

**Al Kelly, Group President
American Express Company
Semi-Annual Financial Community Meeting
February 8th, 2006**

Slide – Title Page

Thank you Ken.

Slide – Focus of Today’s Discussion

I am delighted to be here today to update you on our businesses serving consumers and small business owners in the United States.

Slide – Agenda

My aim today is to give you an overview of our performance since I last spoke to you in August of 2003. And I’ll try to do that with some data that goes beyond what we typically disclose. I also want to look ahead to the future. Specifically, I will:

- Provide insights into the drivers of our growth and give you a sense of the strong, broad-based, sustainable momentum of our business;
- Show how our financial and business model is geared to deliver excellent returns; and
- Discuss our growth prospects for the next few years.

Slide – Charge Volume Growth (Overview)

By and large, it has been a very good three-year period for us, in which our consumer and small business segments delivered excellent results. Let me highlight a few of the outcomes.

- In each of the last 12 quarters our year-over-year charge volume grew at double-digit rates. As a result, we added \$104 Billion of new charge volume to our base.
- Importantly, as Ken noted, the gap between our growth in charge volume and that of our largest competitors is growing.

Slide – Charge Volume Growth by Product

Our charge volume growth has been broad-based and robust:

- Charge card volume was up 43 percent,
- Cobrand volume, which behaves a lot like charge cards, was up 85 percent, and
- Spending on our proprietary credit cards doubled.

Slide – Charge Volume Growth by Customer Segment

Looked at by customer segments:

- Individual Consumer volume was up 49 percent, and
- Small Business Owner charge volume increased 72 percent.

Slide – Charge Volume Growth by Industry

Our growth has also been strong across almost every industry. This chart tracks growth in charge volume for the first three quarters of 2005 versus the same period in 2004 in select industries. Our average growth in charge volume was 17 percent for this period.

Growth was strong in every industry, but as you can see, a number of the industries that grew faster than the average are outside our traditional travel and entertainment sector and represent newer areas of focus for us, including telecom, oil, and health care.

Industries that grew below our overall average include most of the large travel categories where we had a large base to start from. In those industries listed where growth was below our average for the period, the growth rate was at least 12 percent. So we are experiencing excellent broad-based growth. Our focus on broadening our brand beyond travel and entertainment is clearly working and driving growth.

Slide – Drivers of Charge Volume Growth (Highlight: New Card Acquisition)

Our growth in charge volume was spurred by:

- excellent new card acquisition,
- higher average Cardmember spending per account, and
- advances in merchant coverage.

Slide – New Cardmember Acquisition

New card acquisition fueled growth in ending Cards in Force of nearly 6.4 million cards for the last three years. This surpassed our performance for the 2000 to 2002 time period – an exceptional period that was aided by the launches of Blue, Costco and refreshed Delta products.

Let me make two additional points specifically about new card acquisition.

First, while our Blue product line and our cobrands seem to get a good deal of attention, we have continued to also be very focused on our charge card product line. In fact, in 2005 we acquired more than 50 percent more new charge cards than we did just three years ago.

Second, despite the high volume of new accounts booked, the average first year spending of each new account in both consumer card and OPEN is up over the last few years.

Slide – Drivers of Charge Volume Growth (Highlight: Average Spend/Acct)

Not surprisingly, this performance has helped to drive overall growth in average Cardmember spend per account.

Slide – Growth in Average Spend per Account: Customer Segment

For individual consumers, the average Cardmember spend per account grew by more than \$2,000 over the three-year period ending in 2005, and the growth in OPEN – which services small businesses – increased more than \$9,000 for the same period. At a slightly more granular level, the growth again has been excellent.

Slide – Growth in Average Spend per Account: Product

Our average spending per account, historically several times larger than that of Visa/MasterCard, is growing faster than the associations and the gap is widening.

For individual consumers average spend per account increased:

- 40 percent on credit cards, and
- 43 percent on charge cards.

In addition, we saw robust growth in OPEN where:

- Average spend per credit card account was up 97 percent, and
- Average spend per charge card account increased 63 percent.

Slide – Blue Box

And, as you know, our customer base is like no other. The Cardmember we attract, combined with our no pre-set limit charge cards, drive very high levels of spending. From an already high starting point, our premium products – traditionally charge cards and key partner cobrands – have seen impressive levels of growth. Despite Visa's claims about attracting "affluent" customers, the evidence shows otherwise. Let me illustrate this point.

Slide – Average Spend per Account: Premium Products

Over the last three years spending per account:

- For consumer Centurion Cardmembers is up \$75,000;
- For OPEN Charge Cardmembers is up \$16,000;
- For Starwood cobrand Cardmembers is up almost \$10,000; and
- For consumer Platinum Cardmembers is up more than \$7,000.
- Across our full product line, the number of consumer and small business accounts spending more than \$50,000 per year increased by 78 percent.

Slide – Blue Box

Let me spend just a minute on Visa's "claims" about spending on Signature, their card for the "new affluent," or those with annual household incomes that exceed \$125,000. They claim spending is growing significantly and "outpacing all other payment brands." It's a good sound bite, but we don't understand it. Our facts and analytics show that we are growing faster.

If Visa Signature, or MasterCard WorldCard for that matter, were taking away premium Cardmembers, we would see a decline in ending cards in force and charge volume for our Gold, Platinum and Centurion Cards. We haven't. If they were actually outpacing all others in the affluent category, their share would be increasing and spending among our premium Cardmembers would be slowing. This is not happening.

So I don't know what Visa is basing their claim on. What I do know is that their alleged growth among affluent cardholders is not coming at our expense. We continue to be the industry leader among premium customers and we are strengthening our lead and gaining share.

Slide – Drivers of Charge Volume Growth (Highlight: Advances in Coverage)

Our performance in the last few years has also been aided by growth in the locations that accept the American Express Card. Given that Bill Glenn reviewed the merchant business in August, I won't go into detail here except to say that as we grow our locations in force, it helps to drive incremental charge volume.

Slide – Blue Box

Growing accounts receivable, as Ken alluded to, is not our primary goal, but this metric has also improved nicely as a by-product of our higher spending volume. In fact, we have performed better than most of our competitors for whom accounts receivable is a critical metric -- and we have done so purely through organic growth.

In the three-year period ending in 2005, Cardmember loans were up more than \$13.5 Billion – or a compounded growth rate of more than 12 percent – during a period when consumer revolving debt levels grew by just over three percent.¹

And, our growth is broad-based. We have 11 products in our lending portfolio in the U.S. that have more than \$1 Billion of accounts receivable as of year-end 2005.

Slide – Managed Cardmember Loans

This pie chart gives you a sense of the breadth in our portfolio as of the end of 2005.

- The largest component is the Blue product line.
- The highly profitable Lending on Charge feature is 23 percent of total Cardmember loans.
- The Delta portfolio is 16 percent of Cardmember loans.
- We are not actively marketing our classic "Optima" lending products, and this portion of the portfolio is shrinking, but at a relatively slow rate.
- Costco, which is growing quickly, represents ten percent of our Cardmember loans.

¹ On a GAAP basis, in the three-year period ending in 2005, accounts receivable for the U.S. Card Services operating segment increased by \$9 Billion or a compounded annual growth rate of 16%.

- Other Lending is six percent.
- And, the remainder is principally our other consumer cobrand loans, including Hilton and Starwood.

Slide – Momentum #1

Our momentum entering 2006 is very good. We just talked about drivers of charge volume growth. Let me share some outcomes:

- The third and fourth quarters of 2005 were our two best quarters of new cards acquired in the three-year period, and the credit quality of these new Cardmembers is excellent.
- The fourth quarter of 2005 was the best quarter ever in terms of charge volume – beating the next highest quarter by \$6.6 Billion.
- Our Cardmember attrition rate in 2005 was 155 basis points better than it was three years ago, which means we're keeping more of the customers that we bring in.

Slide – Momentum #2

- Our 2005 charge volume growth represented a grow-over from 2004 and 2003 – two of our strongest years ever.
- We added over \$6 Billion in accounts receivable in 2005 – the most ever in a single year and almost double the level we added in 2004 – at the same time our credit quality remained strong.
- In 2005, we saw growth in the average transaction size at a level well above the 2002 to 2005 compounded average growth rates.

In addition, our broad-based and strong metric performance has generated excellent financial performance. Over the past three years:

Slide – Share And Financial Outcomes

- In the general purpose plastic segment, we have increased share by 226 basis points -- or 74 basis points if you include both credit and debit, which is not even in the same market.
- In the small business segment we remain about five times larger than the next issuing competitor. We don't have complete data in this segment, but it does appear we have lost some share at the network level. That said, we have had strong growth here, and part of what drives the share numbers in this segment is banks moving customers from personal cards to small business plastic, on which the associations charge higher interchange fees.
- Revenue increased at a compounded average growth rate of 10 percent.
- Net income in this period increased at a 16 percent compounded average growth rate.

And, while we have been growing metrics and gaining share, we have been improving our return on capital.

Slide – Agenda

Now let me turn to my second meeting objective, and demonstrate how our business model generates high returns.

Slide – Return on Capital

The U.S. Card businesses serving consumers and small business owners have a return on capital in the 40 percent range and it has been improving in recent years. This performance is excellent by any standard, and fuels our cash flow and shareholder payouts.

Slide – Components of Return on Capital

Our high returns are driven by our business model and a maniacal focus on the levers of return on capital. Our primary business model advantages in this regard include our product line and our spend-centric strategy. In terms of levers, return on capital is a function of:

- The revenue generated by each dollar of assets – YIELD;
- The amount of capital required to support these assets – LEVERAGE; and
- The net income that is earned from each dollar of revenue – MARGIN.

The higher we can drive each of these levers through specific actions we implement and the more we can take full advantage of our business model differentiators, the higher we drive our return on capital.

Slide: Return on Capital Components: Yield

Now let's go a little deeper and examine our success as it relates to each of the three levers, starting with yield. Within the yield lever there are a number of actions we can take. It all starts with our spend-based model through which we generate:

- Annual fees from our premium products;
- Discount revenue from all spending; and
- Net spread revenue from a subset of our spending.

As you saw in a slide in Ken's presentation, we are less dependent on interest income than our competitors. It is this diversification in revenue streams that helps drive our higher absolute yield and our ability to improve it.

Given our spend-centric model, we strive to drive spend velocity so we can generate the maximum amount of charge volume and associated revenues. One way we do this is by focusing on reducing Cardmember loan days. We do this by encouraging Cardmembers to pay us earlier through terms and conditions like Membership Rewards point forfeiture and newer payment channels through the web and phone.

We have also increased the speed at which we process and clear remittances by improving Treasury processes and systems.

We are encouraged by our recent spread performance. We have maintained, and slightly improved, our net interest yield in the face of rapidly rising interest rates. Here we have resisted being aggressive with balance transfers, and have been quite successful in moving our loan mix toward more variable pricing versus fixed.

Even with these successes, we have only been able to maintain overall yield, as the economic and competitive environment constantly puts pressure on us.

Because of these pressures, there is one more approach we have instituted to help us with yield (and margin for that matter). Over the last few years we have become much more rigorous in monitoring investment spending.

The development of a set of investment optimization tools and a corresponding governance process has helped us become much clearer about the absolute returns of individual investment options. They have greatly enhanced transparency when we compare different investments side by side. And importantly, these tools are designed to optimize for each customer, price point, and offer.

As a result, we are making smarter investment decisions and our investment dollars are working harder for us.

Slide – Return on Capital Components: Leverage

Now let's turn to leverage, which is largely an outcome of:

- The riskiness of our business; and
- Our portfolio mix.

In terms of risk, our performance has been excellent. Our portfolio of assets includes about \$19 Billion of charge card receivables, which, because they turn over quickly and attract very creditworthy customers, are relatively low risk. They require about 50 percent less capital than revolving portfolios. This asset mix improves profitability significantly and is unique to us. Even as our asset mix shifts slightly more toward lending, much of the growth in our lending portfolio has come from lower risk lending products like cobrands and Lending on Charge.

Slide –Leverage – Balance Sheet Optimization

Our leverage has also been helped by an ongoing process that we have mobilized across the organization called “balance sheet optimization.” Under this process we continually examine the return and growth of the sub-components of our portfolio. Our goals are to drive:

- Lower return products to higher return levels;
- Move Cardmembers from lower return assets to higher return products; and
- To sunset or sell underperforming products.

It was this activity that drove us to sell the equipment leasing business last year and to stop marketing the OPEN Business Management Account.

Slide –Return on Capital Components: Margin

The last lever is margin, which has improved nicely over the last few years driven by our core business model and a few key initiatives:

- The first of these initiatives is reengineering, which you have heard quite a bit about over the last few years. Through hundreds of different reengineering efforts we have been able to drive revenues up and expenses down. For example, in the area of Risk Management -- and specifically managing Credit -- reengineering has played a huge role in holding provision levels virtually flat over the last three years as billed business volume and ending cards in force have grown significantly.
- The second element of margin improvement is Six Sigma, which has improved process quality and reduced the levels of rework. It has been a major contributor to improving the efficiency and effectiveness of our core business processes.
- The third initiative to drive margins is “good old” expense management. We have kept a close eye on expenses over the years. While relatively small, a telling example is in the area of travel and entertainment expense, which in 2005 was 30 percent lower than it was in 2000.

Slide – Blue Box

So against all three levers of return on capital – yield, leverage, and margin – we believe we have distinct advantages. We understand the drivers and we have the organization attuned to driving higher returns.

Before I leave this section, I’d like to make one more important observation. As rating agencies move to require capital that is more customized to individual portfolios, versus an average for the entire industry, it should be an advantage for us. American Express’ product mix and best-in-class credit performance should translate to a lower capital requirement compared to many of our competitors. This will be a significant competitive advantage, as it will give us a lot more flexibility in capital deployment and product pricing.

Slide – Agenda

With that backdrop on return on capital, I will now move to my third objective: A look ahead in time. The reality is that many of the initiatives that drove our past growth will play a significant role going forward. So, now let me:

- First, give you some perspective on the marketplace;
- Then, discuss the upside potential for growth;
- And finally, provide some insights into how we will maintain our growth momentum.

Slide – Marketplace Perspective #1

There is a great deal of activity in the U.S. Card marketplace. It is a marketplace full of opportunities but one that has several challenges.

In fact looking back to when I spoke to you in 2003, there were a number of factors that caused some to question our ability to be successful, including the aggregate of:

- Declining direct mail response rates,
- Lower APRs throughout the industry,
- Card industry consolidation,
- Inferior merchant coverage,
- Airline troubles,
- Our capacity to keep reengineering, and
- Our ability – actually any issuer’s ability – to grow share organically.

These are all factors that we carefully consider in running our business today. That said, we have demonstrated an ability to successfully manage through them over the years.

Slide – Marketplace Perspective #2

Today there are other new realities impacting the marketplace – some are targeted at us, and some have less of a direct impact on us, but could be tremendously distracting to our competitors. These include:

- The MasterCard IPO.
- Integration activities at some of the big players in the industry.
- Changes in strategy, like JP Morgan Chase stating that they will target less creditworthy prospects, and Capital One continuing to diversify their receivables into auto loans.

Slide – Marketplace Perspective #3

The activity that is targeted directly at us includes:

- Visa and MasterCard issuers who are converting classic cards to Signature and WorldCards to earn a higher interchange rate on the same cardholders.
- Greater percentages of competitor direct mail offers soliciting prospects with rewards.
- More issuers aggressively pursuing small businesses; and
- Finally, Visa’s announcement of the Visa Incentive Network which is supposedly aimed at creating a “closed-loop-like” capability.

We are watching the competition closely and the task is clear. We need to be the network of choice for high-spending customers, and the issuer with the broadest array of the most compelling and innovative products, complemented by the best customer care.

Slide – Leveraging Core Strengths

To that end, we are focused on leveraging four core and unique strengths of American Express:

- Our spend-centric model;
- Our closed-loop network;
- Our superior risk and information management capabilities; and
- Our marketing prowess.

Slide – The Upside Opportunity

Looking ahead, the payments market has tremendous upside. Let me illustrate this in a couple of different ways. American Express has had strong growth and we are the largest single issuer in the U.S. (and the world, for that matter) in terms of spending.

Yet as you can see in this simple pie chart, in the U.S. only about \$4 of every \$100 of purchases are on an American Express consumer or small business Card. Again, we are the largest issuer, and yet we currently get only \$4 of every \$100 spent across all segments: charge and credit, debit and cash. That's quite a bit of upside for those who claim the payments business is mature.

One of the reasons this number appears lower than the share you would typically see, or what Ken shared earlier, is that market share is generally measured in terms of general purpose plastic spending. In this chart the numerator is our total U.S. consumer and small business Cardmember spending in 2004. The denominator is an estimate of total spending across all payment methods (including credit, debit, cash and check).

Cash and checks represented \$3.4 Trillion or 54 percent of total spending in 2004, so that potential is very large.

Slide – Upside Opportunity (Small Business)

As Ken alluded to, in the small business segment the upside for general purpose plastic is huge. As the largest small business payment provider in this rapidly growing segment, we are well positioned to capture a significant share of this shift to plastic.

Slide – Blue Box

A third illustration of the upside potential is immediately in our reach. Our current active individual consumer and small business Cardmembers are spending well over \$100 Billion on competitors' general purpose plastic.

We already have a relationship with these customers, so this represents a very significant pool of charge volume to pursue.

Slide – Drivers of U.S. Card Growth

Now, let's turn to how we will take advantage of this upside potential. There are three primary drivers that will fuel our growth in the U.S.:

- A focused strategy;
- "Tried and true" initiatives; and
- A new thrust called Integration Power, which we'll discuss shortly.

Each of these drivers has played some role in our success over the last three plus years but I expect they will be even more central to future growth. While each is distinct there is some important overlap and integration among them.

Slide – A Focused Strategy

It starts with the spend-centric strategy. We have discussed this strategy many times with you so I'll not go through it again in any depth this afternoon. It is clear to me that the consistency of this strategy, and the fact that it is totally understood throughout the organization, has kept everyone focused on execution.

Slide – Drivers of U.S. Card Growth (Highlight: Tried & True)

Let's spend a few minutes illustrating in more detail how these other two drivers will contribute to our growth. Within each driver there are many items we could discuss, but given time constraints today, I'll highlight just a few initiatives under each driver. Additionally, I need to walk a fine line between giving you some quality insights into our ability to grow without giving our competitors too much of a window into our thinking.

So with that said, let's start with some of our "tried and true" initiatives.

Slide – Tried and True: Rewards (Cobrands)

Rewards will remain a central tactic in driving charge volume. Our rewards offerings are broad, consisting of:

- Cobrands: Costco, Delta, Hilton, Starwood;
- Cashback; and of course

Slide – Tried and True: Rewards (MR)

- Membership Rewards, which continues to grow in terms of program value, number of enrollees and effectiveness.

We have increased the number of partners by more than 50 percent since the beginning of 2003. More important than counting partners is the expansion of redemption options available to Cardmembers.

For example, through our charity portal, "Just Give," Cardmembers can choose from more than 850,000 charities. Through a new feature called "My Rewards," Cardmembers have created their own rewards from a customized honeymoon in Costa Rica to an ornate chandelier, to laser hair removal treatments.

And, we have dramatically enhanced our travel redemption opportunities by enabling Cardmembers to redeem points for travel on our web site, which I'll discuss later.

The Membership Rewards program continues to deliver on its original intent – to drive higher levels of spending. Over the past three years:

- Ending Cards in Force with Membership Rewards increased by 57 percent; and
- Total Membership Rewards spending increased by 77 percent.

Reward-based Cardmembers, in general, continue to also perform well in terms of retention, credit and float. Over the same period, we saw an overall two-and-a-half day improvement in A/R days in the consumer business and a 1.2 day improvement in OPEN. And, Membership Rewards has a lot of other knock-on benefits, which Ken mentioned.

We will continue to bring value to Cardmembers through rewards and link more Cardmembers to them.

Slide – Tried and True: Partnerships

A second tried and true element of our strategy is partnerships.

We have re-signed Delta, Hilton and Costco to longer term deals that extend into the next decade – even before our previous contracts came up for renewal. We can now jointly spend the next few years on growth versus negotiations, which can be distracting. So we have cobrand deals with the U.S.'s third largest airline, the second and third largest lodging companies and the largest retail warehouse club. All of these partnerships have plenty of upside growth.

- Hilton has said they have 500 new hotels in the pipeline for the next three to four years;
- Starwood has plans to extend its network by 16,000 to 20,000 rooms in the next year or so; and
- Costco is now the fourth largest retailer in the U.S. and has plans to add more warehouse locations.

Slide – Blue Box

In the case of Costco, the refreshed product that we introduced in the latter part of 2004 is doing very well and we expect it to continue to do so. The product that gives Cardmembers three percent back on restaurant spending, two percent back on travel spend and one percent back on everything else (including Costco spend), is producing 33 percent higher average spend per account than our original Costco cobrand.

Additionally, as great as our success has been in growing this partnership, nearly two-thirds of Costco member households still do not have an American Express Card, which provides a large pool to chase.

We have continually innovated our rewards and partner programs: upgrading Membership Rewards on several occasions, continuing to add products to the Delta product line, and refreshing cobrands such as Hilton and Costco. Additionally, we have customized programs to offer small business Cardmembers valuable rewards, which have helped drive our success in this segment. Our OPEN Savings program gives small business owners automatic savings on purchases at partners, which now include FedEx/Kinkos, United Health Allies and Hyatt Hotels. Given the competitive focus on rewards, as we look to the future we will be very focused on this area and will have to continue to invest to drive differentiated value.

Slide – Tried and True: Upselling (w/Card Art)

A third “tried and true” initiative we will continue to leverage is upselling customers. We continue to have good success moving charge Cardmembers up our color hierarchy in our product line. Customer performance and profitability is especially strong on our more premium products, as Cardmembers:

- Pay us a higher fee;
- Spend more; and
- Attrite at a slower rate.

Slide – Tried and True: Upselling (with graph)

Here is a chart I showed in 2003, which we have updated with 2005 data. As you can see in this indexed chart, consumer Cardmember spending on Gold is higher than on Green; spending on Platinum is higher than on Gold; and spending on Centurion is higher than on Platinum. This migration is helped by the superior value and customized service features of our products as Cardmembers move up this card color hierarchy.

Slide – Tried and True: Deepening Relationships

Another “tried and true” initiative that I’ll discuss is deepening relationships. We do this by:

- Selling fee services. Approximately two-thirds of Cardmembers are not enrolled in a single fee service.
- Adding supplemental cards to basic card accounts;
- Enrolling charge Cardmembers in extended pay features.

We are also successfully cross-selling charge cards to select consumer customers with credit cards. In 2005, this was the source of nearly 67,000 new charge card accounts. As with other initiatives we undertake to deepen relationships with Cardmembers, we are seeing impressive growth in spending, as a result of this cross-selling. We have some 2.5 Million eligible accounts with just one Card relationship with us in our Consumer Blue and Blue Cash portfolios alone. So, we are optimistic about the growth potential here.

What’s the benefit of deepening relationships? Cardmembers with more than one of our cards in their wallets spend more with us.

Given our success in bringing in record numbers of new cards in the last three years we have plenty of opportunity to deepen more relationships.

Slide – Tried and True: Additional Initiatives

Let me mention quickly two additional tried and true initiatives that will remain very important going forward – merchant coverage expansion and increases in everyday spending. Continued expansions in merchant coverage clearly will deliver upside over the next few years. One specific area I would highlight is raw materials and inventory, which is an important set of industry categories for small business owners. We estimate that this is a \$1.3 Trillion industry, of which only seven percent is on plastic.

We have talked before about the mix shift, from travel and entertainment to “everyday” spending. In fact, we are seeing very strong volume growth in this sector and it has driven much of our success. Nevertheless our analysis shows there are still a large number of Cardmembers who are not yet using our cards in some categories, even in supermarkets and drug stores. We are developing strategies to help drive spending in this direction, and believe this area still presents significant upside.

So, as you can see, a number of the important tried and true initiatives that have driven growth over the last few years still have plenty of “gas in the tank.” We plan for these initiatives to contribute much to our growth in the future.

Slide – Drivers of U.S. Card Growth (Highlight: Integration Power)

The last driver of growth is something we call Integration Power. It is a combination of capabilities, innovation, and business transformation. This may not sound so new because over the years we have been extremely innovative and quite successful at reengineering. What is new is that we have invested heavily in capabilities and have made major advances.

Slide – Integration Power: Three Circles

Additionally, we are working hard to significantly enhance how we link our capabilities to drive business transformation and innovation and, in turn, performance.

Capability building, business transformation and innovation have historically been somewhat separate activities, but we are increasingly focused on tightly integrating them to drive a step-function upgrade in our effectiveness.

One capability that has been a mainstay for American Express is our marketing strength. And we expect this capability to play a significant role in future growth. Let me share three examples: JetBlue, “contactless payments,” and other New Products.

Slide – Marketing Strength: JetBlue

I'll start with JetBlue. This was a fiercely competitive cobrand bidding process that we won this past summer because of our success with JetBlue in Membership Rewards and our demonstrated marketing skills. We are only in the early stages of rolling out this product with a progressive and growing partner. So far we are having good success attracting younger Cardmembers, many of whom are new to our franchise, and more than 80 percent of the acquisitions have come from on-line channels.

Even with our long-term experience with cobrands, we are still getting smarter at leveraging partner marketing channels, and this is definitely true with JetBlue. As we look ahead, we have a lot of opportunity to leverage JetBlue channels and expand the reach of the product over the next several years. The bottom line with JetBlue is that we are just getting started and there is lots more to come.

Slide – Marketing Strength: Contactless Payments

We think contactless payments – payments using radio frequency and secured by a computer chip – will continue to work their way into everyday spending merchant categories. We have invested in this technology, and are in the market with more than two million Blue from American Express Cards with contactless technology embedded in the plastic. All new and replacement Blue products now include contactless technology, making us the first issuer to launch this functionality nationwide.

We're also expanding our network of merchant partners, and recently added McDonalds.

Through the pilots we have conducted over the past two years, we have identified a clear value proposition for consumers and merchants. We are poised to move forward if merchant and consumer adoption grows.

Slide – Marketing Strength: New Products

We have other new products in very early stages that demonstrate our ability to develop products targeted to specific market segments:

- ONE from American Express, includes a savings feature;
- What we call 'Metropolis Cards': IN*NYC; IN*Chicago; and IN*LA – are each focused on customers in specific geographic markets.

These products are aimed at capturing prospects that are younger than our average.

It is very early but so far we are indeed seeing traction among younger prospects. And these products, similar to JetBlue, are doing very well in terms of attracting new Cardmembers via the Internet. Blue Sky, an airline consolidator product we launched mid-year, is also showing progress.

Slide – Integration Power: Website

Another capability that we have integrated with our transformation efforts and into all aspects of our business model is our website. Americanexpress.com has become a virtual service center and an important marketing channel. The momentum underway will carry forward into future years and we expect the website will continue to play a big role in transforming our business. Americanexpress.com is an important channel for:

Slide – Website: New Cardmember Acquisition

- Generating new cards. Over the course of the last few years, the Internet has become increasingly important in attracting new Cardmembers. The number of prospects responding to direct mail offers by completing applications via the web has increased four-fold from 2003 and 2005. And as you can see on the chart, while the web has increased as an acquisition channel, more than three-quarters of new cards still come through other channels. So there's a lot of opportunity to drive more to the web.

Slide – Website: Pay by Computer

- The site is a virtual remittance center. We have seen increasing levels of electronic payments but with more than 50 percent of our Cardmembers still sending in checks and a much higher percent still receiving paper statements, there is a lot of upside to drive more efficiency and cost savings through electronic billing and payments.

Slide – Website: MR Redemption

- This site has become a popular place for Cardmembers to redeem Membership Rewards points. In fact the number of points redeemed online in 2005 was more than double the number redeemed in 2003. Even with that growth, more than half of redemptions are still done by telephone, so there's a lot of upside here. And, it costs 95 percent less to service redemptions on-line versus on the phone.

Slide –Website: Homepage

In the third quarter of 2005, we introduced a new home page and redesigned website. It no longer has the appearance of an organizational chart. It is more geared to the premium customer. It is customized to prospects distinctly from existing Cardmembers. It is designed for the more affluent by accommodating broadband access, and loads faster (regardless of whether users have broadband access or not).

Since its introduction, we have seen very encouraging results. For example:

- We acquired 80 percent more consumer cards through the site in the fourth quarter of 2005 than in any other quarter on record.

- More Platinum Cardmembers visited the Platinum "benefits" page in October than in any prior month.

We are committed to continuing to advance our website and it will continue to be very important in driving customer satisfaction, lowering costs and driving revenue.

Slide – Website: MR as Payment

Our website capability has led to another marketing innovation that we believe will drive future growth through the integration of Membership Rewards and our Consumer Travel Business. We have created a capability that we internally call MRP - "Membership Rewards as Payment" – which provides Cardmembers with a real-time option to use points to purchase all or any part of air, hotel, and cruise packages via our American Express Travel website.

To be clear, this new functionality significantly expands redemption options and enables Cardmembers to redeem points for air, cruises and selected hotels beyond our core partners in the Membership Rewards program.

This capability, which was launched in the third quarter of last year, is already a top ten redemption option. In the month of November alone, MRP was used on close to one-third of all travel transactions on our website. And, for Cardmembers who use MRP for at least part of their air and hotel booking, we are seeing a 19 percent higher average price than non-MRP travelers.

Going forward we will use Membership Rewards as Payment as our own virtual currency to build an electronic marketplace that delivers value to our Cardmembers.

Slide – Integration Power: Risk and Information Management

Other key capabilities that are fueling Integration Power for us are our Risk and Information Management functions, which we have changed dramatically. About three years ago we made a very important decision organizationally and strategically relative to Information Management.

Slide – Evolution of Information Management

We decided to dramatically change the direction of the function from a marketing back office to a proactive and deeply analytic team. At the same time we moved the function under our Chief Risk Officer as a complementary organization to Risk Management.

We also seeded the new Information Management team with some of the best people from Risk Management. The payoff has been terrific. This new team has delivered numerous new capabilities and insights that helped our business performance in 2005 but will pay even bigger dividends as we look ahead.

Slide – Information Management Advances

They have developed:

- new models that have enhanced our prospect acquisition;
- a new capability that has dramatically improved our ability to accurately match multiple accounts to the same customer; and
- uncovered new insights that allow us to be much more surgical in our marketing.

With the work of this team we are also actively exploring capabilities that leverage our closed loop network. From all that we know, we believe we have now created a world-class Information Management capability equal to our world-class Risk Management capability, and that is a real differentiator.

Let me now highlight some examples where these capabilities have and will help us going forward in terms of transformation and innovation.

Slide – Blue Box

The most exciting capability that we have developed in the last year, and are in the midst of integrating throughout our business model, is a new share of plastic wallet measure.

Based on a combination of our unique closed-loop data, various external data sources, and some proprietary modeling, we believe we now have a very good fix on the share of plastic spend that we have for each customer in our base.

This information provides us with an ability to segment our existing customer base in new ways and opens an exciting new window into the type of strategy we need to utilize for each unique customer.

Slide – Risk and Information Management: Share of Wallet Example

Let me illustrate the power of this analytic tool with a simple example.

Until we had this capability, we would look at two Cardmembers – each spending \$30,000 annually – as being quite similar and treat them pretty much the same.

In reality, one Cardmember might be spending \$30,000 with American Express and \$33,000 on general purpose plastic overall. Here, our share of plastic wallet is very high. Our job is to cement the loyalty of this customer. We also want to look at categories of spending and specific merchants where the customer is likely to be using cash, check or debit, and move that spending to American Express. For example, if this Cardmember doesn't have any spending in the oil category, we can market neighborhood merchants to remind him or her to use the Card at those gas stations.

The second Cardmember may be spending \$30,000 on American Express and \$250,000 on general purpose plastic overall. Here, our share of wallet is quite modest. Our job is to increase our percentage of that Cardmember's wallet by converting both other general purpose plastic spending, as well as cash, check and debit spending to American Express.

Slide – Blue Box

Perhaps a second example will be of further help. Earlier, I mentioned that existing customers are spending well over \$100 Billion in total on other general purpose plastic. Within this amount, there is a segment of more than one million active existing Cardmembers enrolled in our strongest loyalty program – Membership Rewards – for whom our share of wallet is low. And they are spending tens of billions of dollars on competitors' general purpose plastic. Given that these Cardmembers are already enrolled in Membership Rewards, capturing a greater share of their plastic wallet is a clear priority. These are the types of insights generated by our share of wallet tool that will enable us to be even more targeted in our marketing initiatives.

Slide – Integration Power

Let me give you a few more examples of outcomes where Integration Power has and will help us drive spending going forward.

Slide – Recurring Payments

I'll begin with recurring payments. Our goal is to get as many Cardmembers as possible to designate multiple merchants to automatically charge their American Express Card each month for services such as:

- Cable,
- Wireless,
- Health Clubs,
- Internet Service Providers (ISPs), as well as the others you see on the slide.

We are also equally focused on increasing the number of recurring payment relationships per customer. We've seen a good increase in recurring payment transactions over the past three years, but our progress has not been as significant as we would like.

As of the end of 2005, about 80 percent of our Card accounts do not have recurring payment charges. And while we have grown the number of relationships per card, it is still too low. Through Integration Power we will pursue this area aggressively over the next few years.

Slide – End-to-End Process Improvements #1

Another example of Integration Power is end-to-end process improvements. We are generally organized internally by segments, and then by product categories. As a result, we need to be proactive in focusing on end-to-end processes, since the organizational structure doesn't naturally force it.

Let me give you a few examples of how focusing on end-to-end processes, as well as some important reengineering initiatives, has resulted in our organization becoming more flexible and nimble. We have begun to see the benefits of these initiatives and expect them to continue to contribute to revenue generation and expense reduction going forward.

- So let me start with our marketing processes. As we have increased marketing spending, we've also redesigned marketing processes to enable higher levels of capacity in terms of customer and prospect contacts. Over the last three years, we've increased this capacity by four times.
- We have significantly reduced our time to market for direct marketing campaigns. Specifically, we have cut our "list execution" process – which includes determining who we want to target all the way through generating the actual list of names – by more than 70 percent, and reduced cost by more than 25 percent.
- As of year-end 2005, nearly 80 percent of new applications were automatically "decisioned," or processed, by our systems.
- And, we are currently making many more real-time line of credit increases.

Slide – End-to-End Process Improvements #2

- Our collections effectiveness has increased as we have reduced cases by more than 40 percent by weeding out lower-risk cases; improved our contact processes; and reduced our costs by 15 percent.
- Our customer service training is now highly automated and we believe it is state-of-the-art. As a result in the first year of implementation, we have decreased our average time to train a new customer service rep by more than 30 percent. Simultaneously, we have reduced our costs by a third and satisfaction ratings for our training have improved.

Slide – Lending on Charge: OPEN Opportunity

OPEN Lending on Charge is another outcome of Integration Power. When I spoke to you at this meeting in 2003, I said we had recently introduced this extended payment feature to OPEN Charge Cardmembers. We thought it could reach more than \$1 Billion in Cardmember loans if we could match our levels of consumer card penetration.

Well, OPEN Lending on Charge has grown much faster than expected, and in 2005 it crossed the \$1 Billion threshold. We believe there is a lot more upside for this feature in OPEN, as our penetration of the OPEN Charge Card base is still less than half of what it is for individual consumers.

Slide – Reducing Fraud

Through Integration Power, we have greatly improved our ability to use the closed-loop network to reduce fraud. This is an area that gets a lot of attention and it's certainly important to merchants and customers. We have invested heavily in this area over a number of years, and our fraud expertise is best-in-class. Because we see all Cardmember transactions at every merchant, we can detect cards (or groups of cards) with unusual activity. We can then put extra controls in place on these cards to protect the accounts from potential fraud.

Slide –Reducing Point-of-Sale Disruptions

A key in the spend-centric strategy is to enable maximum levels of good (creditworthy) spending.

Through Integration Power we have made excellent advances in two key aspects of spend management. The first is in the area of point-of-sale disruptions. Through innovation and upgrades in technology, we have driven a 25 percent decline in the number of point-of-sale disruptions and more than 40 percent decline in dollars disrupted over the past three years. This decline in point-of-sale disruptions generates real increases in charge volume and of course improves both customer and merchant satisfaction.

Slide – No Pre-Set Spending Limit

The second area of spend enablement that we continue to push is our no pre-set spending functionality. It takes years to refine, fine-tune and leverage this type of functionality and it is not easy to do.

Through Integration Power – linking capabilities, transformation and innovation – we are and will continue to advance our ability to leverage no pre-set spending limit to create a distinct advantage for us versus Signature and WorldCard.

Slide – Blue Box

So, in summary, there is tremendous upside in this business. Today I hope I provided clear evidence that:

- Both our individual consumer and small business owner segments have done very well.
- Across both segments, we have great depth and breadth in our product lines.
- Our investments over the past few years have generated strong returns and there are many more terrific investment opportunities ahead.
- We understand the opportunities as well as the challenges.
- Our products and credit management create a financial model that generates best-in-industry returns.
- We believe our business model will provide the investment funds to drive our growth.
- We have a lot of levers to pull to generate this growth.
- And finally, we believe we have an organization of tremendously talented people focused on excellent execution.

Through our well understood, spend-centric strategy, a robust set of tried and true initiatives, and our new thrust on Integration Power, we believe we are well positioned to capture a significant amount of upside going forward.

Thank you.

NOTE RELATING TO NON-GAAP FINANCIAL DISCLOSURES

This presentation contains certain non-GAAP financial disclosures, including the Company's pro forma return on equity, as well as information that is reported on a "managed" basis. Managed basis assumes no securitization transactions, i.e., all securitized loans and related income effects are reflected as if they were in the Company's balance sheet and income statement, respectively. Information relating to comparable GAAP financial measures may be found on the relevant slides both attached hereto and located on American Express Company's investor relations website at <http://ir.americanexpress.com>.

INFORMATION RELATING TO FORWARD LOOKING STATEMENTS

This presentation includes forward-looking statements, which are subject to risks and uncertainties. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could," "would," "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. The Company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: the Company's assumption that the full year 2005 final results will demonstrate that it gained share compared to its competitors with respect to card billed business volumes in the United States and internationally; the Company's ability to generate sufficient net income to achieve a return on equity on a GAAP basis of 28% to 30%; the Company's ability to grow its business and meet or exceed its return on shareholders' equity target by reinvesting approximately 35% of annually-generated capital, and returning approximately 65% of such capital to shareholders, over time, which will depend on the Company's ability to manage its capital needs and the effect of business mix, acquisitions and rating agency requirements; consumer and business spending on the Company's credit and charge card products and Travelers Cheques and other prepaid products and growth in card lending balances, which depend in part on the ability to issue new and enhanced card and prepaid products, services and rewards programs, and increase revenues from such products, attract new cardmembers, reduce cardmember attrition, capture a greater share of existing cardmembers' spending, sustain premium discount rates on its card products in light of regulatory and market pressures, increase merchant coverage, retain cardmembers after low introductory lending rates have expired, and expand the Global Network & Merchant Services business; the Company's ability to introduce new products, reward program enhancements and service enhancements on a timely basis during 2006; the success of the Global Network & Merchant Services business in partnering with banks in the United States, which will depend in part on the extent to which such business further enhances the Company's brand, allows the Company to leverage its significant processing scale, expands merchant coverage of the network, provides Global Network & Merchant Services' bank partners in the United States the benefits of greater cardmember loyalty and higher spend per customer, and merchant benefits such as greater transaction volume and additional higher spending customers; the continuation of favorable trends, including increased travel and entertainment spending, and the overall level of consumer confidence; successfully cross-selling financial, travel, card and other products and services to the Company's customer base, both in the United States and abroad; the Company's ability to generate sufficient revenues for expanded investment spending, and the ability to capitalize on such investments to improve business metrics; the costs and integration of acquisitions; the success, timeliness and financial impact (including costs, cost savings and other benefits including increased revenues), and beneficial effect on the Company's operating expense to revenue ratio, both in the short-term and over time, of reengineering initiatives being implemented or considered by the Company, including cost management, structural and strategic measures such as vendor, process, facilities and operations consolidation, outsourcing (including, among others, technologies operations), relocating certain functions to lower-cost overseas locations, moving internal and external functions to the Internet to save costs, and planned staff reductions relating to certain of such reengineering actions; the Company's ability to generate at least \$1 billion in benefits from its reengineering initiatives in 2006; the Company's ability to control and manage operating, infrastructure, advertising and promotion expenses as business expands or changes, including the ability to accurately estimate the provision for the cost of the Membership Rewards program; the Company's ability to manage credit risk related to consumer debt, business loans, merchant bankruptcies and other credit trends and the rate of bankruptcies, which can affect spending on card products, debt payments by individual and corporate customers and businesses that accept the Company's card products and returns on the Company's investment portfolios; bankruptcies, restructurings or similar events affecting the airline or any other industry representing a significant portion of the Company's billed business, including any potential negative effect on particular card products and services and billed business generally that could result from the actual or perceived weakness of key business partners in such

industries; the triggering of obligations to make payments to certain co-brand partners, merchants, vendors and customers under contractual arrangements with such parties under certain circumstances; a downturn in the Company's businesses and/or negative changes in the Company's and its subsidiaries' credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs; risks associated with the Company's agreements with Delta Air Lines to prepay \$350 million for the future purchases of Delta SkyMiles rewards points; fluctuations in foreign currency exchange rates; fluctuations in interest rates, which impact the Company's borrowing costs, return on lending products; accuracy of estimates for the fair value of the assets in the Company's investment portfolio and, in particular, those investments that are not readily marketable, including the valuation of the interest-only strip relating to the Company's lending securitizations; the potential negative effect on the Company's businesses and infrastructure, including information technology, of terrorist attacks, disasters or other catastrophic events in the future; political or economic instability in certain regions or countries, which could affect lending and other commercial activities, among other businesses, or restrictions on convertibility of certain currencies; changes in laws or government regulations, including changes in tax laws or regulations that could result in the elimination of certain tax benefits; outcomes and costs associated with litigation and compliance and regulatory matters; deficiencies and inadequacies in the Company's internal control over financial reporting, which could result in inaccurate or incomplete financial reporting; and competitive pressures in all of the Company's major businesses. A further description of these and other risks and uncertainties can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and its other reports filed with the SEC.