

CONSOLIDATED STATEMENTS OF INCOME  
American Express Company

Years Ended December 31, (Millions, except per share amounts)	2002	2001	2000
<b>Revenues</b>			
Discount revenue	\$ 7,931	\$ 7,714	\$ 7,779
Interest and dividends, net	2,991	2,137	3,290
Management and distribution fees	2,285	2,458	2,812
Securitization income	1,941	1,432	1,012
Net card fees	1,726	1,675	1,651
Cardmember lending net finance charge revenue	1,485	1,424	1,255
Travel commissions and fees	1,408	1,537	1,821
Other commissions and fees	2,113	2,088	1,989
Life and other insurance revenues	802	674	575
Other	1,125	1,443	1,491
Total revenues	<b>23,807</b>	<b>22,582</b>	<b>23,675</b>
<b>Expenses</b>			
Human resources	5,725	6,271	6,633
Provisions for losses and benefits:			
Annuities and investment certificates	1,217	1,318	1,355
Life insurance, international banking and other	1,040	909	694
Charge card	960	1,195	1,006
Cardmember lending	1,369	1,318	891
Professional services	2,021	1,651	1,530
Marketing and promotion	1,548	1,301	1,515
Occupancy and equipment	1,458	1,574	1,528
Interest	1,082	1,501	1,354
Communications	514	528	514
Restructuring charges	(?)	605	—
Disaster recovery charge	(?)	90	—
Other	3,160	2,725	2,747
Total expenses	<b>20,080</b>	<b>20,986</b>	<b>19,767</b>
Pretax income	3,727	1,596	3,908
Income tax provision	1,056	285	1,098
Net income	<b>\$ 2,671</b>	<b>\$ 1,311</b>	<b>\$ 2,810</b>
<b>Earnings Per Common Share</b>			
Basic	<b>\$ 2.02</b>	<b>\$ 0.99</b>	<b>\$ 2.12</b>
Diluted	<b>\$ 2.01</b>	<b>\$ 0.98</b>	<b>\$ 2.07</b>
Average common shares outstanding for earnings per common share:			
Basic	<b>1,320</b>	<b>1,324</b>	<b>1,327</b>
Diluted	<b>1,330</b>	<b>1,336</b>	<b>1,360</b>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEETS

### American Express Company

December 31, (Millions, except share data)	2002	2001
<b>Assets</b>		
Cash and cash equivalents	\$ 10,288	\$ 7,222
Accounts receivable and accrued interest:		
Cardmember receivables, less credit reserves: 2002, \$930; 2001, \$1,032	25,403	25,212
Other receivables, less credit reserves: 2002, \$28; 2001, \$134	3,684	4,286
Investments	53,638	46,488
Loans:		
Cardmember lending, less credit reserves: 2002, \$1,030; 2001, \$831	21,574	20,131
International banking, less credit reserves: 2002, \$151; 2001, \$130	5,466	5,155
Other, net	782	1,154
Separate account assets	21,981	27,334
Deferred acquisition costs	3,908	3,737
Land, buildings and equipment — at cost, less accumulated depreciation:		
2002, \$2,603; 2001, \$2,507	2,979	2,811
Other assets	7,550	7,570
<b>Total assets</b>	<b>\$ 157,253</b>	<b>\$ 151,100</b>
<b>Liabilities and Shareholders' Equity</b>		
Customers' deposits	\$ 18,317	\$ 14,557
Travelers Cheques outstanding	6,623	6,190
Accounts payable	9,235	6,820
Insurance and annuity reserves:		
Fixed annuities	23,411	19,592
Life and disability policies	5,272	4,944
Investment certificate reserves	8,666	8,227
Short-term debt	21,103	31,569
Long-term debt	16,308	7,788
Separate account liabilities	21,981	27,334
Guaranteed preferred beneficial interests in the company's junior subordinated deferrable interest debentures	511	500
Other liabilities	11,965	11,542
<b>Total liabilities</b>	<b>143,392</b>	<b>139,063</b>
<b>Shareholders' Equity</b>		
Common shares, \$.20 par value, authorized 3.6 billion shares; issued and outstanding 1,305 million shares in 2002 and 1,331 million shares in 2001	261	266
Capital surplus	5,675	5,527
Retained earnings	7,606	6,421
Other comprehensive income (loss), net of tax:		
Net unrealized securities gains	1,104	334
Net unrealized derivatives losses	(538)	(296)
Foreign currency translation adjustments	(198)	(112)
Minimum pension liability	(49)	(103)
Accumulated other comprehensive income (loss)	319	(177)
<b>Total shareholders' equity</b>	<b>13,861</b>	<b>12,037</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 157,253</b>	<b>\$ 151,100</b>

See Notes to Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### American Express Company

Years Ended December 31, (Millions)	2002	2001	2000
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 2,671	\$ 1,311	\$ 2,810
Adjustments to reconcile net income to net cash provided by operating activities:			
Provisions for losses and benefits	2,988	3,283	2,697
Depreciation, amortization, deferred taxes and other	951	1,049	393
Non-cash portion of restructuring charges	(7)	580	—
Non-cash portion of disaster recovery charge	(7)	20	—
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable and accrued interest	484	455	(1,623)
Other assets	(473)	(69)	(426)
Accounts payable and other liabilities	1,365	(1,456)	2,377
Increase (decrease) in Travelers Cheques outstanding	431	(89)	(82)
Increase in insurance reserves	271	240	207
Net cash provided by operating activities	<b>8,674</b>	<b>5,324</b>	<b>6,353</b>
<b>Cash Flows from Investing Activities</b>			
Sale of investments	13,155	11,049	3,117
Maturity and redemption of investments	6,410	6,182	5,295
Purchase of investments	(24,961)	(19,912)	(9,121)
Net increase in cardmember loans/receivables	(7,793)	(3,147)	(10,661)
Cardmember loans/receivables sold to trust, net	4,339	3,465	3,338
Loan operations and principal collections, net	(115)	592	(299)
Purchase of land, buildings and equipment	(670)	(859)	(919)
Sale of land, buildings and equipment	125	22	35
(Acquisitions) dispositions, net of cash acquired/sold	(58)	(165)	212
Net cash used in investing activities	<b>(9,568)</b>	<b>(2,773)</b>	<b>(9,003)</b>
<b>Cash Flows from Financing Activities</b>			
Net increase in customers' deposits	3,246	988	954
Sale of annuities and investment certificates	9,950	5,506	5,588
Redemption of annuities and investment certificates	(5,782)	(4,761)	(5,641)
Net (decrease) increase in debt with maturities of three months or less	(7,201)	(4,220)	7,117
Issuance of debt	19,392	15,083	12,559
Principal payments on debt	(14,167)	(15,318)	(15,362)
Issuance of American Express common shares	161	84	226
Repurchase of American Express common shares	(1,153)	(626)	(1,377)
Dividends paid	(430)	(424)	(421)
Net cash provided by (used in) financing activities	<b>4,016</b>	<b>(3,688)</b>	<b>3,643</b>
Effect of exchange rate changes on cash	(56)	(128)	23
Net increase (decrease) in cash and cash equivalents	3,066	(1,265)	1,016
Cash and cash equivalents at beginning of year	7,222	8,487	7,471
Cash and cash equivalents at end of year	<b>\$ 10,288</b>	<b>\$ 7,222</b>	<b>\$ 8,487</b>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
American Express Company

Three Years Ended December 31, 2002 (Millions)	Total	Common Shares	Capital Surplus	Accumulated Other Comprehensive Income/(Loss)	Retained Earnings
<b>Balances at December 31, 1999</b>	<b>\$ 10,095</b>	<b>\$ 268</b>	<b>\$ 5,196</b>	<b>\$ (402)</b>	<b>\$ 5,033</b>
Comprehensive income:					
Net income	2,810				2,810
Change in net unrealized securities gains	151			151	
Foreign currency translation adjustments	33			33	
Total comprehensive income	2,994				
Repurchase of common shares	(1,327)	(5)	(228)		(1,094)
Other changes, primarily employee plans	348	2	471		(125)
Cash dividends declared:					
Common, \$0.32 per share	(426)				(426)
<b>Balances at December 31, 2000</b>	<b>11,684</b>	<b>265</b>	<b>5,439</b>	<b>(218)</b>	<b>6,198</b>
Comprehensive income:					
Net income	1,311				1,311
Change in net unrealized securities gains	479			479	
Cumulative effect of adopting SFAS No. 133	(120)			(120)	
Change in net unrealized derivatives losses	(605)			(605)	
Derivatives losses reclassified to earnings	429			429	
Foreign currency translation adjustments	(39)			(39)	
Minimum pension liability adjustment	(103)			(103)	
Total comprehensive income	1,352				
Repurchase of common shares	(626)	(2)	(53)		(571)
Other changes, primarily employee plans	51	3	141		(93)
Cash dividends declared:					
Common, \$0.32 per share	(424)				(424)
<b>Balances at December 31, 2001</b>	<b>12,037</b>	<b>266</b>	<b>5,527</b>	<b>(177)</b>	<b>6,421</b>
Comprehensive income:					
Net income	2,671				2,671
Change in net unrealized securities gains	770			770	
Change in net unrealized derivatives losses	(614)			(614)	
Derivatives losses reclassified to earnings	372			372	
Foreign currency translation adjustments	(86)			(86)	
Minimum pension liability adjustment	54			54	
Total comprehensive income	3,167				
Repurchase of common shares	(1,153)	(7)	(139)		(1,007)
Other changes, primarily employee plans	235	2	287		(54)
Cash dividends declared:					
Common, \$0.32 per share	(425)				(425)
<b>Balances at December 31, 2002</b>	<b>\$ 13,861</b>	<b>\$ 261</b>	<b>\$ 5,675</b>	<b>\$ 319</b>	<b>\$ 7,606</b>

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