

AMERICAN EXPRESS CREDIT CORPORATION

SELECTED FINANCIAL DATA

The following summary of certain consolidated financial information of Credco was derived from audited financial statements for the five years ended December 31:

(\$ in millions)	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Income Statement Data					
Revenues	2,153	2,842	2,601	2,168	2,214
Interest expense	916	1,458	1,459	1,130	1,190
Provision for losses, net of recoveries	846	937	689	672	632
Income tax provision	118	140	150	120	128
Net income	228	277	286	223	237
Balance Sheet Data					
Charge cardmember receivables	17,169	19,121	22,565	20,618	16,993
Reserve for credit losses, charge cardmember receivables	(498)	(683)	(640)	(587)	(508)
Lending receivables	4,858	3,927	2,145	2,707	2,133
Reserve for losses, lending receivables	(243)	(164)	(99)	(97)	(89)
Total assets	27,665	26,542	28,326	26,726	23,535
Short-term debt	15,145	20,584	22,972	20,231	17,528
Current portion of long-term debt	5,751	800	550	550	353
Long-term debt	2,117	1,030	1,811	2,575	3,053
Shareholder's equity	2,315	2,200	2,152	2,061	1,994
Cash dividends	-	-	200	150	150

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain Critical Accounting Policies

The following provides information about certain critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates, assumptions and the application of management's judgment. These policies relate to reserves for credit losses and investment securities valuation.

- Provisions for credit losses related to charge cardmember receivables and lending receivables is one of the largest operating expenses of Credco. Reserves for credit losses represent management's estimate of the amount necessary to absorb future credit losses inherent in Credco's outstanding portfolio of charge cardmember and lending receivables. Management's evaluation process requires numerous estimates and judgments. Reserves for these credit losses are primarily based upon models which analyze portfolio statistics and management's judgment. The analytic models take into account numerous factors, including average write-off rates for various stages of receivable aging (i.e., current, 30 days, 60 days, 90 days) over a 24-month period, average bankruptcy rates and average recovery rates. In exercising its judgment in setting reserve levels, management considers levels derived from these models and external indicators, such as leading economic indicators, unemployment rate, consumer confidence index, purchasing manager's index, bankruptcy filings and the regulatory environment. Receivables are charged-off when management deems amounts to be uncollectible, which is generally determined by the number of days the amount is past due. To the extent historical credit experience is not indicative of future performance or other assumptions used by management do not prevail, loss experience could differ significantly, resulting in either higher or lower future provisions for credit losses, as applicable.
- Generally, investment securities are carried at fair value on the balance sheet with unrealized gains (losses) recorded in equity, net of income tax provisions (benefits). Gains and losses are recognized in the results of operations upon disposition of the securities. In addition, losses are also recognized when management determines that a decline in value is other-than-temporary, which requires judgment regarding the amount and timing of recovery. Indicators of other-than-temporary impairment for debt securities include issuer downgrade, default or bankruptcy. Credco also considers the extent to which cost exceeds fair value, the duration of time of that decline, and management's judgment about the issuer's current and prospective financial condition. Fair value is generally based on quoted market prices.

Liquidity and Capital Resources

Credco's portfolio consists principally of charge cardmember receivables and lending receivables purchased without recourse from Card Issuers throughout the world and participation interests purchased without recourse in the seller's interest in both non-interest-bearing and interest-bearing cardmember receivables. These participation interests are owned by two master trusts formed by TRS as part of its asset securitization programs. At December 31, 2002 and 2001, respectively, Credco owned \$17.2 billion and \$19.1 billion of charge cardmember receivables and participation in charge cardmember receivables, representing approximately 78 percent and 83 percent, respectively, of the total receivables owned. Lending receivables, representing approximately 22 percent and 17 percent of the total receivables owned, were \$4.9 billion and \$3.9 billion at December 31, 2002 and 2001, respectively.

Credco's assets are financed through a combination of short-term debt, long-term senior notes, equity capital and retained earnings. Daily funding requirements are met primarily by the sale of commercial paper. Credco has readily sold the volume of commercial paper necessary to meet its funding needs as well as to cover the daily maturities of commercial paper issued.

The average amount of commercial paper outstanding was \$12.2 billion for 2002 and \$18.6 billion for 2001. Credco issued an aggregate of \$6.8 billion of medium-term notes at fixed and floating rates with maturities of one to three years during 2002. This reflects a shift in funding strategy as Credco is placing less reliance on short-term debt. In early 2003, Credco issued an additional \$2.0 billion of floating rate medium-term notes, with maturities of one year that can be extended by the holders up to an additional four years, and \$750 million of floating rate medium-term notes with maturities of two years.

During 2002, 2001 and 2000, Credco's average long-term debt outstanding was \$5.8 billion, \$2.2 billion and \$2.7 billion, respectively. At December 31, 2002, Credco had approximately \$3.2 billion of medium- and long-term debt and warrants available for issuance under shelf registrations filed with the Securities and Exchange Commission ("SEC"). At March 31, 2003, Credco had \$15.4 billion of debt securities and warrants available for issuance under such shelf registrations.

At December 31, 2002, Credco had the ability to issue \$5.5 billion of debt under a Euro Medium-Term Note program for the issuance of debt outside the United States to non-U.S. persons. This program was established by Credco, TRS, AEOCC, Centurion Bank and American Express Bank Ltd. (a wholly-owned indirect subsidiary of American Express). The maximum aggregate principal amount of debt instruments outstanding at any one time under the program will not exceed \$6.0 billion.

An alternate source of borrowing consists of committed credit line facilities. Committed credit line facilities at December 31, 2002 and 2001 totaled \$10.0 billion and \$10.4 billion, respectively. In April 2002, Credco, American Express and Centurion Bank renegotiated their committed credit line facilities. As of December 31, 2002 total available credit lines were \$11.5 billion. As a result of an internal change in allocations during the third quarter, credit lines were reallocated to include \$1.6 billion allocated to American Express and \$9.4 billion allocated to Credco. In addition, Credco and American Express agreed to increase Credco's available committed credit lines by \$600 million with a corresponding reduction in the committed credit lines available to American Express. This agreement will be in effect until April 2003.

Credco has the right to borrow up to a maximum amount of \$11.0 billion, with a commensurate reduction in the amount available to American Express. Based on this maximum amount of available borrowing, Credco's committed bank line coverage of its net short-term debt would have been 117% as of December 31, 2002. These facilities expire in increments from 2003 through 2007.

In addition, Credco, through its wholly-owned subsidiary, American Express Overseas Credit Corporation Limited ("AEOCC"), had short-term borrowings under uncommitted lines of credit totaling \$58 million and \$68 million at December 31, 2002 and 2001, respectively.

The availability of credit lines is subject to Credco's maintenance of a 1.25 ratio of combined earnings and fixed charges to fixed charges. For the year ended December 31, 2002, this ratio was 1.38. Additionally, Credco's credit ratings are critical to maintaining its short-term funding sources and determining related interest costs. Rating agencies review factors such as capital adequacy with a view towards maintaining certain levels of capital, liquidity, business volumes, asset quality and economic market trends, among others, in assessing American Express' and its subsidiaries' appropriate ratings. See "Qualitative and Quantitative Disclosures About Market Risk" below for a discussion of the potential effects of a ratings downgrade.

Credco did not pay dividends to TRS in 2002 or 2001.

In 2002, the American Express Credit Account Master Trust (the "Master Trust") securitized \$4.6 billion of lending receivables through the public issuances of two classes of investor certificates and privately placed collateral interests in the assets of the Master Trust. At the time of these issuances, CRC sold \$10 million of gross seller's interest in lending receivables (\$9 million, net of reserves) to American Express Receivables Financing Corporation II ("RFCII"), a wholly-owned subsidiary of TRS. In addition, at the time of these

issuances, CRC purchased from the Master Trust, as an investment, \$437 million of Class C Certificates issued by the Master Trust, collateralized by the revolving credit receivables held by the Master Trust.

In February 2003, the Master Trust securitized an additional \$920 million of lending receivables through the public issuance of two classes of investor certificates and privately placed collateral interests in the assets of the Master Trust. At the time of this issuance, CRC sold \$33 million of gross seller's interest in lending receivables (\$32 million, net of reserves) to RFCII. In addition, at the time of this issuance, CRC purchased from the Master Trust, as an investment, \$87 million of Class C Certificates issued by the Master Trust, collateralized by the revolving credit receivables held by the Master Trust.

Additionally, in 2002, \$95 million of Class C Certificates owned by CRC matured.

Throughout 2002, the American Express Master Trust (the "Trust") securitized \$1.8 billion of charge cardmember receivables through the public issuance of one class of investor certificates and privately placed collateral interests in the assets of the Trust. At the time of these issuances, CRC sold \$1.9 billion of gross seller's interest in charge cardmember receivables (\$1.9 billion, net of reserves) to American Express Receivables Financing Corporation ("RFC"), a wholly-owned subsidiary of TRS, which is a wholly-owned subsidiary of American Express. In addition, at the time of these issuances, CRC purchased from the Trust, as an investment, \$142 million of Class B Certificates collateralized by the charge cardmember receivables held by the Trust.

In 2002, Credco recorded \$8 million pretax (\$5 million after-tax) of foreign exchange losses related to its exposure to receivables denominated in Argentine pesos, which devalued by 117% during 2002. This exposure, totaling approximately \$17 million U.S. dollars at December 31, 2002, was a result of the action taken by the Argentine government at year end 2001 at which time the conversion of dollar denominated assets into pesos was mandated and the peso simultaneously devalued. Credco continues to evaluate economical ways to manage its Argentine exposure.

Results of Operations

Credco purchases cardmember receivables without recourse from TRS. Non-interest-bearing charge cardmember receivables are purchased at face amount less a specified discount agreed upon from time to time, and interest-bearing lending receivables are generally purchased at face amount. Non-interest-bearing receivables are purchased under Receivables Agreements that generally provide that the discount rate shall not be lower than a rate that yields earnings of at least 1.25 times fixed charges on an annual basis. The ratio of earnings to fixed charges was 1.38, 1.29 and 1.30 in 2002, 2001 and 2000, respectively. The ratio of earnings to fixed charges for American Express, the parent of TRS, for the years ended December 31, 2002, 2001 and 2000 was 2.88, 1.52 and 2.25, respectively. The Receivables Agreements also provide that consideration will be given from time to time to revising the discount rate applicable to purchases of new receivables to reflect changes in money market interest rates or significant changes in the collectibility of the receivables. Pretax income depends primarily on the volume of charge cardmember and lending receivables purchased, the discount rates applicable thereto, the relationship of total discount to Credco's interest expense and the collectibility of receivables purchased.

Credco's decrease in revenues during 2002 is attributable to lower discount rates and a decrease in the volume of receivables purchased. Interest income in 2002 decreased as a result of lower interest rates. Interest expense decreased in 2002 as a result of lower interest rates combined with a decrease in the volume of average debt outstanding. Provision for losses decreased in 2002 reflecting a decrease in the volume of receivables purchased, partially offset by an increase in provision rates.

The following is a further analysis of the increase (decrease) in key revenue and expense accounts (millions):

	2002	2001	2000
Revenue earned from purchased accounts			
receivable-changes attributable to:			
Volume of receivables purchased	\$ (276)	\$ (39)	\$ 364
Discount and interest rates	(321)	340	50
Total	\$ (597)	\$ 301	\$ 414
Interest income from investments-changes			
attributable to:			
Volume of average investments outstanding	\$ 27	\$ 15	\$ 2
Interest rates	(79)	(58)	33
Total	\$ (52)	\$ (43)	\$ 35
Interest income from affiliates-changes			
attributable to:			
Volume of average investments outstanding	\$ 9	\$ 21	\$ (43)
Interest rates	(46)	(42)	26
Total	\$ (37)	\$ (21)	\$ (17)
Interest expense other-changes			
attributable to:			
Volume of average debt outstanding	\$ (178)	\$ (20)	\$ 84
Interest rates	(302)	78	171
Total	\$ (480)	\$ 58	\$ 255
Provision for losses-changes			
attributable to:			
Volume of receivables purchased	\$ (110)	\$ (8)	\$ 157
Provision rates and volume of recoveries	19	256	(140)
Total	\$ (91)	\$ 248	\$ 17
Interest expense affiliates-changes			
attributable to:			
Volume of average debt outstanding	\$ 62	\$ 36	\$ 32
Interest rates	(124)	(95)	42
Total	\$ (62)	\$ (59)	\$ 74

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Credco's objective is to monitor and control risk exposures to earn returns commensurate with the appropriate level of risk assumed. American Express management establishes and oversees implementation of Board-approved policies covering its funding, investments and use of derivative financial instruments. American Express' Treasury department, along with various asset and liability committees in its business segments, is responsible for managing financial market risk exposures within the context of Board-approved policies. See Note 8 in Notes to Consolidated Financial Statements appearing herein for a discussion of Credco's use of derivatives.

The American Express Corporate Risk Management Committee ("CRMC") supplements the risk management capabilities resident within the business segments by routinely reviewing key financial market, credit, operational and other risk concentrations across American Express and recommending action where appropriate. The CRMC promotes a rigorous understanding of risks across American Express and supports senior management in making risk-return decisions.

Credco management believes a decline in its long-term credit rating by two levels could result in its having to significantly reduce its commercial paper and other short-term borrowings and replacing them, in part, by taking down existing credit lines. Remaining borrowing requirements would be addressed through other means such as additional securitizations and the sale of investment securities. This would result in higher interest expense on Credco's commercial paper and other debt, as well as higher fees related to unused lines of credit. American Express believes a two level downgrade is unlikely due to its capital position and growth prospects.

The following sections include sensitivity analyses of two different types of market risk and estimate the effects of hypothetical sudden and sustained changes in the applicable market conditions on the ensuing year's earnings, based on year-end positions. The market changes, assumed to occur as of year-end, are a 100 basis point increase in market interest rates and a 10 percent strengthening of the U.S. dollar versus all other currencies. Computations of the prospective effects of hypothetical interest rate and foreign exchange rate changes are based on numerous assumptions, including relative levels of market interest rates and foreign exchange rates, as well as the levels of assets and liabilities. The hypothetical changes and assumptions will be different from what actually occurs in the future. Furthermore, the computations do not incorporate actions that management could take if the hypothetical market changes actually occur. As a result, actual earnings consequences will differ from those quantified.

Credco's hedging strategies for financial market risk exposures are established, maintained and monitored by the American Express Treasury department. Credco generally manages its exposures along product lines. A variety of interest rate and foreign exchange hedging strategies are employed to manage interest rate and foreign currency risks. The extent of Credco's unhedged exposures varies over time based on current interest and foreign exchange rates, the macro-economic environment and the hedging impact on particular business objectives.

Credco funds its charge cardmember receivables and lending receivables using on-balance sheet funding sources such as long- and short-term debt, medium-term notes and commercial paper and other debt. For Credco's charge cardmember and fixed rate lending receivables, interest rate exposure is managed through the issuance of long- and short-term debt and the use of interest rate swaps and, to a much lesser extent, other derivative interest rate instruments, that effectively fix Credco's cost of debt for a specified time horizon. Credco endeavors to lengthen the maturity of interest rate hedges in periods of falling interest rates and to shorten their maturity in periods of rising interest rates. During 2002, Credco continued its strategy by augmenting its portfolio of interest rate swaps that convert a majority of its domestic funding from floating rate to fixed rate. Credco regularly reviews its strategy and may modify it. For the majority of Credco's lending receivables, which are linked to a floating rate base and generally reprice each month, Credco uses floating rate funding. Credco regularly reviews its strategy and may modify it.

The detrimental effect on Credco's pretax earnings of a hypothetical 100 basis point increase in interest rates would be approximately \$29 million and \$40 million, based on 2002 and 2001 year-end positions, respectively. This effect is primarily a function of the extent of variable rate funding of charge card and fixed rate lending products, to the degree that interest rate exposure is not managed by derivative financial instruments. With respect to the managed portion of that interest rate exposure, a substantial amount of the \$332 million of Credco's net after-tax unrealized losses recorded in other comprehensive income on the consolidated balance sheet at December 31, 2002 represents the fair value of the related derivative financial instruments. These losses will be recognized in earnings during the terms of those derivative contracts at the same time that Credco realizes the benefits of lower market rates of interest on its funding of charge card and fixed rate lending products.

Credco's foreign exchange risk arising from cross-currency charges and balance sheet exposures is managed primarily by entering into agreements to buy and sell currencies on a spot or forward basis.

Based on the year-end 2002 and 2001 foreign exchange positions, the effect on Credco's earnings of the hypothetical 10 percent strengthening of the U.S. dollar would be immaterial.

Forward-looking Statements

Various forward-looking statements have been made in this Form 10-K Annual Report. Forward-looking statements may also be made in Credco's other reports filed with the SEC and in other documents. In addition, from time to time, Credco through its management may make oral forward-looking statements. Forward-looking statements are subject to risks and uncertainties, including those identified below, which could cause actual results to differ materially from such statements. The words "believe", "expect", "anticipate", "optimistic", "intend", "evaluate", "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. Credco undertakes no obligation to update publicly or revise any forward-looking statements. Factors that could cause actual results to differ materially from Credco's forward-looking statements include, but are not limited to:

- credit trends and the rate of bankruptcies, which can affect spending on card products and debt payments by individual and corporate customers;
- Credco's ability to accurately estimate the provision for credit losses in Credco's outstanding portfolio of charge cardmember and lending receivables;
- fluctuations in foreign currency exchange rates;
- negative changes in Credco's credit ratings, which could result in decreased liquidity and higher borrowing costs;
- the effect of fluctuating interest rates, which could affect Credco's borrowing costs; and
- the impact on American Express Company's business from the war in Iraq and its aftermath and other geopolitical uncertainty.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, (Millions)	2002	2001	2000
Revenues			
Revenue earned from purchased accounts receivable	\$ 2,019	\$ 2,616	\$ 2,315
Interest income from investments	83	135	178
Interest income from affiliates	45	82	103
Other	6	9	5
Total	2,153	2,842	2,601
Expenses			
Interest expense – other	818	1,298	1,240
Provision for losses, net of recoveries of \$221, \$193 and \$178	846	937	689
Interest expense – affiliates	98	160	219
Other	45	30	17
Total	1,807	2,425	2,165
Pretax income	346	417	436
Income tax provision	118	140	150
Net income	\$ 228	\$ 277	\$ 286

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31, (Millions, except share data)	2002	2001
Assets		
Cash and cash equivalents	\$ 1,924	\$ 408
Investments	1,901	1,428
Charge cardmember receivables, less credit reserves: 2002, \$498; 2001, \$683	16,671	18,438
Lending receivables, less credit reserves: 2002, \$243; 2001, \$164	4,615	3,763
Loans and deposits with affiliates	2,047	1,907
Deferred charges and other assets	507	598
Total assets	\$ 27,665	\$ 26,542
Liabilities and shareholder's equity		
Short-term debt – other	\$ 11,366	\$ 18,370
Short-term debt with affiliates	3,779	2,214
Current portion of long-term debt	5,751	800
Long-term debt with affiliates	943	910
Long-term debt – other	1,174	120
Total debt	23,013	22,414
Due to affiliates	1,418	1,425
Accrued interest and other liabilities	919	503
Total liabilities	25,350	24,342
Shareholder's equity		
Common stock-authorized 3 million shares of \$.10 par value; issued and outstanding 1.5 million shares	1	1
Capital surplus	161	161
Retained earnings	2,496	2,268
Other comprehensive loss, net of tax:		
Net unrealized securities losses	(11)	(4)
Net unrealized derivatives losses	(332)	(226)
Accumulated other comprehensive loss	(343)	(230)
Total shareholder's equity	2,315	2,200
Total liabilities and shareholder's equity	\$ 27,665	\$ 26,542

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, (Millions)	2002	2001	2000
Cash Flows from Operating Activities			
Net Income	\$ 228	\$ 277	\$ 286
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for losses and benefits	846	937	689
Amortization and other	-	(4)	1
Changes in operating assets and liabilities:			
Deferred tax assets	54	(183)	(27)
Interest receivable and other operating assets	97	61	385
Due (from) to affiliates	(143)	316	(29)
Other	291	112	(169)
Net cash provided by operating activities	1,373	1,516	1,136
Cash Flows from Investing Activities			
Accounts receivable	(1,329)	832	(1,971)
Recoveries of accounts receivable previously written off	221	193	178
Purchase of participation interest in seller's interest in accounts receivable from affiliate	(1,518)	(1,062)	(778)
Sale of participation interest in seller's interest in accounts receivable to affiliate	1,866	825	181
Sale of net accounts receivable to affiliate	1,543	700	153
Purchase of net accounts receivable from affiliate	(713)	(655)	-
Purchase of investments	(579)	(467)	(370)
Maturity of investments	95	54	55
Sale of investments	-	249	4
Loans and deposits due from affiliates	(140)	(165)	(281)
Due from (to) affiliates	136	383	(283)
Net cash (used in) provided by investing activities	(418)	887	(3,112)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term debt with affiliates with maturities of ninety days or less	1,565	(71)	791
Net (decrease) increase in short-term debt – other with maturities of ninety days or less	(5,050)	(3,515)	4,137
Issuance of debt	11,209	7,629	4,296
Redemption of debt	(7,163)	(7,046)	(7,142)
Dividend paid to TRS	-	-	(200)
Net cash provided by (used in) financing activities	561	(3,003)	1,882
Net increase (decrease) in cash and cash equivalents	1,516	(600)	(94)
Cash and cash equivalents at beginning of year	408	1,008	1,102
Cash and cash equivalents at end of year	\$ 1,924	\$ 408	\$ 1,008

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

Three Years Ended December 31, (Millions)	Total	Common Stock	Capital Surplus	Accumulated Other Comprehensive (Loss)/Income	Retained Earnings
Balances at December 31, 1999	\$ 2,061	\$ 1	\$ 161	\$ (6)	\$ 1,905
Comprehensive income:					
Net income	286				286
Change in net unrealized securities losses	<u>5</u>			5	
Total comprehensive income	291				
Dividend to TRS	(200)				(200)
Balances at December 31, 2000	2,152	1	161	(1)	1,991
Comprehensive income:					
Net income	277				277
Change in net unrealized securities losses	(3)			(3)	
Cumulative effect of adopting SFAS No. 133	(59)			(59)	
Change in net unrealized derivatives losses	(456)			(456)	
Derivatives losses reclassified to earnings	<u>289</u>			289	
Total comprehensive income	48				
Balances at December 31, 2001	2,200	1	161	(230)	2,268
Comprehensive income:					
Net income	228				228
Change in net unrealized securities losses	(7)			(7)	
Change in net unrealized derivatives losses	(156)			(156)	
Derivatives losses reclassified to earnings	<u>50</u>			50	
Total comprehensive income	115				
Balances at December 31, 2002	\$ 2,315	\$ 1	\$ 161	\$ (343)	\$ 2,496

See notes to consolidated financial statements.

AMERICAN EXPRESS CREDIT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

American Express Credit Corporation together with its subsidiaries (“Credco”) is a wholly-owned subsidiary of American Express Travel Related Services Company, Inc. (“TRS”), which is a wholly-owned subsidiary of American Express Company (“American Express”). American Express Overseas Credit Corporation Limited together with its subsidiaries (“AEOCC”), Credco Receivables Corp. (“CRC”) and Credco Finance, Inc. together with its subsidiaries (“CFI”), are wholly-owned subsidiaries of Credco.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Credco and its subsidiaries. All significant intercompany transactions are eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation.

Amounts Based on Estimates and Assumptions

Accounting estimates are an integral part of the consolidated financial statements. In part they are based upon assumptions concerning future events. Among the more significant are those that relate to reserves for cardmember credit losses and the recognition of other than temporary impairment within the investment portfolio (see Note 3). These accounting estimates reflect the best judgment of management and actual results could differ.

Revenue Earned from Purchased Accounts Receivable

A portion of discount revenue earned on purchases of non-interest-bearing cardmember receivables equal to the provision for losses is recognized as revenue at the time of purchase; the remaining portion is deferred and recorded as revenue ratably over the period that the receivables are outstanding.

Finance charge income on interest-bearing lending receivables is recognized as it is earned. Credco ceases accruing this income after six contractual payments are past due, or earlier, if deemed uncollectible. Accruals that cease generally are not resumed.

Reserves for Credit Losses

Reserves for credit losses related to charge cardmember and lending receivables is one of the largest operating expenses of Credco. Reserves for credit losses represent management’s estimate of the amount necessary to absorb future credit losses inherent in Credco’s outstanding portfolio of charge cardmember and lending receivables. Management’s evaluation process requires numerous estimates and judgments. Reserves for these credit losses are primarily based upon models which analyze portfolio statistics and management’s judgment. The analytic models take into account numerous factors, including average write-off rates for various stages of receivable aging (i.e., current, 30 days, 60 days, 90 days) over a 24-month period, average bankruptcy rates and average recovery rates. In exercising its judgment in setting reserve levels, management considers levels derived from these models and external indicators, such as leading economic indicators, unemployment rate, consumer confidence index, purchasing manager’s index, bankruptcy filings and the regulatory environment. Receivables are charged-off when management deems amounts to be uncollectible, which is generally determined by the number of days the amount is past due. To the extent historical credit experience is not indicative of future performance or other assumptions used by management do not prevail, loss experience could differ significantly, resulting in either higher or lower future provisions for credit losses, as applicable.

Credco generally writes off against its reserve for credit losses the total balance in an account for which any portion remains unpaid twelve months from the date of original billing for charge cardmember receivables and after six contractual payments are past due for lending receivables. Accounts are written off earlier if deemed uncollectible.

Cash and Cash Equivalents

Credco has defined cash and cash equivalents as cash and short-term investments with original maturities of ninety days or less.

Fair Values of Financial Instruments

The fair values of financial instruments are estimates based upon current market conditions and perceived risks at December 31, 2002 and 2001 and require varying degrees of management judgment. The fair values of the financial instruments presented may not be indicative of their future fair values.

The fair values of investments and long-term debt are included in the related footnotes. For all other financial instruments, the carrying amounts in the consolidated balance sheets approximate the fair values.

Interest Rate Transactions

Credco uses interest rate products, principally swaps, primarily to manage funding costs related to its charge cardmember receivables and lending receivables. For its charge card and fixed rate lending products, Credco uses interest rate swaps and, to a lesser extent, caps to achieve a mix of fixed and floating rate funding. For the majority of its lending receivables, which are linked to a floating rate base and generally reprice each month, Credco uses floating rate funding. These interest rate products which modify the terms of an underlying debt obligation are accounted for by recording interest expense using the revised interest rate with any fees or other payments amortized as yield adjustments. It is Credco's normal practice not to terminate, sell or dispose of interest rate products or the underlying debt to which the products are designated prior to maturity. In the event Credco terminates, sells or disposes of an interest rate product prior to maturity, the gain or loss would be deferred and recognized as an adjustment of yield over the remaining life of the underlying debt.

Foreign Currency

Foreign currency assets and liabilities are translated into their U.S. dollar equivalents based on rates of exchange prevailing at the end of each year. Revenue and expense accounts are translated at exchange rates prevailing during the year. Credco enters into various foreign exchange contracts as a means of managing foreign exchange exposure.

3. Investments

At December 31, 2002 and 2001, Credco held American Express Master Trust Class B Certificates with a fair value of \$357 million and \$219 million, respectively, and American Express Credit Account Master Trust Class C Certificates with a fair value of \$1,544 million and \$1,209 million, respectively.

Available-for-Sale securities are stated at fair value, with the unrealized gains and losses included in shareholder's equity. The Available-for-Sale classification does not mean that Credco necessarily expects to sell these securities. They are available to meet possible liquidity needs should there be significant changes in market interest rates, customer demand or funding sources and terms.

The change in net unrealized securities losses recognized in other comprehensive loss includes two components: (1) unrealized gains (losses) that arose from changes in market value of securities that were held during the period (holding gains (losses)), and (2) gains (losses) that were previously unrealized, but have been recognized

in current period net income due to sales of Available-for-Sale securities (reclassification to realized gains (losses)). This reclassification has no effect on total comprehensive loss or shareholder's equity. The components of other comprehensive loss net of tax were \$7.1 million and \$4.2 million in holding losses for the years ended December 31, 2002 and 2001, respectively, and \$0.8 million in realized gains for the year ended December 31, 2001.

4. Accounts Receivable

At December 31, 2002 and 2001, respectively, Credco owned \$17.2 billion and \$19.1 billion of charge cardmember receivables and participation in charge cardmember receivables, representing approximately 78 percent and 83 percent, respectively, of the total receivables owned. In connection with TRS' securitization program for U.S. charge cardmember receivables, CRC purchases from American Express Receivables Financing Corporation ("RFC"), a wholly-owned subsidiary of TRS, a participation interest in RFC's seller's interest in the receivables owned by the American Express Master Trust (the "Trust"), which was formed in 1992 to securitize U.S. charge cardmember receivables. The gross participation interests represent undivided interests in the receivables conveyed to the Trust by RFC.

In 2002, the Trust securitized \$1.8 billion of charge cardmember receivables through the public issuance of one class of investor certificates and privately placed collateral interests in the assets of the Trust. At the time of these issuances, CRC sold \$1.9 billion of gross seller's interest in charge cardmember receivables (\$1.9 billion, net of reserves) to RFC. In addition, at the time of these issuances, CRC purchased from the Trust, as an investment, \$142 million of Class B Certificates collateralized by the charge cardmember receivables held by the Trust. At December 31, 2002 and 2001, CRC owned approximately \$3.1 billion and \$3.8 billion, respectively, of participation interests in receivables conveyed to the Trust, representing approximately 14 percent and 17 percent, respectively, of Credco's total accounts receivable.

At December 31, 2002 and 2001, Credco owned lending receivables totaling \$4.9 billion and \$3.9 billion, respectively, including certain interest-bearing and discounted extended payment plan receivables comprised principally of American Express credit card, Sign & Travel and Extended Payment Option receivables, lines of credit and loans to American Express Bank customers and interest-bearing equipment financing installment loans and leases, representing approximately 22 percent and 17 percent, respectively, of its total interests in accounts receivable. The lending receivables owned at December 31, 2002 and 2001 include \$189 million and \$212 million, respectively, of participation interest owned by CRC. This represents a participation interest in the seller's interest in lending receivables that have been conveyed to the American Express Credit Account Master Trust (the "Master Trust"), formed in 1996 to securitize lending receivables. In 2002 the Master Trust securitized \$4.6 billion of lending receivables through the public issuances of two classes of investor certificates and privately placed collateral interests in the assets of the Master Trust. At the time of these issuances, CRC sold \$10 million of gross seller's interest in lending receivables (\$9 million, net of reserves) to American Express Receivables Financing Corporation II ("RFCII"), a wholly-owned subsidiary of TRS. In addition, at the time of these issuances, CRC purchased from the Master Trust, as an investment, \$437 million of Class C Certificates issued by the Master Trust, collateralized by the revolving credit receivables held by the Master Trust.

In February 2003, the Master Trust securitized an additional \$920 million of lending receivables through the public issuance of two classes of investor certificates and privately placed collateral interests in the assets of the Master Trust. At the time of this issuance, CRC sold \$33 million of gross seller's interest in lending receivables (\$32 million, net of reserves) to RFCII. In addition, at the time of this issuance, CRC purchased from the Master Trust, as an investment, \$87 million of Class C Certificates issued by the Master Trust, collateralized by the revolving credit receivables held by the Master Trust.

5. Short-term Debt

December 31, (Millions)	2002	2001
Commercial paper	\$ 11,221	\$ 17,955
Borrowings from affiliates	3,779	2,214
Borrowings under lines of credit	58	68
Borrowing agreements with bank trust departments and others	87	347
Total short-term debt	\$ 15,145	\$ 20,584

Credco has various facilities available to obtain short-term credit, including the issuance of commercial paper and agreements with banks.

Credco had committed credit line facilities totaling \$10.0 billion and \$10.4 billion at December 31, 2002 and 2001, respectively. Credco pays fees to the financial institutions that provide these credit line facilities. The fair value of the unused lines of credit is not significant at December 31, 2002 and 2001.

At December 31, 2002 and 2001, Credco, through AEOCC, had short-term borrowings under uncommitted lines of credit totaling \$58 million and \$68 million, respectively.

At December 31, 2002 and 2001, the weighted average interest rate of Credco's short-term debt outstanding was 1.37 percent and 1.92 percent, respectively. At December 31, 2002, \$6.1 billion of short-term debt outstanding was modified by interest rate swaps, resulting in a year-end weighted average effective interest rate of 2.73 percent.

Credco paid \$0.7 billion, \$1.3 billion and \$1.3 billion of interest on short-term debt obligations in 2002, 2001 and 2000, respectively.

6. Long-term Debt

December 31, (Millions)	2002					2001				
	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt (a,b)	Year-End Effective Interest Rate with Swaps (a,b)	Maturity of Swaps	Outstanding Balance	Notional Amount of Swaps	Year-End Stated Rate on Debt (a,b)	Year-End Effective Interest Rate with Swaps (a,b)	Maturity of Swaps
Senior notes due 2005	\$ 100	\$ 100	7.45%	1.59%	2005	\$ 100	\$ 100	7.45%	2.21%	2005
Variable rate debt with American Express due 2004	910	-	1.30%	-	-	910	-	1.83%	-	-
Fixed rate debt with affiliate due 2004-2005	33	-	4.32%	-	-	-	-	-	-	-
Medium-term variable rate notes due 2003 - 2004	6,550	6,550	1.45%	5.34%	2004	-	-	-	-	-
Medium-term fixed rate note due 2002	-	-	-	-	-	400	400	6.50%	2.08%	2002
Medium-term variable rate note due 2002	-	-	-	-	-	400	400	2.28%	2.22%	2002
Medium-term fixed rate note due 2005	250	250	4.25%	1.54%	2005	-	-	-	-	-
Swiss franc notes due 2003	1	-	5.25%	-	-	1	-	5.13%	-	-
Fair value adjustment	24	-	-	-	-	19	-	-	-	-
Total	\$ 7,868	\$ 6,900				\$ 1,830	\$ 900			

(a) For floating rate debt issuances, the stated and effective interest rates were based on the respective rates at December 31, 2002 and 2001; these rates are not an indication of future interest rates.

(b) Weighted average rates were determined where appropriate.

The above table includes the current portion of long-term debt of \$5,751 million and \$800 million at December 31, 2002 and 2001, respectively.

The book value of variable rate long-term debt that reprices within a year approximates fair value. The fair value of other long-term debt is based on quoted market price or discounted cash flow. The aggregate fair value of long-term debt, including the current portion outstanding, was \$7.9 billion and \$1.8 billion, at December 31, 2002 and 2001, respectively.

Credco paid interest on long-term debt obligations of \$121 million, \$119 million and \$186 million in 2002, 2001 and 2000, respectively.

Aggregate annual maturities of long-term debt are as follows (millions): 2003, \$5,751; 2004, \$1,718; and 2005, \$375.

7. Restrictions as to Dividends and Limitations on Indebtedness

The most restrictive limitation on dividends imposed by the debt instruments issued by Credco is the requirement that Credco maintain a minimum consolidated net worth of \$50 million. There are no limitations on the amount of debt that can be issued by Credco.

8. Derivatives and Hedging Activities

As prescribed by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," derivative instruments that are designated and qualify as hedging instruments are further classified as either a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation, based upon the exposure being hedged.

For derivative instruments that are designated and qualify as a cash flow hedge, the portion of the gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of other comprehensive income (loss) and reclassified into earnings when the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instrument is recognized currently in earnings. For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For derivative instruments that are designated and qualify as a hedge of a net investment in a foreign operation, the effective portion of the gain or loss on the derivative is reported in other comprehensive income (loss) as part of the cumulative translation adjustment. For derivative instruments not designated as hedging instruments, the gain or loss is recognized currently in earnings.

Cash Flow Hedges

Credco uses interest rate products, primarily swaps, to manage funding costs related to its purchase of charge cardmember receivables. For its charge cardmember receivables, Credco uses interest rate swaps to achieve a targeted mix of fixed and floating rate funding. These interest rate swaps are used to protect Credco from the interest rate risk that arises from short-term funding.

At December 31, 2002, Credco expects to reclassify \$412 million of net pretax losses on derivative instruments from accumulated other comprehensive loss to earnings during the next twelve months.

Currently, the longest period of time over which Credco is hedging exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, is 3.8 years and relates to funding of foreign currency denominated receivables.

Fair Value Hedges

Credco uses interest rate swaps to hedge its fixed rate debt and firm commitments to transfer, at a fixed rate, receivables to trusts established in connection with TRS' asset securitizations.

Derivatives not Designated as Hedges Under SFAS No. 133

Credco has economic hedges that either do not qualify or are not designated for hedge accounting treatment under SFAS No. 133. Accordingly, the derivatives are marked to market and the gain or loss is included in net income.

- Foreign currency transaction exposures are economically hedged, where practical, through foreign currency contracts. Foreign currency contracts involve the purchase and sale of a designated currency at an agreed upon rate for settlement on a specified date. Such foreign currency forward contracts entered into by Credco generally mature within one year.

See Notes 5 and 6 for further information regarding Credco's use of interest rate products related to short- and long-term debt obligations.

9. Transactions with Affiliates

In 2002, 2001 and 2000, Credco purchased charge cardmember and lending receivables without recourse from TRS and certain of its subsidiaries totaling approximately \$184 billion, \$204 billion and \$206 billion, respectively.

Agreements for the purchase of charge cardmember receivables generally require that Credco purchase such receivables at discount rates which yield to Credco earnings of not less than 1.25 times its fixed charges on an annual basis.

The agreements require TRS and other Card Issuers, at their expense, to perform accounting, clerical and other services necessary to bill and collect all cardmember receivables owned by Credco. Since settlements under the agreements occur monthly, an amount due from, or payable to, such affiliates may arise at the end of each month.

At December 31, 2002 and 2001, CRC held American Express Master Trust Class B Certificates with a fair value of \$357 million and \$219 million, respectively, and American Express Credit Account Master Trust Class C Certificates with a fair value of \$1,544 million and \$1,209 million, respectively.

At December 31, 2002 and 2001, CRC owned approximately \$3.1 billion and \$3.8 billion, respectively, of participation interests in receivables conveyed to the Trust, representing approximately 14 percent and 17 percent, respectively, of Credco's total accounts receivable.

The lending receivables owned at December 31, 2002 and 2001 include \$189 million and \$212 million, respectively, of participation interest owned by CRC. This represents a participation interest in the seller's interest in lending receivables that have been conveyed to the Master Trust.

Other transactions with American Express and its subsidiaries for the years ended December 31 were as follows:

December 31, (Millions)	2002	2001	2000
Cash and cash equivalents at December 31	\$ 2	\$ 4	\$ 3
Maximum month-end level of cash and cash equivalents during the year	6	10	11
Other loans and deposits to affiliates at December 31	2,047	1,907	1,742
Maximum month-end level of loans and deposits to affiliates during the year	2,047	1,907	1,742
Borrowings at December 31	4,722	3,124	3,195
Maximum month-end level of borrowings during the year	6,311	6,436	4,840
Interest income	45	82	103
Other income	6	9	5
Interest expense	98	160	219

At December 31, 2002, 2001 and 2000, Credco held variable rate loans to American Express due in 2004 of \$850 million. Additionally, Credco had \$489 million, \$468 million and \$448 million of loans to American Express ATM Holdings, Inc., a wholly-owned subsidiary of TRS, at December 31, 2002, 2001 and 2000, respectively. Credco also had \$369 million, \$225 million and \$100 million of loans to American Express International Inc., a wholly-owned subsidiary of TRS, at December 31, 2002, 2001 and 2000, respectively. At December 31, 2002, 2001 and 2000, CFI had \$339 million, \$330 million and \$330 million, respectively, of loans to Amex Bank of Canada, a wholly-owned subsidiary of TRS.

10. Income Taxes

The taxable income of Credco is included in the consolidated U.S. federal income tax return of American Express. Under an agreement with TRS, taxes are recognized on a stand-alone basis. If benefits for all future tax deductions, foreign tax credits and net operating losses cannot be recognized on a stand-alone basis, such benefits are then recognized based upon a share, derived by formula, of those deductions and credits that are recognizable on a TRS consolidated reporting basis.

The provisions for income taxes were as follows (millions):

	2002	2001	2000
Federal	\$ 109	\$ 128	\$ 140
Foreign	9	12	10
Total	\$ 118	\$ 140	\$ 150

Deferred income tax assets and liabilities result from the recognition of temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in differences between income for tax purposes and income for financial statement purposes in future years. The current and deferred components of the provision (benefit) for income taxes were as follows (millions):

	2002	2001	2000
Current	\$ 64	\$ 200	\$ 179
Deferred	54	(60)	(29)
Total income tax provision	\$ 118	\$ 140	\$ 150

Credco's deferred tax assets were \$435 million and \$428 million as of December 31, 2002 and 2001, respectively. These amounts were included in other assets. Credco's deferred tax liabilities were not material as of December 31, 2002 and 2001.

Deferred tax assets for 2002 and 2001 consist primarily of reserve for loan losses of \$251 million and \$305 million, respectively, and deferred taxes related to SFAS No. 133 of \$179 million and \$121 million for 2002 and 2001, respectively. At December 31, 2002 and 2001, no valuation allowances were required.

In 2002 and 2001, due to affiliates included current federal tax payable to TRS of \$78 million and \$15 million, respectively.

In 2002, 2001 and 2000, total net income taxes paid, including taxes paid to TRS, were \$0.2 million, \$166 million and \$198 million, respectively. These amounts include estimated tax payments and cash settlements relating to prior tax years.

The principal reasons that the aggregate income tax provision is different from that computed by using the U.S. statutory rate of 35 percent is as follows:

	2002	2001
Statutory rate	35%	35%
Foreign operations	(1)	(1)
Total	34%	34%

The U.S statutory tax rate and effective tax rate for 2000 was approximately 35%.

The items comprising Comprehensive Income in the Consolidated Statements of Shareholder's Equity are presented net of income tax (benefit) provision. The changes in net unrealized securities are presented net of tax benefit of (\$4) million for 2002 and (\$2) million for 2001. The changes related to cash flow hedges are presented net of tax benefit of (\$57) million for 2002 and (\$121) million for 2001.

11. Geographic Segments

Credco is principally engaged in the business of purchasing cardmember receivables arising from the use of the American Express card in the United States and foreign locations. The following presents information about operations in different geographic areas (millions):

	2002	2001	2000
Revenues			
United States	\$ 1,550	\$ 2,353	\$ 2,165
International	603	489	436
Consolidated	\$ 2,153	\$ 2,842	\$ 2,601
Pretax income			
United States	\$ 308	\$ 357	\$ 367
International	38	60	69
Consolidated	\$ 346	\$ 417	\$ 436

12. Quarterly Financial Data (Unaudited)

Quarters Ended, (Millions)	2002				2001			
	12/31	9/30	6/30	3/31	12/31	9/30	6/30	3/31
Revenues	\$ 566	\$ 516	\$ 554	\$ 517	\$ 696	\$ 703	\$ 730	\$ 713
Pretax income	119	65	82	80	63	114	124	116
Net income	78	43	54	53	42	75	83	77

REPORT OF INDEPENDENT AUDITORS

The Board of Directors American Express Credit Corporation

We have audited the accompanying consolidated balance sheets of American Express Credit Corporation as of December 31, 2002 and 2001, and the related consolidated statements of income, shareholder's equity and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 14 (a). These financial statements and schedule are the responsibility of the management of American Express Credit Corporation. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Express Credit Corporation at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/Ernst & Young LLP

New York, New York
January 27, 2003