Financial Community Presentation / February 5, 2003 / Jim Cracchiolo

Thank you, Ted.

I hope those presentations gave you a better appreciation for the progress we have made and our key initiatives to reposition Financial Advisors.

We believe we have a significant opportunity for greater organic growth. And that is where we are focused. In addition, we will also evaluate, from time to time, targeted acquisitions that may be a strategic fit with our business.

Although we believe that acquisitions are not a requirement for future growth, they may serve to complement our business model by building upon either our manufacturing or distribution capabilities.

Now, I would like to talk about our last building block, Organization Effectiveness. It's all about our people, and how we are galvanizing the organization to make it all happen, especially in such a complex environment.

With all the changes that we have introduced over the past two years, the organization has become more focused, aggressive and competitive.

We recognized, for the company to be successful overall, we needed the right leadership, talent and behaviors. As an example, in regard to our leadership positions, a significant number are now occupied with new talent coming from Financial Advisors, TRS Company, as well as from external hires that have strong industry experience.

Today, we are much more externally focused and we continue to have a very strong focus on meeting client needs. There is also a clear sense of accountability across the organization to achieve company-wide goals. Overall, I am particularly pleased to share that even with the tremendous amount of change we have been driving across our business, and the tough times the organization has endured, our employee satisfaction results improved last year.

We had improvements in almost all the dimensions we measure in our satisfaction survey. People are motivated by the direction we are taking to be more competitive.

The last item I want to cover is something I know you are all interested in hearing about. So, let me wrap up with a perspective on our future outlook.

As we think about the future performance of Financial Advisors, we will need to continue executing the initiatives we shared while we are pulling the following levers:

- More clients, and better clients.
- More advisors, and more productive advisors.
- More assets, and a wider range of assets,
- More plans, and more accounts per plan.

Let me give you a better sense of how our results could play out in two hypothetical scenarios that assume different levels of market and business growth.

Now, very clearly, these are not projections and don't take into account all of the factors that might affect our business, such as expense levels and interest rates among others. However, they may give you a perspective on our ability to deliver results under various market conditions. I should also point out that the scenarios assume performance of the metrics over time.

First, looking at Financial Advisors from 1995 to 2000, which was a peak period for our growth, we saw:

- Market appreciation of 18 percent, which contributed to:
  - 5 percent Advisor growth
  - 5 percent Client growth
  - 8 percent in Clients with a plan
  - 4 Accounts per Client

- And, during this period, our net income grew 16 percent

As you know, it's not realistic for planning purposes to assume market appreciation would continue at the 18 percent level, driven by one of the great bull markets of all time. However, with the changes we are making, we are seeking today to achieve metric growth similar to what we achieved in the bull market of the 90's, but now, in a more normalized market. With that in mind let's look at our possible scenarios:

In our target scenario, we assumed an 8 percent market appreciation, which, as you know, represents the historical market average and the base assumption used for our goals. In this environment we show:

- advisor growth between 4 and 5 percent,
- client growth between 4 and 6 percent,
- the number of clients with a plan 8 to 9 percent,
- with accounts per client between 4 to 4.2,
- And, we have assumed our fund performance to be consistent with the performance levels that Ted talked to earlier.

In our target scenario, with these assumptions, we show financial advisors meeting the corporate objectives of net income growth between 12 and 15 percent, on average, over time - - as Ken mentioned.

Now let's turn to a far less favorable environment where our assumption is for 0 percent market appreciation. In this instance, we would clearly be influenced by some negative investor sentiment, volatility and uncertainty. And, we would no doubt scale back some of the spending on our initiatives. The indicator growth is more modest, as you can see. Here, we show expected net income growth for Financial Advisors in the 4 percent to 7 percent range.

If, on the other hand, the markets appreciate by greater than 8 percent, moving back to more robust market conditions, obviously we would be in a better position to produce stronger metrics and net income.

So your next question is: How are we thinking about growth in the current environment? Well, we at Financial Advisors, like the industry, still have a bit of wind in our face at the moment. Consumers are concerned about the economy and the geo-political situation. Markets are down on average 14 percent from last year.

We hope, as I am sure you do, that things will improve, but we are not counting on it. Therefore, we continue to be focused on reengineering and investing in the most critical capabilities and initiatives. However, this is not the kind of environment to invest aggressively for growth.

So as you heard from Ken, we continue to be prudent with our investment spending, balancing indicator growth with earnings. We have built in a level of flexibility that allows us to ramp up or scale back our investments to recognize the conditions around us. Overall, even with the markets still weak, we are targeting better performance moving forward.

In closing, let me leave you with three key messages:

- We made some fundamental changes to strengthen this franchise and absorbed many of the up front costs associated with these changes.
- We have put together a series of initiatives to grow this business and we are already making headway.
- And, we are a more effective organization that is focused on delivering against our corporate targets, on average and over time.

Thank you.

[2] Lipper is an independent agency that ranks mutual fund performance by asset class and investment style. Rankings measure the performance of individual funds against other funds that invest in similar securities. American Express' internally-managed equity and fixed income portfolio performance is measured in the following categories: large cap growth, large cap core, large cap value, mid cap growth, mid cap value, multi-cap growth, small cap core, balanced, flexible portfolio, equity income, gold oriented, science and technology, utility, emerging markets, European region, global, international and global flexible portfolio, corporate debt (A rated), corporate debt, corporate debt (BBB rated), global income, high current yield, short US government, US mortgage, general US government, California municipal dept, general municipal debt, insured municipal debt, Massachusetts municipal debt, Michigan municipal debt, Minnesota municipal debt, New York municipal debt, Ohio municipal debt, intermediate municipal dept.

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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.