

AMERICAN EXPRESS COMPANY REPORTS SECOND QUARTER NET INCOME OF \$178 MILLION

Results In-Line with Preliminary Forecast

(Dollars in millions, except per share amounts)

	Quarter Ended June 30		Percentage Inc/(Dec)
	<u>2001</u>	<u>2000</u>	
Net Income	\$178	\$740	(76%)
Net Revenues*	\$4,910	\$5,558	(12%)
Per Share Net Income			
Basic	\$0.13	\$0.56	(77%)
Diluted	\$0.13	\$0.54	(76%)
Average Common Shares Outstanding			
Basic	1,321	1,328	(1%)
Diluted	1,336	1,361	(2%)
Return on Average Equity	18.2%	25.5%	-
	Six Months Ended June 30		Percentage Inc/(Dec)
	<u>2001</u>	<u>2000</u>	
Net Income	\$716	\$1,396	(49%)
Net Revenues*	\$10,292	\$10,817	(5%)
Per Share Net Income			
Basic	\$0.54	\$1.05	(49%)
Diluted	\$0.53	\$1.03	(49%)
Average Common Shares Outstanding			
Basic	1,322	1,330	(1%)
Diluted	1,340	1,361	(2%)
Return on Average Equity	18.2%	25.5%	-

*Net revenues are presented on a managed basis.

NEW YORK, July 23, 2001 -- American Express Company today reported second quarter net income of \$178 million, down 76 percent from \$740 million in the same period a year ago. Diluted earnings per share were \$.13, which were also 76 percent lower than last year. Net revenues on a managed basis totaled \$4.9 billion, down 12 percent from \$5.6 billion. The company's return on equity was 18.2 percent.

These results are in-line with the forecast discussed in the company's July 18th announcement of expected second quarter earnings. The results reflect a pre-tax charge of \$826 million (\$537 after-tax) to write down high-yield securities and reduce the risk profile of the investment portfolio at American Express Financial Advisors (AEFA).

Excluding the losses on AEFA's high-yield investments, the company's net income would have been \$714 million, down 6 percent from last year. Similarly, earnings per share would have been \$.53, down 5 percent from last year.

Travel Related Services (TRS) reported quarterly net income of \$519 million, up 3 percent from \$505 million in the second quarter a year ago.

TRS' net revenues increased 6 percent, reflecting growth in loans, billed business and cards in force. The growth in billed business, which was substantially slower than in recent periods, reflected the continued slowdown in corporate spending on travel and entertainment. The net interest yield on lending activities increased from the prior year, reflecting a smaller percentage of loan balances on introductory rates and a benefit from declining interest rates during the quarter.

The provision for losses on the lending portfolio grew as a result of higher volumes, an increase in U.S. lending write-off rates and the company's expectation that the economy will remain weak into 2002. Charge card interest expense grew as a result of a higher effective cost of funds and higher volumes. Marketing and promotion expenses were lower as TRS scaled back certain marketing efforts in light of the weaker business environment. The progress of reengineering and other cost-control efforts helped restrain the growth in human resources and other operating expenses.

On a reported basis, TRS' results included net securitization gains of \$84 million pre-tax (\$55 million after-tax) and \$80 million pre-tax (\$52 million after-tax) in the second quarters of 2001 and 2000, respectively. These gains were offset by expenses related to card acquisition activities and therefore had no material impact on net income or total expenses.

American Express Financial Advisors (AEFA) reported a quarterly net loss of \$307 million, compared with \$275 million of net income a year ago. Net revenues decreased 85 percent. These declines reflect a previously announced pre-tax charge of \$826 million (\$537 after-tax) to write down high-yield securities and reduce the risk profile of AEFA's investment portfolio. They also reflect continued weakness in equity markets and narrower spreads on the investment portfolio. The weakened equity markets led to lower asset levels and lower sales of investment products. As a result, management and distribution fees fell 11 percent.

Operating expenses decreased slightly from a year ago due primarily to lower sales commissions and continued reengineering and cost-control initiatives.

Excluding losses in the high-yield sector, second quarter earnings at AEFA are down 22 percent from year-ago levels and net revenues are down 11 percent from last year.

American Express Bank (AEB) reported quarterly net income of \$12 million compared with \$7 million a year ago. The results reflect strong performance in Personal Financial Services, lower funding costs, and lower operating expenses as a result of AEB's reengineering efforts. These were partly offset by higher provisions for losses due to higher Personal Financial Services loan balances and lower revenue from Corporate Banking as the company continues to shift its focus to Personal Financial Services and Private Banking.

Corporate and Other reported net expenses of \$46 million, compared with \$47 million a year ago. Last year's results included an investment gain that was offset by expenses related to business-building initiatives during the quarter.

American Express Company, founded in 1850, is a global travel, financial and network services provider.

Note: The company announced last week (July 18th) that it expects to recognize a restructuring charge of \$310 to \$370 million pre-tax (\$200 to \$240 million after-tax) in the third quarter when it launches accelerated reengineering initiatives originally planned for 2002.

This press release contains certain forward-looking statements, which 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:

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; 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; and 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.