

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 4315 South 2700 West, Salt Lake City, Utah 84184. 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, 2003, 2002 and 2001.

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 2003, 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 \$19.1 billion, \$16.8 billion and \$16.7 billion as of December 31, 2003, 2002 and 2001, respectively. AECB’s charge-offs, net of recoveries, as a percentage of average loans were 4.66%, 5.46% and 5.24% in 2003, 2002 and 2001, respectively. Reserve rates as a percentage of total loans were 3.73%, 4.36% and 3.40% as of December 31, 2003, 2002 and 2001, respectively. Delinquency rates as a percentage of total loans were 2.83%, 3.33% and 3.56% as of December 31, 2003, 2002 and 2001, 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, 2003, AECB had \$8.9 billion of certificates of deposit and foreign deposits outstanding, \$3.0 billion in bank notes outstanding and \$5.1 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, 2003, AECB sold \$20.4 billion of loans to the Trust.

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Results of Operations

Years Ended December 31, 2003, 2002 and 2001

In 2003, 2002 and 2001, AECB reported earnings of \$1.1 billion, \$766 million and \$606 million, respectively. These earning levels were supported by loans outstanding of \$19.1 billion, \$16.8 billion and \$16.7 billion as of December 31, 2003, 2002 and 2001, respectively. In 2003, 2002 and 2001, average return on assets was 5.95%, 4.72% and 3.53%, respectively.

At December 31, 2003, AECB reserves as a percent of delinquencies were 132%. 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, 2003, 2002 and 2001 were 4.66%, 5.46% and 5.24%, respectively.

As of December 31, 2003, 2002 and 2001 AECB exceeded the FDIC 'well-capitalized' levels for tier 1, total capital and minimum leverage rates. The tier 1 rates in 2003, 2002 and 2001 were 9.00%, 9.42% and 10.97%, respectively. Total capital rates in 2003, 2002 and 2001 were 10.33%, 10.76% and 12.26%, respectively. The minimum leverage ratios in 2003, 2002 and 2001 were 11.55%, 12.25% and 11.68%, respectively.

CAPITALIZATION OF AMERICAN EXPRESS CENTURION BANK

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

(in millions)	2003	2002	2001
Deposits liabilities:			
Less than one year.....	\$ 8,832	\$ 7,461	\$ 4,757
Greater than one year.....	27	27	47
Total.....	<u>\$ 8,859</u>	<u>\$ 7,488</u>	<u>\$ 4,804</u>
Short-term indebtedness:			
Federal funds.....	\$ 5,064	\$ 4,170	\$ 4,361
Medium-term bank notes.....	2,900	4,040	4,956
Total.....	<u>\$ 7,964</u>	<u>\$ 8,210</u>	<u>\$ 9,317</u>
Long-term indebtedness:			
Medium-term bank notes due after 1 year.....	\$ 100	\$ 0	\$ 450
Term borrowings due after 1 year	-	47	543
Total.....	<u>\$ 100</u>	<u>\$ 47</u>	<u>\$ 993</u>
Shareholder's equity:			
Common stock.....	\$ -	\$ -	\$ -
Capital surplus.....	420	420	420
Undivided profits and capital reserves.....	1,659	1,456	1,500
Total shareholder's equity.....	<u>\$ 2,079</u>	<u>\$ 1,876</u>	<u>\$ 1,920</u>
Total capitalization.....	<u>\$ 19,002</u>	<u>\$ 17,621</u>	<u>\$ 17,034</u>

SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS CENTURION BANK

(in millions)

	As of December 31,		
	2003	2002	2001
	(Unaudited)		
Balance Sheet Data:			
Assets:			
Cash and cash equivalents.....	\$ 48	\$ 39	\$ 51
Investments.....	53	52	41
Federal funds sold.....	145	420	520
Loans.....	19,059	16,796	16,696
Reserves.....	(711)	(732)	(567)
Loans, net.....	18,348	16,064	16,129
Other assets.....	1,819	2,184	928
Total assets.....	<u>\$ 20,413</u>	<u>\$ 18,759</u>	<u>\$ 17,669</u>
Liabilities and Shareholder's Equity:			
Deposit liabilities.....	\$ 8,858	\$ 7,488	\$ 4,804
Federal funds purchased.....	935	1,550	1,161
Other borrowings.....	7,129	6,707	9,149
Total debt.....	16,922	15,745	15,114
Other liabilities.....	1,412	1,138	635
Total liabilities.....	18,334	16,883	15,749
Total shareholder's equity.....	2,079	1,876	1,920
Total liabilities and shareholder's equity.....	<u>\$ 20,413</u>	<u>\$ 18,759</u>	<u>\$ 17,669</u>

	December 31,		
	2003	2002	2001
	(Unaudited)		
Selected Ratios:			
Return on average assets.....	5.95%	4.72%	3.53%
Return on average shareholder's equity.....	50.78%	36.94%	32.00%
Tier 1 capital ratio.....	9.00%	9.42%	10.97%
Total capital ratio.....	10.33%	10.76%	12.26%
Net charge-offs/average loans (1).....	4.66%	5.46%	5.24%
Reserves/past due & non-accrual loans (2).....	132%	131%	95%

- (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, was 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,		
	2003	2002	2001
Operating Data:			
Interest income.....	\$ 2,362	\$ 2,279	\$ 2,526
Interest expense.....	292	279	709
Net interest income.....	2,070	2,000	1,817
Provision for loan losses.....	778	959	941
Income after provision for loan losses.....	1,292	1,041	876
Non-interest income.....	2,610	2,011	1,742
Non-interest expense.....	2,194	1,825	1,649
Net non-interest income (expense).....	416	186	93
Pretax income.....	1,708	1,227	969
Income tax provision.....	628	461	365
Extraordinary items, net of tax.....	0	0	2
Net income.....	<u>\$ 1,080</u>	<u>\$ 766</u>	<u>\$ 606</u>

(in millions)

	As of December 31,		
	2003	2002	2001
Key Statistics:			
Average assets.....	\$ 18,150	\$ 16,230	\$ 17,171
Average equity.....	2,127	2,073	1,894
Average loans.....	16,931	14,902	16,065
Risk-based assets (net).....	23,291	21,430	17,892
Tier 1 capital.....	2,097	2,018	1,962
Total capital.....	2,405	2,306	2,193
Past-due & nonaccrual loans.....	539	560	594
Net charge-offs.....	789	814	842