

AMERICAN EXPRESS CENTURION BANK

Business

American Express Centurion Bank (“AECB”) was incorporated under Utah law as an industrial loan company in 1987 and received FDIC insurance in 1989. Its principal office is located at 6985 Union Park Center, Midvale, Utah 84047. AECB is a wholly-owned subsidiary of American Express Travel Related Services Company, Inc. (“TRS”).

The information about AECB presented below is qualified in its entirety by reference to and should be read in conjunction with AECB’s Call Reports for each of the years ended December 31, 2001, 2000 and 1999.

AECB issues the Optima Card, Blue from American Express and all other American Express branded revolving credit cards in the United States and owns most of the receivables arising from the use of these Cards. In addition, AECB has outstanding lines of credit in association with certain Charge Cards and offers unsecured loans to Cardmembers in connection with their Sign & Travel and Extended Payment Option. The Sign & Travel program gives qualified United States Cardmembers the option of extended payments for airline, cruise and certain travel charges that are purchased with the Charge Card. The Extended Payment Option offers qualified United States Cardmembers the option of extending payment for certain charges on the Charge Card in excess of a specified amount.

AECB is also the issuer for certain Charge Cards. It also offers Membership B@nkingSM - an online bank that provides consumers with high-value products, such as free ATM access with rebates on surcharges from other banks, high rates on deposits and the convenience of banking by the Internet, telephone, ATM or mail. During 2001, Membership B@nking continued to grow, and customer service and website stability improved. To help further expand its financial services businesses globally, American Express formed the Global Brokerage and Membership B@nking unit. This unit will work closely with American Express Financial Advisors and TRS’ card business in both the United States and select international markets to better reach consumers through a number of distribution channels with a variety of products.

In addition to earning finance charge revenues, AECB also receives revenue from Optima Cardmember fees and discount revenue from service establishments. The Optima account is offered in different versions with a variety of features and terms, including co-branded cards, cards with differing rates, fees and grace periods, and cards with additional features such as rebates.

Total loans from lending activities were \$16.7 billion, \$17.2 billion and \$14.8 billion as of December 31, 2001, 2000 and 1999, respectively. AECB’s charge-offs, net of recoveries, as a percentage of average loans were 5.24%, 4.00% and 4.57% in 2001, 2000 and 1999, respectively. Reserve rates as a percentage of total loans were 3.40%, 2.62% and 3.01% as of December 31, 2001, 2000 and 1999, respectively. Delinquency rates as a percentage of total loans were 3.56%, 2.91% and 2.82% as of December 31, 2001, 2000 and 1999, respectively.

AECB funds its lending activities principally through the sale of certificates of deposits to the public and to affiliates of TRS and through borrowings from banks and affiliates. As of December 31, 2001, AECB had \$4.8 billion of certificates of deposit and foreign deposits outstanding, \$5.4 billion in bank notes outstanding and \$4.9 billion in other borrowed funds and federal funds purchased. In 1996, TRS created the American Express Credit Account Master Trust, (the “Trust”) to securitize certain U.S. Cardmember revolving credit loans. At December 31, 2001, AECB sold \$15.2 billion of loans to the Trust.

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Results of Operations

Years Ended December 31, 2001, 2000 and 1999

In 2001, 2000 and 1999, AECB reported earnings of \$606 million, \$564 million and \$499 million, respectively. These earning levels were supported by loans outstanding of \$16.7 billion, \$17.2 billion and \$14.8 billion as of December 31, 2001, 2000 and 1999, respectively. In 2001, 2000 and 1999, average return on assets were 3.53%, 3.53% and 3.79%, respectively.

At December 31, 2001, AECB reserves as a percent of delinquencies were 95%. Accounts are charged-off when six contractual payments become past due or earlier if the account is deemed uncollectible. The charge-off rates for the years ended December 31, 2001, 2000 and 1999 were 5.24%, 4.00% and 4.57%, respectively.

As of December 31, 2001, 2000 and 1999 AECB exceeded the FDIC 'well-capitalized' levels for tier 1, total capital and minimum leverage rates. The tier 1 rates in 2001, 2000 and 1999 were 10.97%, 8.91% and 9.15%, respectively. Total capital rates in 2001, 2000 and 1999 were 12.26%, 10.19% and 10.42%, respectively. The minimum leverage ratios in 2001, 2000 and 1999 were 11.68%, 10.09% and 10.10%, respectively.

CAPITALIZATION OF AMERICAN EXPRESS CENTURION BANK

The following table sets forth the unaudited consolidated capitalization of AECB as of December 31:

(in millions)	2001	2000	1999
Deposits liabilities:			
Less than one year.....	\$ 4,757	\$ 4,625	\$ 3,988
Greater than one year.....	47	36	53
Total.....	<u>\$ 4,804</u>	<u>\$ 4,661</u>	<u>\$ 4,041</u>
Short-term indebtedness:			
Federal funds.....	\$ 4,361	\$ 4,970	\$ 3,154
Medium-term bank notes.....	4,956	6,027	6,264
Total.....	<u>\$ 9,317</u>	<u>\$ 10,997</u>	<u>\$ 9,418</u>
Long-term indebtedness:			
Medium-term bank notes due after 1 year.....	\$ 450	\$ 130	\$ 195
Term borrowings due after 1 year.....	543	-	-
Total.....	<u>\$ 993</u>	<u>\$ 130</u>	<u>\$ 195</u>
Shareholder's equity:			
Common stock.....	\$ -	\$ -	\$ -
Capital surplus.....	420	420	420
Undivided profits and capital reserves.....	1,500	1,243	979
Total shareholder's equity.....	<u>\$ 1,920</u>	<u>\$ 1,663</u>	<u>\$ 1,399</u>
Total capitalization.....	<u><u>\$ 17,034</u></u>	<u><u>\$ 17,451</u></u>	<u><u>\$ 15,053</u></u>

SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS CENTURION BANK

(in millions)

	As of December 31,		
	2001	2000	1999
	(Unaudited)		
Balance Sheet Data:			
Assets:			
Cash and cash equivalents.....	\$ 51	\$ 60	\$ 81
Investments.....	41	48	34
Federal funds sold.....	520	400	370
Loans.....	16,696	17,155	14,772
Reserves.....	(567)	(449)	(444)
Loans, net	16,129	16,706	14,328
Other assets.....	928	823	766
Total assets.....	<u>\$ 17,669</u>	<u>\$ 18,037</u>	<u>\$ 15,579</u>
Liabilities and Shareholder's Equity:			
Deposit liabilities.....	\$ 4,804	\$ 4,661	\$ 4,041
Federal funds purchased.....	1,161	2,442	1,150
Other borrowings.....	9,149	8,685	8,463
Total debt.....	15,114	15,788	13,654
Other liabilities.....	635	586	526
Total liabilities.....	15,749	16,374	14,180
Total shareholder's equity.....	1,920	1,663	1,399
Total liabilities and shareholder's equity.....	<u>\$ 17,669</u>	<u>\$ 18,037</u>	<u>\$ 15,579</u>

	December 31,		
	2001	2000	1999
	(Unaudited)		
Selected Ratios:			
Return on average assets.....	3.53%	3.53%	3.79%
Return on average shareholder's equity.....	32.00%	33.54%	31.32%
Tier 1 capital ratio.....	10.97%	8.91%	9.15%
Total capital ratio.....	12.26%	10.19%	10.42%
Net charge-offs/average loans (1).....	5.24%	4.00%	4.57%
Reserves/past due & non-accrual loans (2).....	95%	90%	107%

- (1) Net charge-offs/average loans are calculated by dividing gross charge-offs less recoveries by full year average loans.
- (2) Past due and non-accrual loans are based on the Call Report definitions for all balances that are 30 days past due and still accruing plus all non-accrual loans.

SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS CENTURION BANK

The following unaudited financial information of AECB for each of the years ended December 31, were derived from AECB's Call Reports and should be read in conjunction therewith and with the detailed information contained elsewhere here-in and incorporated by reference.

(in millions)	Years Ended December 31,		
	2001	2000	1999
Operating Data:			
Interest income.....	\$ 2,526	\$ 1,975	\$ 1,838
Interest expense.....	709	856	546
Net interest income.....	1,817	1,119	1,292
Provision for loan losses.....	941	612	553
Income after provision for loan losses.....	876	507	739
Non-interest income.....	1,742	1,818	1,107
Non-interest expense.....	1,649	1,426	1,050
Net non-interest income.....	93	392	57
Pretax income.....	969	899	796
Income tax provision.....	365	335	297
Extraordinary items, net of tax.....	2	-	-
Net income.....	\$ 606	\$ 564	\$ 499

(in millions)	As of December 31,		
	2001	2000	1999
Key Statistics:			
Average assets.....	\$ 17,171	\$ 15,998	\$ 13,152
Average equity.....	1,894	1,682	1,593
Average loans.....	16,065	15,141	12,531
Risk-based assets (net).....	17,892	18,674	15,295
Tier 1 capital.....	1,962	1,663	1,399
Total capital.....	2,193	1,903	1,593
Past-due & nonaccrual loans.....	594	500	416
Net charge-offs.....	842	606	573