

Financial Community Update: AEFA U.S. Retail

Barry Murphy
EVP, U.S. Retail Group
February 5, 2003



**Financial
Advisors**



**AMERICAN
EXPRESS**



American Express
ONE
Financial Account



AEFA Retail Focus Areas

- Stay on mission
- Build on core competence
- Push model toward accelerated growth



Agenda





AEFA Mission

To help clients achieve their financial objectives, prudently and thoughtfully, through a long-term relationship based on trusted, knowledgeable advice.

Our Core
Competence

Advice and
Financial Planning



Power of the Financial Planning Model

(2002)

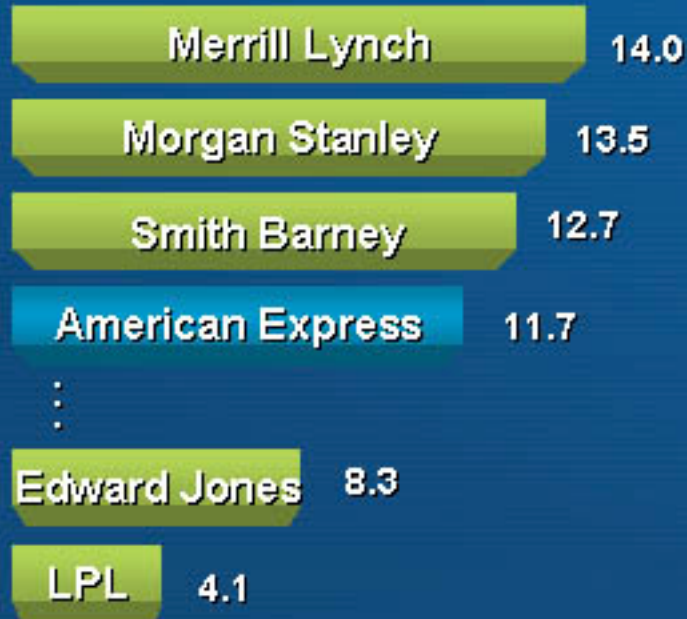
Clients with a plan

■ All Clients	39%
■ Clients with \$100K-500K invested assets	63%
■ Clients with >\$500K invested assets	74%
■ Accounts per client	7.1
■ Client retention after 10 years	74%
■ Sales from Financial Planning	73%



Advisor Growth

We are the 4th largest advisor network

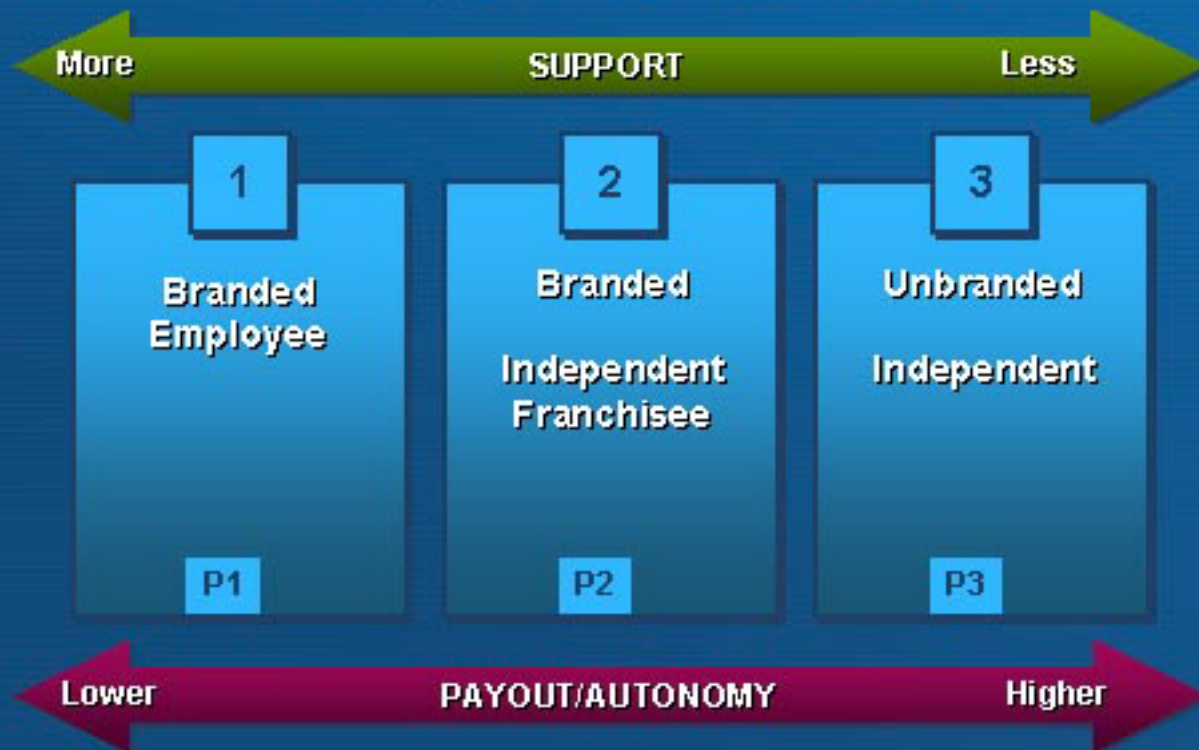


*Our estimation based on publicly available data



Advisor Growth

Three ways to affiliate with AEFA





2001-2002 Evolved Platforms

P1

- Tightened hiring criteria
- Raised minimum production standards
- Focused on driving planning and client acquisition
- Reduced cost

P2

- Improved service & tools
- Aligned metrics and compensation

P1 Results

- Client acquisition up 15%
- Production up 18% vs. last year
- 78% new clients complete a comprehensive plan



Advisor Growth

2003

- Push selective P1 hiring:
 - Selection
 - Productivity
 - Retention
- Launch Associate Advisor
- Reach out to experienced recruits



Client Acquisition

2003

- Expand beyond direct mail and referrals
- Aggressively leverage Blue Box relationships and Brand affinity



Client Acquisition

Blue Box Cross Sell

- Workplace financial education
 - 401K activities at 250 firms with >1mm participants
 - Relationships with an additional 75 major and 500 smaller companies representing >1mm employees
 - Generated 17% of new retail clients

- COSTCO & other alliances
 - 94% with a plan
 - 5% of new clients through COSTCO

- Cardmembers
 - Targeted Offers



Advisor Productivity

2003

Expand Financial Planning

- Deliver modular planning
 - Investments
 - Retirement
 - Family security
 - Cash strategy



Room to Grow!

Advisors x Clients x Assets

A large, downward-pointing arrow with a yellow-to-gold gradient fill and a dark shadow, pointing from the text above to the text below.

Financial Planning

Creates a profitable formula

INFORMATION RELATING TO FORWARD LOOKING STATEMENTS

This presentation includes forward-looking statements, which are subject to risks and uncertainties. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "should," "could," "likely," and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: the company's ability to successfully implement a business model that allows for significant earnings growth based on revenue growth that is lower than historical levels, including the ability to improve its operating expense to revenue ratio both in the short-term and over time, which will depend in part on the effectiveness of re-engineering and other cost control initiatives, as well as factors impacting the company's revenues; the company's ability to grow its business and meet or exceed its return on equity target by reinvesting approximately 35% of annually-generated capital, and returning approximately 65% of such capital to shareholders, over time, which will depend on the company's ability to manage its capital needs and the effect of business mix, acquisitions and rating agency requirements; the ability to increase investment spending, which will depend in part on the equity markets and other factors affecting revenues, and the ability to capitalize on such investments to improve business metrics; 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, management and distribution fees received based on those assets and the amount of amortization of DAC; potential deterioration in AEFA's high-yield and other investments, which could result in further losses in AEFA's investment portfolio; the ability of AEFA to sell certain high-yield investments at expected values and within anticipated timeframes and to maintain its high-yield portfolio at certain levels in the future; developments relating to AEFA's platform structure for financial advisors, including the ability to increase advisor productivity, increase the growth of productive new advisors and create efficiencies in the infrastructure; AEFA's ability to roll out new and attractive products in a timely manner and effectively manage the economics in selling a growing volume of non-proprietary products; investment performance in AEFA's businesses; the success, timeliness and financial impact, including costs, cost savings and other benefits, of re-engineering initiatives being implemented or considered by the company, including cost management, structural and strategic measures such as vendor, process, facilities and operations consolidation, outsourcing (including, among others, technologies operations), relocating certain functions to lower cost overseas locations, moving internal and external functions to the Internet to save costs, the scale-back of corporate lending in certain regions, and planned staff reductions relating to certain of such re-engineering actions; the ability to control and manage operating, infrastructure, advertising and promotion and other expenses as business expands or changes, including balancing the need for longer-term investment spending; the impact on the company's businesses and uncertainty created by the September 11th terrorist attacks, and the potential negative effect on the company's businesses and infrastructure, including information technology systems, of any such attacks or disaster in the future; the impact on the company's businesses resulting from a war with Iraq; the company's ability to recover under its insurance policies for losses resulting from the September 11th terrorist attacks; consumer and business spending on the company's travel related services products, particularly credit and charge cards and growth in card lending balances, which depend in part on the ability to issue new and enhanced card products and increase revenues from such products, attract new Cardholders, capture a greater share of existing Cardholders' spending, sustain premium discount rates, increase merchant coverage, retain Cardmembers after low introductory lending rates have expired, and expand the global network services business; the ability to execute the company's global corporate services strategy, including greater penetration of middle market companies, increasing capture of non-T&E spending through greater use of the company's purchasing card and other means, and further globalizing business capabilities; the ability to manage and expand Cardmember benefits, including Membership Rewards(R), in a cost effective manner; the triggering of obligations to make payments to certain co-brand partners, merchants, vendors and customers under contractual arrangements with such parties under certain circumstances; successfully expanding the company's on-line and off-line distribution channels and cross-selling financial, travel, card and other products and services to its customer base, both in the U.S. and abroad; effectively leveraging the company's assets, such as its brand, customers and international presence, in the Internet environment; investing in and competing at the leading edge of technology across all businesses; a downturn in the company's businesses and/or negative changes in the company's and its subsidiaries' credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs;

increasing competition in all of the company's major businesses; fluctuations in interest rates, which impact the company's borrowing costs, return on lending products and spreads in the investment and insurance businesses; credit trends and the rate of bankruptcies, which can affect spending on card products, debt payments by individual and corporate customers and businesses that accept the company's card products and returns on the company's investment portfolios; foreign currency exchange rates; political or economic instability in certain regions or countries, which could affect lending activities, among other businesses; legal and regulatory developments, such as in the areas of consumer privacy and data protection; acquisitions; the adoption of recently issued accounting rules related to the consolidation of special purpose entities, including those involving collateralized debt obligations, structured loan trusts, mutual funds, hedge funds and limited partnerships that the company manages and/or invests in, which could affect both the company's balance sheet and results of operations; and outcomes in litigation. A further description of these and other risks and uncertainties can be found in the company's Annual Report on Form 10-K for the year ended December 31, 2001, and its other reports filed with the SEC.