/(Dec) |
|--|----------------|----------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Assets owned (excluding separate accounts) | \$41.6 | \$39.9 | 4% |
| Separate account assets | 28.9 | 36.5 | (21) |
| Assets managed | 158.3 | 175.7 | (10) |
| Assets administered | <u>33.0</u> | <u>34.1</u> | (3) |
| Total | <u>\$261.8</u> | <u>\$286.2</u> | (9) |

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
AMERICAN EXPRESS FINANCIAL ADVISORS (Cont'd)

• Investment Income:

- Gross investment income decreased due to the charge related to the investment portfolio losses and a generally lower average yield. Also included in investment income is a decrease last year in the value of options hedging outstanding stock market certificates, which was offset in the certificate provision.
- Average invested assets of \$33.9B (excluding unrealized appreciation/depreciation) rose 2% versus \$33.3B in 2Q '00.
- The average yield on invested assets was 4.8% versus 7.3% in 2Q '00 including income adjustments on the high yield structured investments and hedges on outstanding stock market certificates.
- Underlying spreads (excluding the impact of the charge) within the insurance, annuity and certificates products were all down versus last year and last quarter, except for certificates.

• Asset Quality:

- Except for deterioration in the high yield portfolio and investment grade structured investments, asset quality remains strong.
- Non-performing assets relative to invested assets were 0.9% and were 174% covered by reserves, including those related to the impairment of high-yield securities.
- High-yield investments totaled \$2.7B at 6/30/01, or approximately 8% of AEFA's portfolio.
- The SFAS No. 115 related mark-to-market adjustment on the portfolio (reported in assets pre-tax) was appreciation of \$182MM at 6/01 versus depreciation of (\$47MM) at 3/01 and (\$999MM) at 6/00.

• Management and Distribution Fees: The decrease of 11% was due to lower average assets under management and weaker mutual fund sales, reflecting the negative impact of weak equity market conditions.

- Assets Managed:

| (billions) | June 30, | | Percentage Inc/(Dec) |
|---------------------------------|----------------|----------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Assets managed for individuals | \$104.0 | \$119.6 | (13)% |
| Assets managed for institutions | 54.3 | 56.1 | (3) |
| Separate account assets | <u>28.9</u> | <u>36.5</u> | (21) |
| Total | <u>\$187.2</u> | <u>\$212.2</u> | (12) |

-- The decline in managed assets since 6/00 resulted from \$36.2B of market depreciation, offset in part by \$11.2B of net new money.

-- The \$6.3B increase in managed assets during 2Q '01 resulted from market appreciation of \$5.8B and net new money of \$0.5B.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
AMERICAN EXPRESS FINANCIAL ADVISORS (Cont'd)

- Product Sales:
 - Total gross cash sales from all products were down 12%* versus 2Q '00.
 - Mutual fund sales decreased 19% as both proprietary and non-proprietary fund sales declined. The majority of non-proprietary fund sales continued to occur in "wrap" accounts. Within proprietary funds:
 - Bond fund sales grew; sales of equity and money market funds declined.
 - Redemption rates continued to compare favorably with industry levels.
 - Annuity sales were down 10%, as fixed annuity sales improved significantly, but variable annuity sales declined.*
 - Sales of insurance products increased 6% reflecting variable life sales.
 - Certificate sales increased 17% reflecting strength in both advisor sales and sales of certificates sold to clients outside the U.S. through a joint venture between AEFA and AEB.
 - Institutional sales declined 19% reflecting both lower new sales and lower additional contributions.
 - Other sales increased 60% due to the addition of new plan sponsors within the 401(k) business and additional contributions from existing sponsors, as well as growth in our limited partnership sales and wealth management account activities.
 - Advisor product sales generated through financial planning and advice services were 72% of total sales in 2Q '01 versus 66% in 2Q '00.
- Other Revenues: Were up 17% reflecting higher life and property-casualty insurance premiums and certain revenues related to non-proprietary funds.
 - Financial planning and advice services fees of \$29.7MM rose 24% versus 2Q '00 on an 11% increase in the number of plans sold. The higher growth in fees reflects, in part, a one-time benefit related to an effort to recognize the completion of plans in a more timely manner and the impact of a somewhat lower average fee.
- Provisions for Losses and Benefits: Flat annuity product provisions resulted from a smaller inforce level, which offset a higher accrual rate. Insurance provisions rose due to higher inforce levels and accrual rates. Certificate provisions increased as higher inforce levels and the effect on the stock market certificate product of depreciation last year in the S&P 500, were partially offset by lower accrual rates.
- Human Resources: Expenses declined 6% reflecting lower field force compensation-related expenses due to relatively slow advisor growth and the impact of lower volumes on advisor compensation, as well as the benefits of reengineering and cost containment initiatives within the home office.
 - Total Advisor Force: 11,646 at 6/01; +160 advisors, or 1%, versus 6/00 and down 406 advisors versus 3/01.
 - The decrease in advisors versus 3/01 reflects reduced recruiting activities, as we fine tune the advisor platform dynamics, and higher termination rates due to the weaker environment and proactive efforts to weed out unproductive advisors.
 - Veteran advisor retention rates remain strong.
 - In light of current challenging market conditions, we expect to continue to contain advisor growth in coming quarters to ensure overall field force costs are appropriately controlled and advisor production is maximized.
 - Total production and advisor productivity were down versus last year, while client acquisitions rose slightly, reflecting the more difficult selling environment.
 - The total number of clients was up 5% and accounts per client were flat. Client retention exceeded 95%.
- Other Operating Expenses: The 11% increase reflects a relatively low level of expenses last year. Expenses declined 7% versus 1Q '01 reflecting reengineering activities and efforts to control core operating expense growth.

* Revised from original Second Quarter 2001 Earnings Supplement.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
AMERICAN EXPRESS BANK

(preliminary)

Statements of Income
(unaudited)

(millions)

| | Quarters Ended June 30, | | Percentage Inc/(Dec) |
|---|----------------------------|-------------|-------------------------|
| | <u>2001</u> | <u>2000</u> | |
| Net revenues: | | | |
| Interest income | \$182 | \$183 | - |
| Interest expense | <u>110</u> | <u>120</u> | (8)% |
| Net interest income | 72 | 63 | 14 |
| Commissions and fees | 51 | 56 | (9) |
| Foreign exchange income and other revenue | <u>36</u> | <u>32</u> | 13 |
| Total net revenues | <u>159</u> | <u>151</u> | 5 |
| Expenses: | | | |
| Human resources | 62 | 65 | (4) |
| Other operating expenses | 65 | 69 | (7) |
| Provision for losses | <u>14</u> | <u>7</u> | # |
| Total expenses | <u>141</u> | <u>141</u> | - |
| Pretax income | 18 | 10 | 84 |
| Income tax provision | <u>6</u> | <u>3</u> | # |
| Net income | <u>\$12</u> | <u>\$7</u> | 59 |

Denotes variance in excess of 100%.

- Revenues grew 5% as higher net interest income and foreign exchange and other revenue was partially offset by lower commissions and fees. AEB's two individual oriented businesses continued to grow, despite a more difficult market environment, as Private Banking client holdings rose 23% and client volumes in Personal Financial Services (PFS) increased 12%. Revenues within Corporate Banking declined as we continued to de-emphasize these activities.
 - Net interest income rose 14% due to higher consumer loans and lower funding costs, partially offset by decreases in Corporate Banking, as we scale back corporate lending activities.
 - Commissions and fees were down 9% from lower results in Corporate Banking, and lower mutual fund fees in PFS and within our third party activities in the Financial Institutions Group, reflecting lower assets under management.
 - Foreign exchange income and other revenue increased due to higher joint venture earnings and security gains.
- Human resource and other operating expenses were down reflecting the benefits of a lower employee level and reduced costs related to reengineering activities.
- The provision for losses increased mostly due to PFS loan growth.
- AEB remained "well capitalized".

| | <u>6/01</u> | <u>3/01</u> | <u>6/00</u> | <u>Well-Capitalized</u> |
|----------------|-------------|-------------|-------------|-------------------------|
| Tier 1 | 10.4% | 10.7% | 10.3% | 6.0% |
| Total | 11.1% | 11.4% | 11.9% | 10.0% |
| Leverage Ratio | 5.8% | 5.8% | 5.8% | 5.0% |

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
AMERICAN EXPRESS BANK (Cont'd)

• **EXPOSURES**

- AEB's loans outstanding were \$5.5B at 6/01, versus \$5.1B at 6/00 and \$5.4B at 3/01. Activity since 6/00 included a \$600MM decrease in corporate banking loans and a \$1.0B increase in consumer and private banking loans, including the transfer of \$200MM of collateralized loans from Corporate Banking. Compared to 3/01, corporate banking loans decreased by \$150MM and financial institution loans increased by \$50MM, while consumer and private banking loans increased by \$200MM. As of 6/01, consumer and private banking loans comprised 53% of total loans versus 37% at 6/00 and 50% at 3/01; corporate banking loans comprised 24% of total loans versus 38% at 6/00 and 27% at 3/01; and financial institution loans comprised 23% of total loans versus 25% at 6/00 and 23% at 3/01.
- In addition to the loan portfolio, there are other banking activities, such as forward contracts, various contingencies and market placements, which added approximately \$7.6B to the credit exposures at 6/01, \$8.1B at 3/01 and \$7.2B at 6/00. Of the \$7.6B of additional exposures at 6/01, \$5.3B were relatively less risky cash and securities related balances.

(\$ in billions)

| <u>Country</u> | <u>6/30/01</u> | | | | | <u>3/31/01</u> <u>Total</u> <u>Exposure⁽²⁾</u> |
|---|----------------|-------------------------------------|---|----------------------------|---|---|
| | <u>Loans</u> | <u>FX and</u> <u>Derivatives</u> | <u>Net</u> <u>Guarantees</u> <u>And</u> <u>Contingents</u> | <u>Other⁽¹⁾</u> | <u>Total</u> <u>Exposure⁽²⁾</u> | |
| Hong Kong | \$1.0 | - | \$0.1 | \$0.1 | \$1.1 | \$1.0 |
| Indonesia | 0.1 | - | - | - | 0.1 | 0.2 |
| Singapore | 0.5 | - | 0.1 | 0.1 | 0.6 | 0.6 |
| Korea | 0.2 | - | - | 0.3 | 0.5 | 0.4 |
| Taiwan | 0.2 | - | - | 0.1 | 0.2 | 0.3 |
| Japan | - | - | - | 0.1 | 0.1 | 0.1 |
| Other | - | - | - | 0.1 | 0.2 | 0.2 |
| Total Asia/Pacific Region ⁽²⁾ | <u>1.9</u> | <u>-</u> | <u>0.2</u> | <u>0.7</u> | <u>2.9</u> | <u>2.9</u> |
| Chile | 0.2 | - | - | 0.1 | 0.4 | 0.4 |
| Brazil | 0.3 | - | - | 0.1 | 0.4 | 0.4 |
| Mexico | - | - | - | - | 0.1 | 0.1 |
| Peru | - | - | - | - | - | 0.1 |
| Argentina | - | - | - | - | 0.1 | 0.1 |
| Other | 0.3 | - | 0.2 | 0.1 | 0.6 | 0.6 |
| Total Latin America ⁽²⁾ | <u>0.9</u> | <u>\$0.1</u> | <u>0.3</u> | <u>0.3</u> | <u>1.5</u> | <u>1.6</u> |
| India | 0.3 | - | 0.1 | 0.3 | 0.7 | 0.7 |
| Pakistan | 0.1 | - | - | 0.1 | 0.2 | 0.2 |
| Other | 0.1 | - | - | 0.1 | 0.2 | 0.2 |
| Total Subcontinent ⁽²⁾ | <u>0.4</u> | <u>-</u> | <u>0.1</u> | <u>0.6</u> | <u>1.1</u> | <u>1.1</u> |
| Egypt | 0.2 | - | - | 0.2 | 0.4 | 0.5 |
| Other | 0.2 | - | - | - | 0.2 | 0.3 |
| Total Middle East and Africa ⁽²⁾ | <u>0.3</u> | <u>-</u> | <u>0.1</u> | <u>0.2</u> | <u>0.6</u> | <u>0.7</u> |
| Total Europe ⁽²⁾ | 1.6 | 0.1 | 0.5 | 2.6 | 4.8 | 5.1 |
| Total North America ⁽²⁾ | <u>0.3</u> | <u>-</u> | <u>0.3</u> | <u>1.5</u> | <u>2.1</u> | <u>2.1</u> |
| Total Worldwide ⁽²⁾ | <u>\$5.5</u> | <u>\$0.2</u> | <u>\$1.4</u> | <u>\$5.9</u> | <u>\$13.1</u> | <u>\$13.5</u> |

(1) Includes cash, placements and securities.

(2) Individual items may not add to totals due to rounding.

Note: Includes cross-border and local exposure and does not net local funding or liabilities against any local exposure.

AMERICAN EXPRESS COMPANY
SECOND QUARTER 2001 OVERVIEW
AMERICAN EXPRESS BANK (Cont'd)

- Total non-performing loans of \$159MM were down from \$174MM at 6/00 and \$187MM at 3/01 as a result of decreases within the Corporate Banking business. The decreases in both periods are due to loan payments and write-offs, mainly in Indonesia, partially offset by net downgrades of the risk status of various loans.
- Other non-performing assets of \$4MM at 6/01, primarily other real estate owned, compared with \$36MM at 6/00 and \$24MM at 3/01, which were primarily foreign exchange and derivative contracts. The decreases in both periods reflect payments/maturities and write-offs, mainly in Indonesia.
- AEB's total reserves at 6/01 of \$130MM compared with \$164MM at 3/01 and \$187MM at 6/00 and are allocated as follows:

| (millions) | <u>6/01</u> | <u>3/01</u> | <u>6/00</u> |
|-------------------------------------|--------------|--------------|--------------|
| Loans | \$126 | \$149 | \$166 |
| Other Assets, primarily derivatives | 3 | 12 | 16 |
| Other Liabilities | <u>1</u> | <u>3</u> | <u>5</u> |
| Total | <u>\$130</u> | <u>\$164</u> | <u>\$187</u> |

- Reserve coverage of non-performing loans of 79% at 6/01 was flat with 3/01 and down from 95% at 6/00. The overall risk profile of the loan portfolio is improving as the portfolio mix shifts towards the consumer loans. Our credit reserves incorporate expectations of this trend.
- Management formally reviews the loan portfolio and evaluates credit risk throughout the year. This evaluation takes into consideration the financial condition of the borrowers, fair market value of collateral, status of delinquencies, historical loss experience, industry trends, and the impact of current economic conditions. As of June 30, 2001 management considers the loss reserve to be appropriate.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are subject to risks and uncertainties. The words "believe", "expect", "anticipate", "intend", "aim", "will", "should", and similar expressions are intended to identify these forward-looking statements. 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 following:

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 time frames and to maintain its high yield portfolio at certain levels in the future; developments relating to AEFA's new platform structure for financial advisors, including the ability to increase advisor productivity, moderate the growth of new advisors and create efficiencies in the infrastructure; AEFA's ability to effectively manage the economics in selling a growing volume of non-proprietary products to clients; investment performance in AEFA's mutual fund business; the success 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, relocating certain functions to lower cost overseas locations, moving internal and external functions to the internet to save costs 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; consumer and business spending on the Company's travel related services products, particularly credit and charge 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; 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; increasing competition in all of the Company's major businesses; fluctuations in interest rates, which impacts 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 returns on the Company's investment portfolios; foreign currency exchange rates; political or economic instability in certain regions or countries, which could affect commercial 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 risks and uncertainties can be found in the Company's 10-K Annual Report for the fiscal year ending December 31, 2000 and other reports filed with the SEC.