



Financial Community Meeting

Ralph Andretta

*Senior Vice President and General Manager
U.S. Membership Rewards*

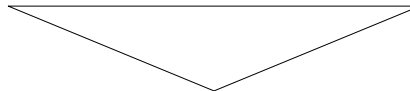
February 7, 2007

Today's Discussion



The Membership Rewards Business

- **Has a 16-year history**
- **Drives revenue growth and loyalty**
- **Reinvests for greater value and innovation**
- **Leverages unique assets of American Express**



Extends Competitive Advantage

In the Beginning



Inception: 1991



Initial Offerings

- Airlines
- Travel Packages
- Experiences

3

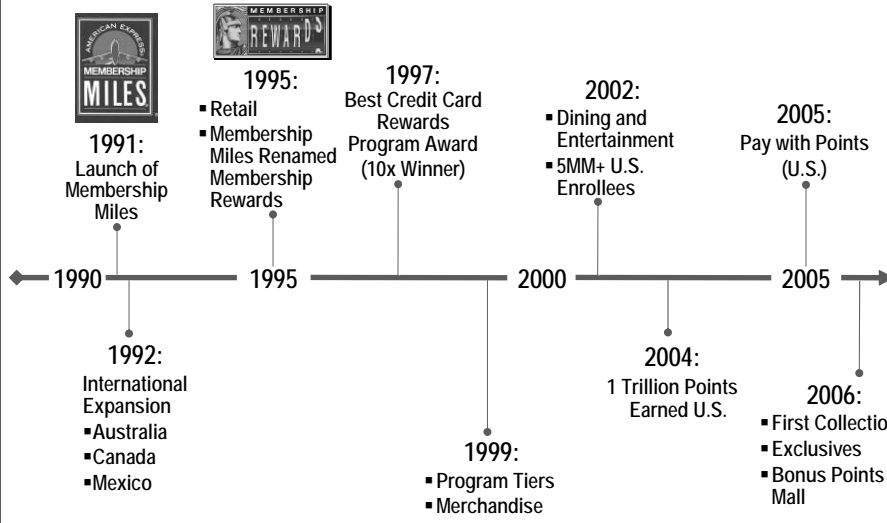
Program Structure



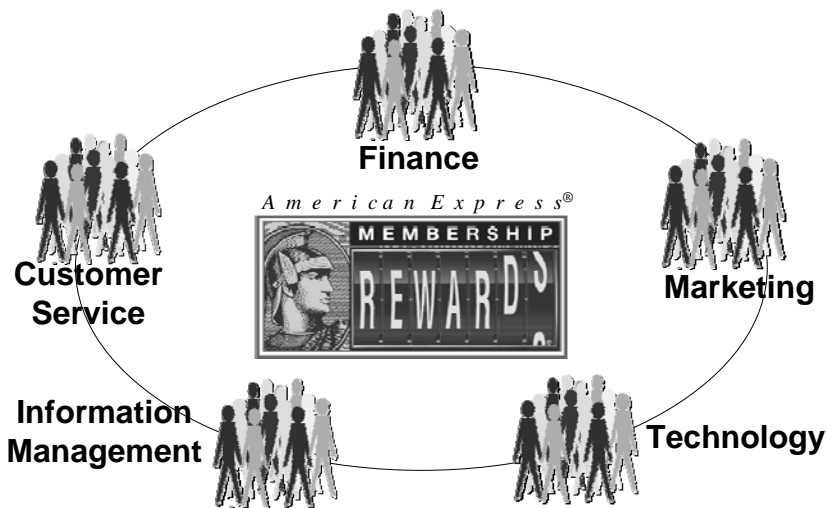
- **One point for every dollar spent**
- **No cap on number of points that can be earned**
- **No point expiration**

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Membership Rewards Milestones



Membership Rewards Organization



Membership Rewards Today



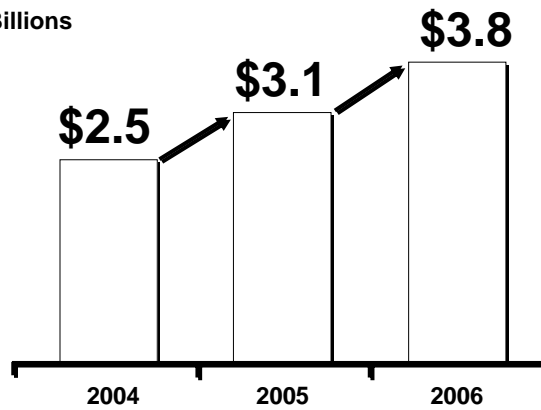
7

Total Membership Rewards Reserve



Worldwide

\$ Billions



8

Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

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Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

10

Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

11

Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

12

Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

13

Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

14

Membership Rewards Today



Diverse Offerings

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

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Membership Rewards Today



Diverse Partners

- Airlines
- Hotels
- Experiences
- Retail
- Dining and Entertainment
- Merchandise

Excellent Brand Reputation

Quality Products

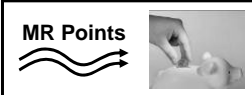
Strong Customer Commitment

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Membership Rewards Fun Facts



100MM+
Most Points in Bank



93.2MM
Most Expensive
Reward Offer



**Local Specialty
Reward**



**Most Heartwarming
Redemption**



4.1MM Private Jet



8.3MM Mercedes



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Rewards Marketplace



**New Programs/
Constructs**

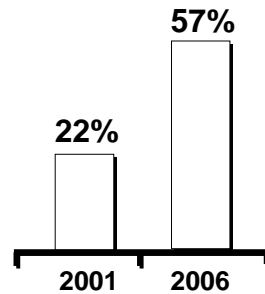


**More
Advertising**



**More Reliance
on Rewards**

(% of U.S. Direct Mail Offers
with Rewards)



Source: Jan-Nov ComperMedia.

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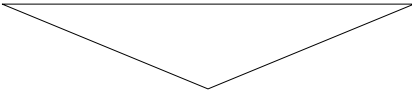


Today's Discussion



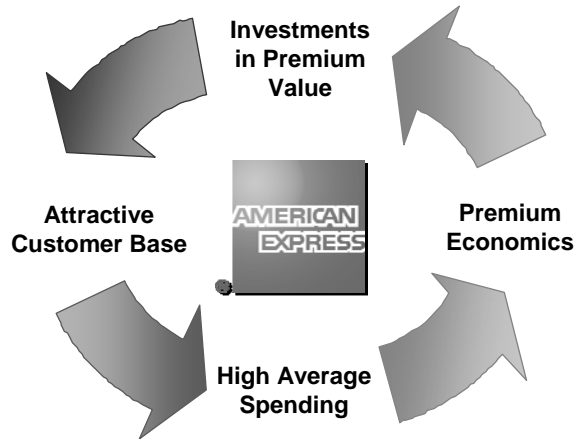
The Membership Rewards Business

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- **Drives revenue growth and loyalty**
- **Reinvests for greater value and innovation**
- **Leverages unique assets of American Express**



Extends Competitive Advantage

Spend-Centric Model



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Cardmember Benefits



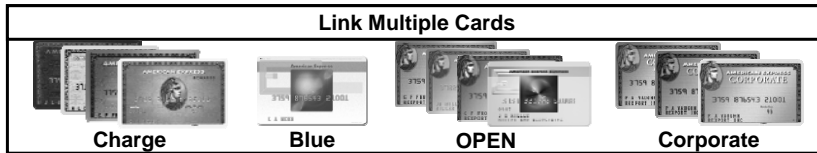
- **Enroll**
- **Earn Points**
- **Redeem**

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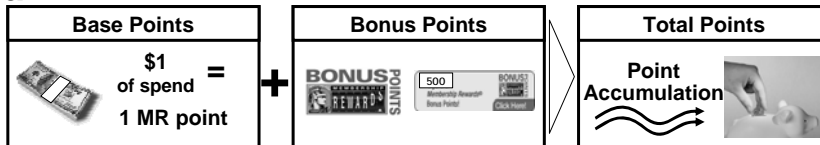
Cardmember Benefits



Enroll



Earn



Redeem



Partner Advantages



- High-Spending Cardmembers
- New Marketing Channels
- Turnkey Rewards Solution
- Limited Expense and Risk
- High Return on Investment

Partner Advantages



American Express



Direct Relationships

Competitors



Third Party Distributors

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Partner Advantages



Bonus Points Example

Partner:

Electronics Retailer

Target:

Current Shoppers and Prospects

Offer:

Double Points



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Partner Advantages



Bonus Points Example



DOUBLE MEMBERSHIP REWARDS* POINTS ON THE ELECTRONICS YOUR FAMILY AND FRIENDS REALLY WANT.



Partner Results

Incremental Sales: **\$3.8MM**
Marketing Efficiency: **5:1**

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Partner Advantages



Actual Partner Report, 2005

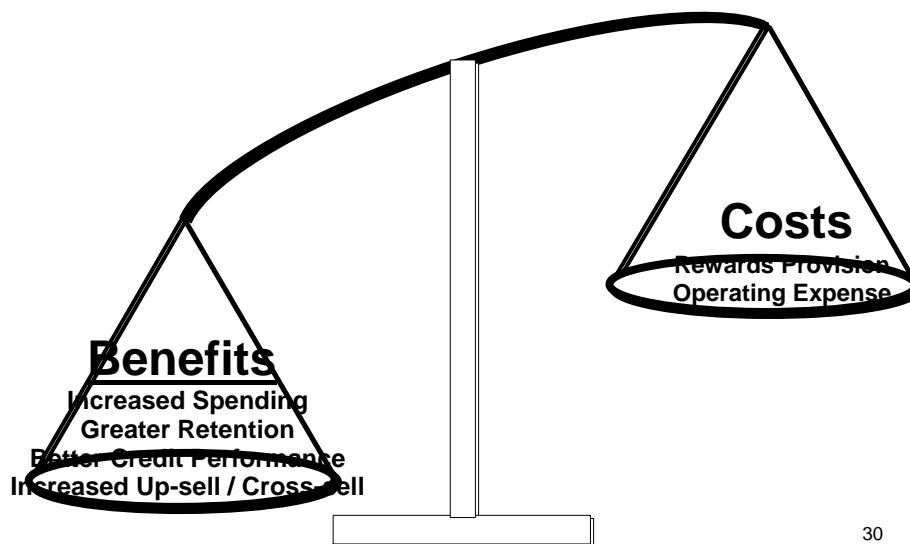
<u>Sources of Value</u>	<u>Value Created</u>	<u>Incremental Business (\$MM)</u>
Gift Card Sales	Sale of gift cards through MR Program	\$17.1
MR Redeemers: New Shoppers	New shoppers using gift cards	13.7
MR Redeemers: Existing Shoppers	Additional spend by existing shoppers using gift cards	5.7
New MR Non-Redeeming Shoppers	New shoppers not redeeming gift cards	5.9
		<u>\$42.4</u>

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Partner Video



AXP Benefits

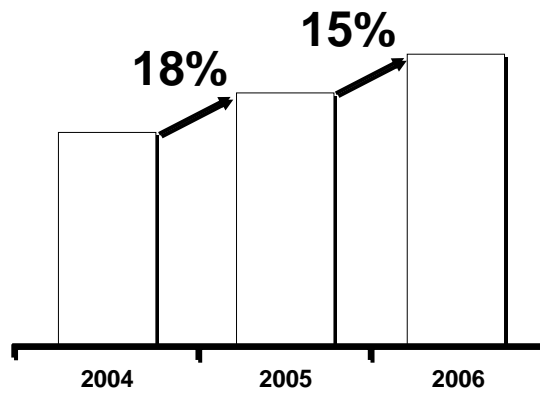


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AXP Benefits – Increased Spending



U.S. Card Services, MR Billed Business

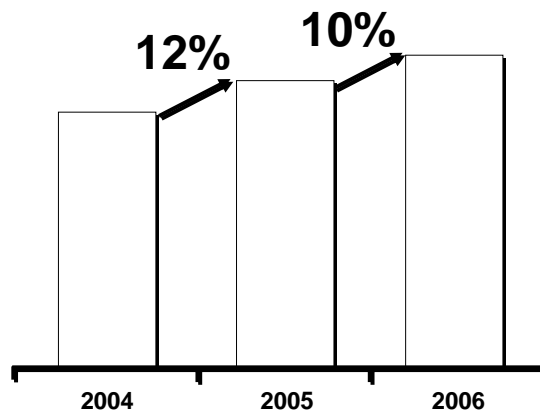


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AXP Benefits – Increased Spending



U.S. Card Services, MR Enrolled Cards





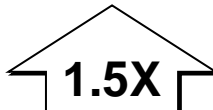
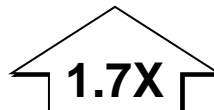


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AXP Benefits – Increased Spending



U.S. MR vs. Non-MR


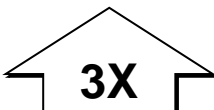

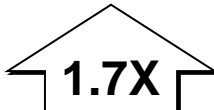
	<u>Consumer Charge</u>	<u>OPEN Charge</u>
Spend per Card	 4X	 5X
Supplemental Cards	 2X	 2X
Average Purchase Size	 1.5X	 1.7X

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AXP Benefits – Increased Spending



U.S. MR vs. Non-MR

	<u>Consumer Lending</u>	<u>OPEN Lending</u>
Spend per Account	 2X	 3X
Revolving Balance per Account	 1.5X	 1.7X

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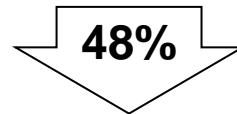
AXP Benefits – Retention and Credit



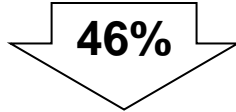
U.S. MR vs. Non-MR

Consumer Charge OPEN Charge

**Voluntary
Attrition**



**Delinquency
Rate**



Note: Comparison excludes new basic cards acquired in 2005 and 2006.

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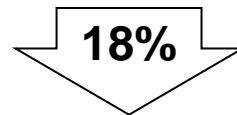
AXP Benefits – Retention and Credit



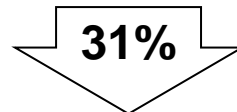
U.S. MR vs. Non-MR

Consumer Lending OPEN Lending

**Voluntary
Attrition**



**Delinquency
Rates**



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AXP Benefits – Up-sell and Cross-sell



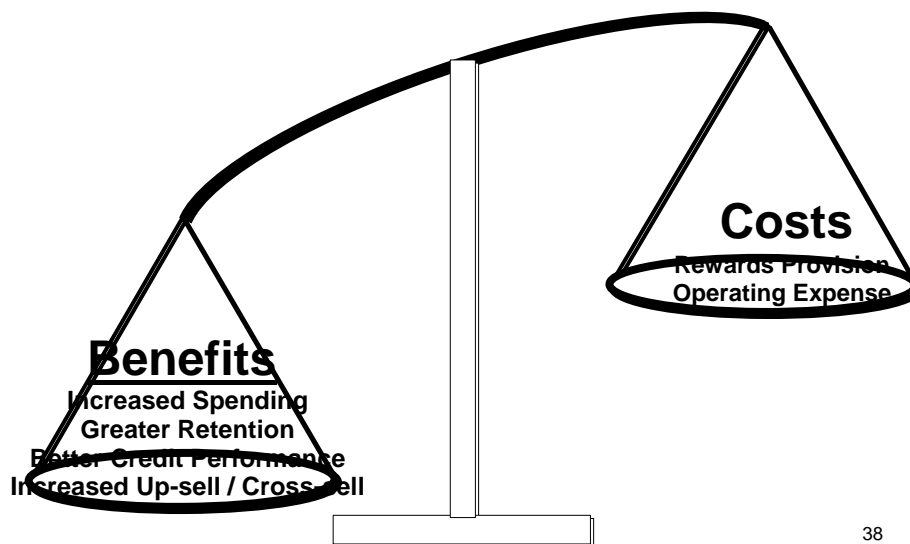
U.S. MR Enrollees

- **Multiple Card Products** **31%**
- **Enrolled Card Services** **2X**
- **Premium Card Products** **70%**

Note: Multiple card products include relationships with non-MR products, e.g. co-brand.
Enrolled Card services reflects Consumer and OPEN Charge Cardmember behavior.
Premium Card products reflect Consumer Charge Gold, Platinum and Centurion.

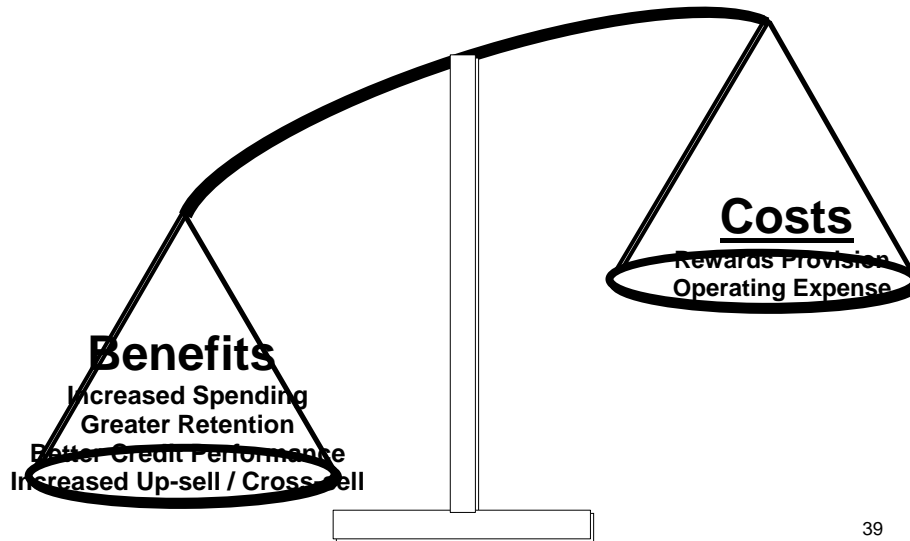
37

AXP Benefits



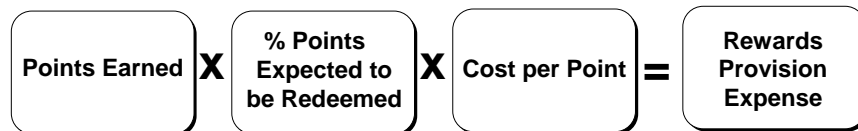
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Managing Our Costs



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Costs – Rewards Provision Expense



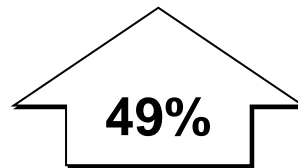
40

Costs – Rewards Provision Expense

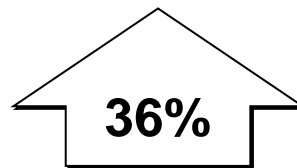


U.S. MR Redeeming Cardmembers

**Use AXP as
Card of Choice**



**More Likely to
Renew AXP Card**



Source: Company customer research.

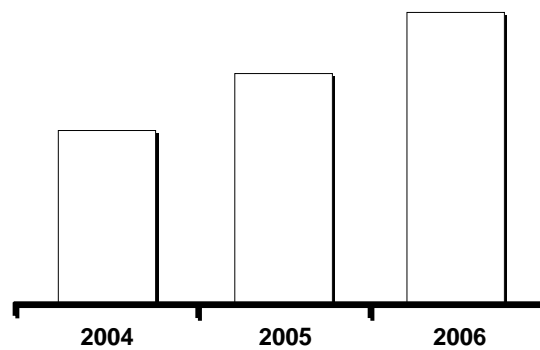
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Managing Rewards Provision Expense



U.S. Points Redeemed on Merchandise

30% CAGR



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Managing Rewards Provision Expense



Managing Rewards Provision Expense



Managing Rewards Provision Expense



? How to Shop using the ONLINE CATALOG

- 1 Click [Back] & [Next] buttons to turn pages
- 2 Click on item to redeem or for more information
- 3 Click "Add to Rewards Cart" to redeem points for item

To Bookmark a Page :
Click on the yellow iFlag in the upper right hand corner of any page. To delete an iFlag, click on the trashcan icon while on the page.

- Small view for dial-up users
- Large view for broadband users



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Managing Rewards Provision Expense

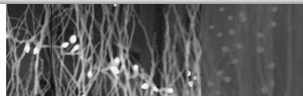


? How to Shop using the ONLINE CATALOG

MEMBERSHIP REWARDS PROGRAM | HOLIDAY 2006

The gift of giving

Your current point balance: xx,xxx



WHERE TO FIND

- GIFTS 4/11
- ELECTRONICS 12/21
- HOME 22/29
- JEWELRY & ACCESSORIES 28/32
- GIFT CARDS & CERTIFICATES 36/43

GIFTS

pure delight

Whether it's a shimmering piece of fine jewelry for her, a hand-blown glass vase for an eye-catching decorative piece for the home, exquisite things tend to come in small packages. That's why we have them. That makes them easy to hold until the perfect moment arrives to surprise and delight a loved one.

LALIQUE

Exquisite Egg

TACHYWATCH

1. 18K Rose Gold Automatic Chronograph

With a 120,000-beat-per-hour movement, this watch is a masterpiece of precision engineering. It features a date window at 3 o'clock, a moon phase indicator at 6 o'clock, and a power reserve indicator at 9 o'clock. The watch is water-resistant to 50 meters and comes with a leather strap.

200,000 points

Blue Dial Chronograph

One of our most popular watches, this chronograph features a blue dial with a date window at 3 o'clock and a moon phase indicator at 6 o'clock. The watch is water-resistant to 50 meters and comes with a leather strap.

150,000 points

2. Platinum Tourbillon

With a 28,800-beat-per-hour movement, this watch is a masterpiece of precision engineering. It features a date window at 3 o'clock, a moon phase indicator at 6 o'clock, and a power reserve indicator at 9 o'clock. The watch is water-resistant to 50 meters and comes with a leather strap.

200,000 points

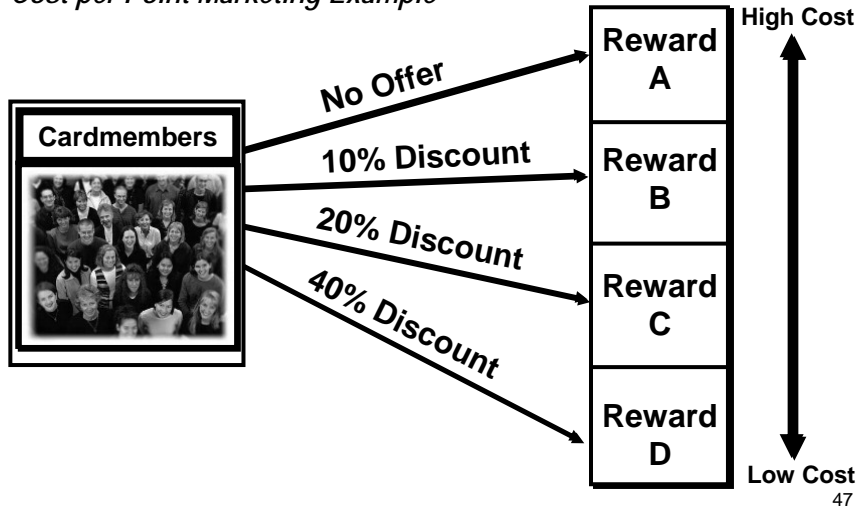
REDEEM ONLINE NOW | MEMBERSHIPREWARDS.COM/HOLIDAY

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Managing Rewards Provision Expense



Cost per Point Marketing Example



Managing Rewards Provision Expense



U.S. MR Redemptions and Cost per Point

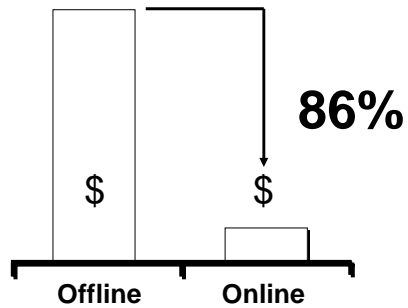


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Managing Operating Expense



U.S. MR Redemption Processing Costs



Note: 2005 cost estimates.

49

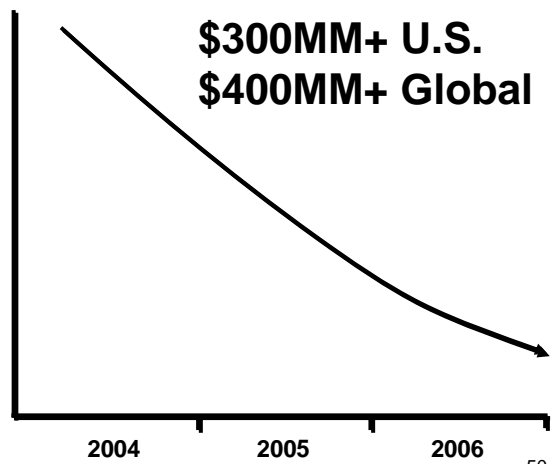
Managing Costs



Reengineering Benefits

Costs

- Rewards Provision
- Operating Expense



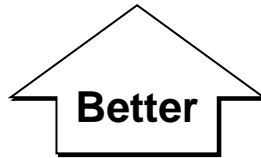
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Drives High Return on Equity



U.S.

Charge



- Return on Equity significantly higher for Membership Rewards

Lending



- Enables re-investment in Premium Value

Note: Charge ROE based on Consumer and OPEN.
Lending ROE based on Consumer Blue and Optima.

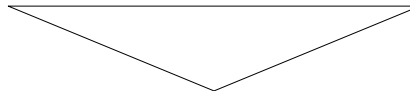
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Today's Discussion



The Membership Rewards Business

- Has a 16-year history
- Drives revenue growth and loyalty
- Reinvests for greater value and innovation
- Leverages unique assets of American Express



Extends Competitive Advantage

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Consumer Research Results



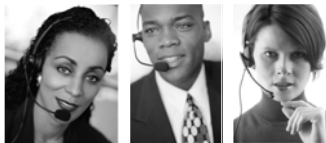
- **Continue to improve customer experience**
- **Add relevant new partners and rewards**
- **Increase program flexibility**
- **Enhance value to partners and merchants**

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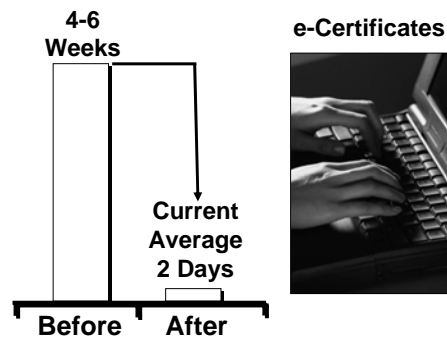
Improve Customer Experience



Improved Customer Service Capabilities



Reduced Shipping Time

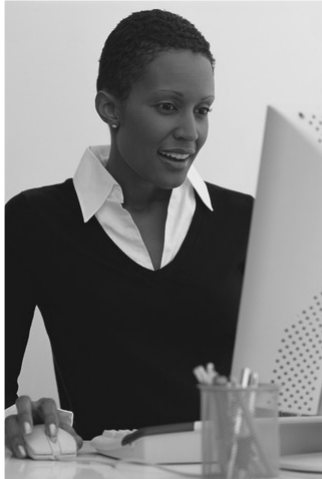


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Improve Customer Experience



e-Certificate Process



1. Redeem
2. Authenticate Online
3. Print e-Certificate or Use Online Unique Code

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Improve Customer Experience



Homepage Then

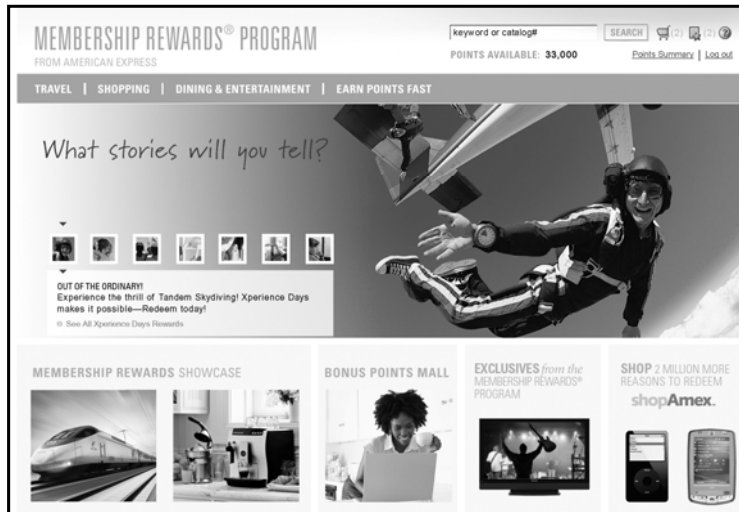
The screenshot shows the American Express homepage with a navigation bar at the top containing links for HOME, PERSONAL CARDS, FINANCIAL SERVICES, TRAVEL, SMALL BUSINESS, CORPORATIONS, and MERCHANTS. Below the navigation is a 'PERSONAL CARDS' section with a search bar for rewards and a 'MEMBERSHIP REWARDS EXCLUSIVES' banner. The main content area is divided into three columns: TRAVEL (with links to Airlines, Hotel Chains, Hotel Properties, and Vacations), ENTERTAINMENT (with links to Dining, Concerts, Movies, and Theatre), and SHOPPING (with links to Fashion & Accessories, Electronics, Gifts, and Golf Equipment). Below these are sections for 'WHAT'S NEW' (welcoming users to Gloss.com), 'EARN POINTS FASTER' (with tips on earning points), and 'BONUS POINT OPPORTUNITIES' (featuring 'THE SHARPER IMAGE' and 'SPA FINDER').

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Improve Customer Experience



Homepage Today



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Consumer Research Results



- Continue to improve customer experience
- Add relevant new partners and rewards
- Increase program flexibility
- Enhance value to partners and merchants

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New Partners



Recent Signings

Travel	Retail, Dining and Entertainment	Merchandise

Consumer Research Results



- Continue to improve customer experience
- Add relevant new partners and rewards
- Increase program flexibility
- Enhance value to partners and merchants

Increase Program Flexibility



Air Travel Redemptions

- **Limited Availability**
- **Blackout Dates**
- **Restrictions**
- **Complex Process**



**Frequent Flyer
Frustration**

**40%
Failure
Rate**

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Increase Program Flexibility



Pay with Points

Total Flexibility

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Increase Program Flexibility



Pay with Points

Reward Type

- Any Airline
- Any Hotel
- Any Cruise
- Any Trip Package

Channel

- Online
- Phone
- Travel Offices

of Points Used

- Use Points, Card or Both

Partial Payment

No Restrictions

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Increase Program Flexibility



Pay with Points

1. Search

2. Select

3. Redeem

AMERICAN EXPRESS TRAVEL

Flights Hotels Cars Vacations Cruise

Flight Flight+Hotel Hotel Car

Exact dates +/- 1 to 3 days Flexible dates

From: New York, NY To: Los Angeles, CA

Compare surrounding airports (US or Canada only)

Depart: Mar 12 Anytime

Return: Mar 15 Anytime

Adults (18-64) 1 Children (2-17) 0 Seniors (65+) 0

SEARCH

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Increase Program Flexibility



Pay with Points

1. Search

New York, NY (NYC) to Los Angeles, CA (LAX)
 Departing Mon, Mar 12
 Returning Thu, Mar 15
 1 Adult



TRAVEL

[Modify your search](#) | [Save to FareWatcher™](#) | *Total* for e-tickets incl. taxes & fees. Add'l fees for paper ticket. [Membership Rewards® points for travel?](#)

Your Search
 Depart Mon, Mar 12
 from \$283

Flights + 3 Nights Hotel
 Save with Complete Trip
 from \$436

2. Select

American Express®
REWARDS
 If eligible, to review & redeem Membership Rewards® points you must complete select the log in option on the bottom of the Review & Continue page. If your preference below and you want to use Membership Rewards® points for your booking, [click](#).

3. Redeem

	American Airlines	United	Continental Airlines	Delta Air Lines	Northwest Airlines
Nonstops Only 58 flights	\$258 Total \$283	\$258 Total \$283	\$258 Total \$283	\$258 Total \$283	0 nonstops
All 146 Flights displayed below	\$258 Total \$283	\$258 Total \$283	\$258 Total \$283	\$258 Total \$283	\$253 Total \$295

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Increase Program Flexibility



Pay with Points

1. Search

Complete your purchase

REWARDS YOU MAY BE ABLE TO REDEEM MEMBERSHIP REWARDS® POINTS FOR TRAVEL. [LEARN MORE](#)

All information that you enter here will be transmitted securely and is protected by the [American Express Travel Privacy Policy](#).

This ticket will be issued in the name of: MATTHEW ROGERS

Membership Rewards payment options:

2. Select

*Select one of the following:

Redeem the full balance of 28,213 Membership Rewards Points toward the trip cost. Your Credit Card will be charged \$334.60 and credited \$262.13.

[See Calculation](#)

Redeem some Membership Rewards

Redeeming Membership Rewards points for travel.

•The full cost of the trip will be charged to an American Express® Card linked to your Membership Rewards account

•That Card statement will then be credited based on the amount of Membership Rewards points redeemed toward the cost

3. Redeem

Redeem Membership Rewards points

Current balance: 28,213

Number of points to redeem:

[CALCULATE NOW](#)

Points redeemed: 10,000
 charged to your Card: \$334.60
 credited to your Card: \$100.00

Final cost after credit: \$234.60

[Terms and Conditions](#)

Note: Membership Rewards points cannot be converted back into your account once redeemed.

Do not redeem any Membership Rewards points at this time. Charge the full amount of \$334.60 to a credit card.

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Increase Program Flexibility



Pay with Points Benefits

- **Top 5 Redemptions**
- **Our Best Customers Use It**
- **Customers Very Satisfied**
- **High Use in Non-Partner Locations**
- **Lower Attrition**

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Increase Program Flexibility



**Cardmember
has points and
wants to Travel**



Home : Travel
MEMBERSHIP REWARDS®
TRAVEL
GETTING THERE
Car Rentals
Airlines
Rail Travel
BEING THERE
Hotel Chains
Vacations
Hotel Properties
HAVING FUN
Cruises
Adventure & Discovery

Points Transfer

Certificates

Pay with Points

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Consumer Research Results



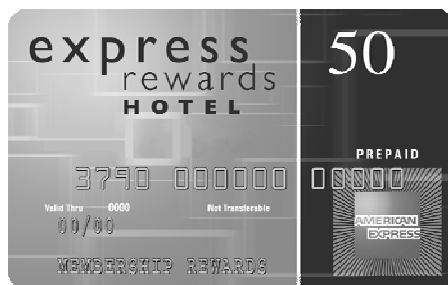
- Continue to improve customer experience
- Add relevant new partners and rewards
- Increase program flexibility
- Enhance value to partners and merchants

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Enhance Partner and Merchant Value



Redeem points for



- Restaurant
- Convenience Store
- Gym
- Spa

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Enhance Partner and Merchant Value



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Enhance Partner and Merchant Value



1
Log onto Bonus Points Mall

2
Choose from 100+ merchants

3
Shop on merchant site and earn bonus points

Enhance Partner and Merchant Value



Bonus Points Mall

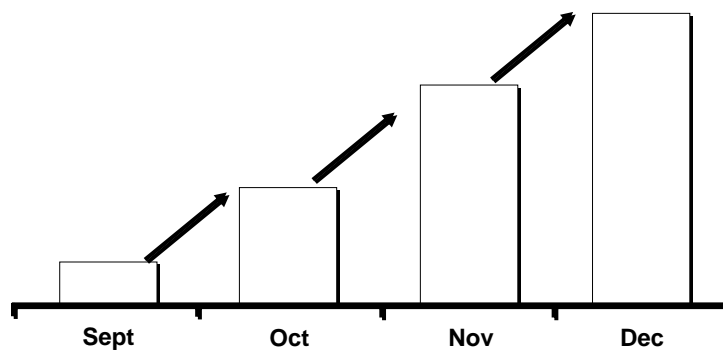
- **Increased sales to merchants**
- **More reward points for Cardmembers**
- **Greater online spend for AXP**
- **Attractive economics**

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Enhance Partner and Merchant Value



Total Cardmember Spend on Bonus Points Mall, 2006



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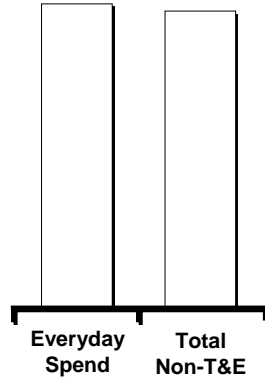
Everyday Spend Charge Volume



U.S., Q4 2006 vs. Q4 2005 Growth

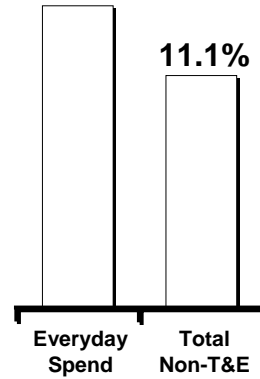
Charge Volumes

14.5% 14.1%



Transactions

14.5% 11.1%



Note: Adjusted to exclude oil category.

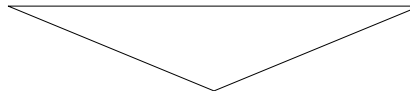
75

Today's Discussion



The Membership Rewards Business

- Has a 16-year history
- Drives revenue growth and loyalty
- Reinvests for greater value and innovation
- Leverages unique assets of American Express








Extends Competitive Advantage

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Innovative Tier Structure



MEMBERSHIP rewards express	MEMBERSHIP rewards	MEMBERSHIP rewards FIRST
Credit Cards 	All Green & Gold Cards  	All Centurion & Platinum Cards  
<ul style="list-style-type: none"> ▪ Program Partners, including: <ul style="list-style-type: none"> - Retail - Merchandise - Dining ▪ Pay with Points ▪ No Point Expiration ▪ No Point Earning Cap 	<ul style="list-style-type: none"> ▪ All benefits from <u>Membership Rewards Express</u> <p style="text-align: center;">+</p> <ul style="list-style-type: none"> ▪ Point Transfer ▪ Enhanced Value with Pay with Points ▪ Higher End Shopping and Dining Partners 	<ul style="list-style-type: none"> ▪ All benefits from <u>Membership Rewards Express</u> and <u>Membership Rewards</u> <p style="text-align: center;">+</p> <ul style="list-style-type: none"> ▪ Super Premium Partners ▪ Enhanced Servicing

First Collection

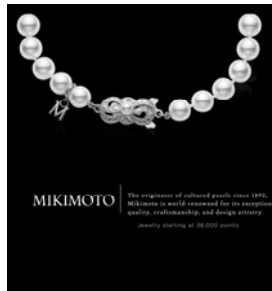


INTRODUCING THE *first collection* FROM THE MEMBERSHIP REWARDS® PROGRAM

First Collection



First Collection



First Collection



Ermenegildo Zegna
For the man, the world of sartorial elegance, refinement, luxury, and sophistication.
Gift cards starting at 25,000 points for \$250

TIFFANY & CO.
Since 1837 Tiffany has been America's house of design and the world's premiere jeweler.
Gift cards starting at 25,000 points for \$250

Nina Ricci
Discover a fabulous selection from top designers and legendary personal favorites.
Gift cards starting at 25,000 points for \$250

First Collection

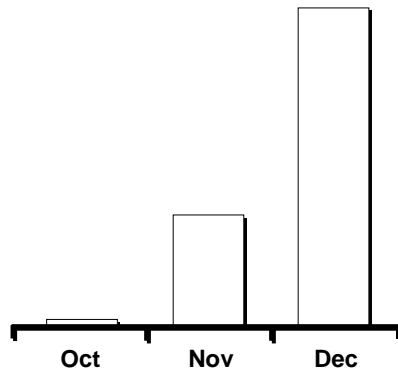


LAMBORGHINI
Luxury cars that boast sporty designer bodies and impressively powerful performance.
Leases starting at 8,000,000 points

First Collection Results



Growth in MR First Collection Redemptions, 2006



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Exclusives



EXCLUSIVES

POINTS AVAILABLE: 33,000

Stop for limited-time, special offers on incredible rewards. Membership Rewards® Exclusives. Offers are updated frequently, so keep checking back.

CATEGORIES: Electronics, Home, Golf, Luggage, Vacations, Sports Gear

EXCLUSIVE OFFERS FROM MEMBERSHIP REWARDS®

<p>Sony Walkman Cancellation Service 17,000 Points</p>	<p>Samsung DVD Twin Tray Recorder 63,000 Points</p>	<p>Yamaha 7" Portable DVD Player 26,000 Points</p>	<p>Yamaha 27" HD LCD Plasma TV 238,000 Points</p>
<p>Sony Walkman Bean™ 8000 Player 22,000 Points</p>	<p>Yamaha 8" Flat Panel TV 206,000 Points</p>	<p>Yamaha 27" HD LCD Plasma TV 238,000 Points</p>	<p>Samsung DVD Twin Tray Recorder 63,000 Points</p>
<p>Tumi Cargo Laptop Carrier 16,000 Points</p>	<p>Jabra Bluetooth Wireless Headset for Cell Phones 16,000 Points</p>	<p>Sony 13" Trinitron TV 22,000 Points</p>	<p>Jabra Bluetooth Wireless Headset for Cell Phones 16,000 Points</p>

Need Help? Learn About the Program | How to Earn Points | How to Check Your Points | Redeeming Points | Transferring Points | Read our FAQs

- Exciting Merchandise, Travel, Entertainment
- Unique experiences
- Deep point discounts
- New offers every 2 weeks

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Exclusives



Home: Membership Rewards®/Exclusives
MEMBERSHIP REWARDS® PROGRAM

keyword or catalog# SEARCH

POINTS AVAILABLE: LOGIN to check your point balance, browse rewards recommendations, and more.

CATEGORIES

- Airlines (2)
- Dining and Entertainment (6)
- Shopping (15)
- Travel (11)

A Special Offer from Exclusives

Spend September 9th and 10th VIP style at Indys final race of the year. Don't miss this incredible offer!

50,000 points

[SEE DETAILS](#)

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Exclusives



PARK HYATT CHICAGO®

AirTran

Partner Video



Flight & Room Finder



Step by Step Frequent Flyer Redemption

Today's Process



Cardmember



Contact
#1 - 5

Step 1
Check
Availability



Contact
#6

Step 2
Book
Reservation



Contact
#7

Step 3
Transfer MR
Points to
Partner



Contact
#8

Step 4
Complete
Booking with
Frequent
Flyer Points

Flight & Room Finder



MEMBERSHIP REWARDS®
FLIGHT & ROOM FINDER

SEARCH. TRANSFER. BOOK WITH POINTS.

With Flight Finder Room Finder you can search for flights and hotel rooms, transfer Membership Rewards points to your favorite frequent flyer and guest programs, and book with points entirely on this site.

FLIGHTS HOTELS FAQs View Itineraries

All flights are round-trip

From:

To:

Departing: Jan 12 [calendar icon] Anytime

Returning: Jan 19 [calendar icon] Anytime

Adults: 1 Children: 0 [help icon]

Search:

Search for flights I can book with points **BEGIN SEARCH**

Whenever this symbol appears, you already have enough Membership Rewards points and frequent traveler points to book this flight or hotel.

See your point balance with your linked frequent flyer and guest programs.

Link all your frequent flyer and frequent guest programs to get the best results.

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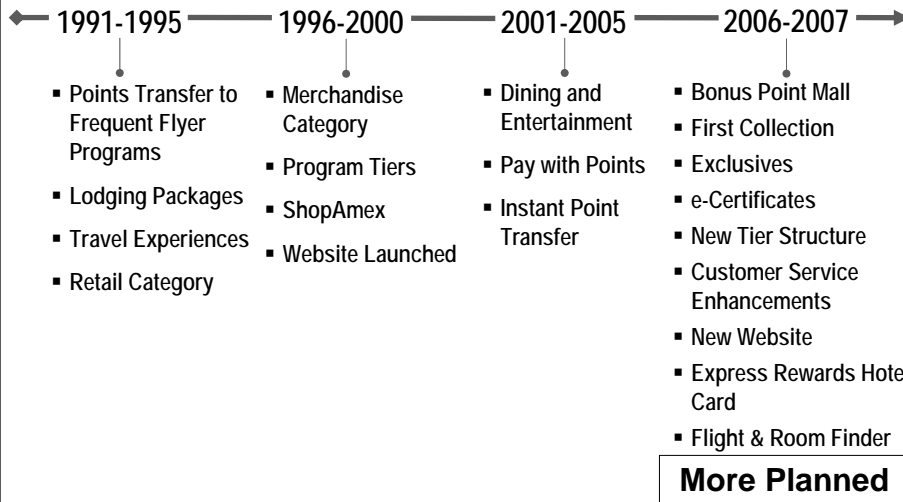
Competitive Assessment of New Features



Capability	American Express® REWARDS	Diners Club International Club Rewards and benefits	citi Citi Premier Pass	Capital One No Hassle REWARDS	mbna WORLD POINTS
Unrestricted Rewards Travel (Pay with Points)	✓	✓	✓	✓	✓
Bonus Points Mall	✓		✓		✓
Tiered Rewards Structure	✓				
First Collection	✓				
Exclusives	✓				
Flight & Room Finder	✓				

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Membership Rewards Innovations



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Today's Discussion



The Membership Rewards Business

- **Has a 16-year history**
- **Drives revenue growth and loyalty**
- **Reinvests for greater value and innovation**
- **Leverages unique assets of American Express**

Extends Competitive Advantage

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Membership Rewards Business Model



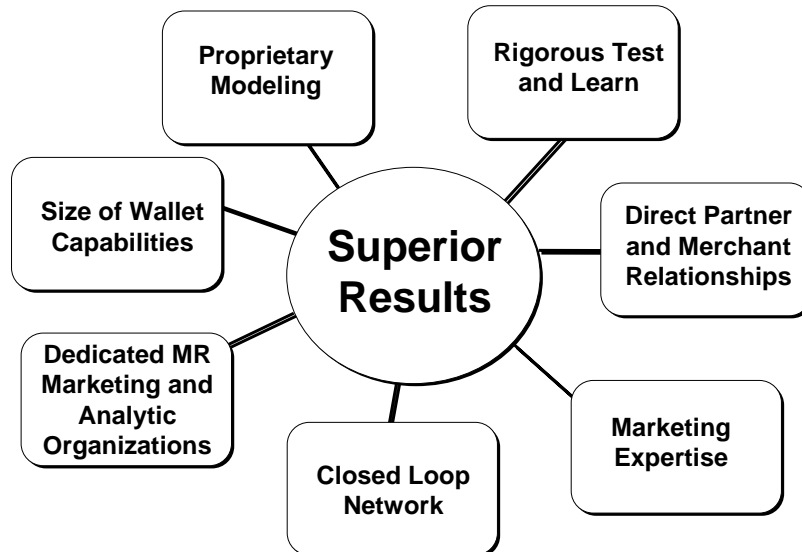
American Express®



**State-of-the-Art Marketing
World-Class Analytical Capabilities**

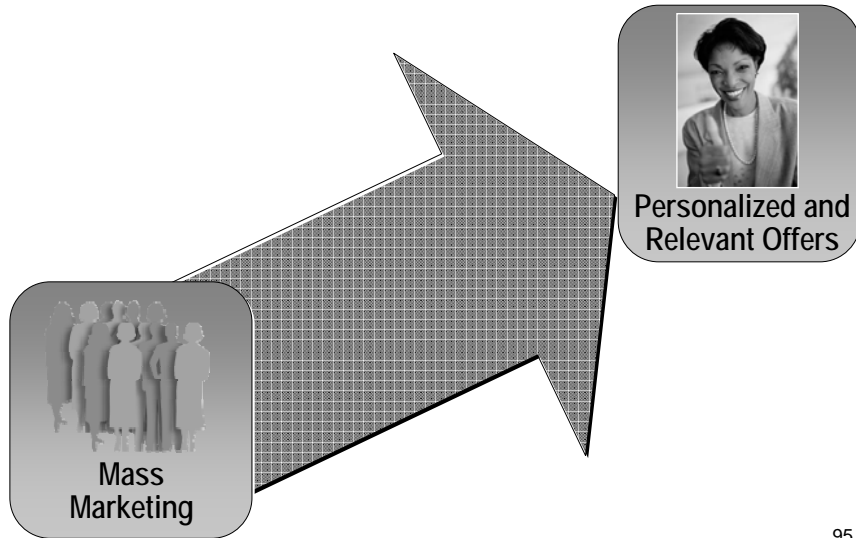
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Marketing and Analytical Capabilities



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Marketing Evolution

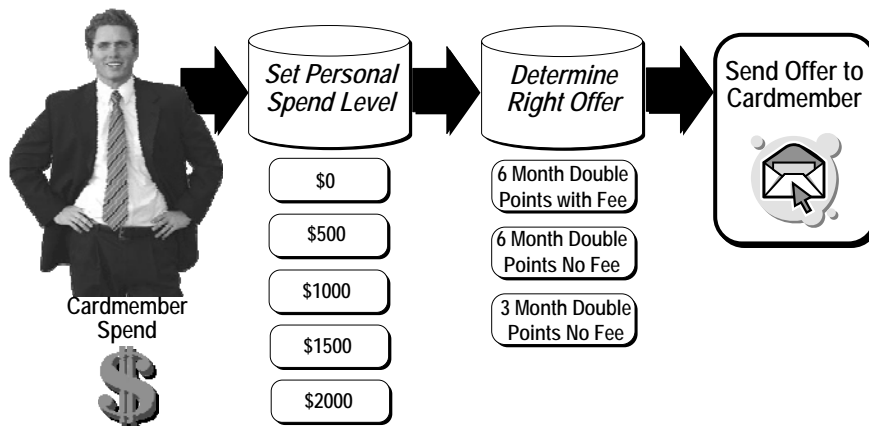


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Marketing and Analytical Capabilities



Points Accelerator Example




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Marketing and Analytical Capabilities



Points Accelerator Results


- **Increased Spending**
 - **Persistence**
 - **Lower Attrition**
- 
- Superior Economics**

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Conclusion



Key Advantages of MR Business

- **Our Cardmembers**
 - **Our Partners**
 - **Our Program Structure**
 - **Our Marketing**
 - **Our Innovations**
- 

Extends Competitive Advantage

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