

FINANCIAL COMMUNITY MEETING FEBRUARY 8, 2006

TITLE SLIDE

Good afternoon. And welcome to our first financial community meeting of the year.

Let me get right to our agenda.

AGENDA

I'll start with a brief update on our results for 2005, including our bottom-line performance and our top-line business metrics, both of which were very strong.

I'll then take you through my perspective on the company's growth potential as we look out over the moderate to long-term. I'll cover the types of business opportunities we have, and why we believe these opportunities – along with our financial dynamics – can generate sustainable growth for the Company, not just 1 or 2 years out, but over a longer-term horizon.

Al Kelly, President of Consumer, Small Business and Merchant Services in the U.S., will then give you a deeper drill on the opportunities we have in our U.S. proprietary card businesses.

You'll hear about some of the capabilities we've developed and how we're successfully leveraging those capabilities against opportunities in both our consumer and small business segments.

As always, the last hour will be available for Q and A with our entire management team.

* * * * *

COMPANY PERFORMANCE

Let me start with the company's overall performance for 2005.

Here's the executive summary – I believe we had a terrific year.

FINANCIAL PERFORMANCE VS. OBJECTIVES

As you can see here, we met or exceeded each of our on-average-and-over time financial objectives.

Our revenue growth was 10% and our growth of EPS from continuing operations was 22%. Our pro-forma Return on Equity, adjusted for the Ameriprise spin-off was 31%.

FINANCIAL PERFORMANCE – NEW AXP 3 YEARS & OLD AXP CAGR

Using the information we provided as part of our spin-off disclosures, you can see that the pro-forma performance of the new American Express has been quite strong over the last several years.

Now, comparing this performance to our pre-spin results, you can see that – as we had expected -- the returns achieved by the New AXP are higher than our historical actuals.

One reason I cited for spinning off Ameriprise was that it would allow our payment businesses to benefit from increased focus and higher relative returns.

Based on our current performance, and the opportunities we have in the pipeline, I remain quite confident that this reasoning will stand up over time.

METRICS – BILLED BUSINESS

The core driver of our bottom-line performance has been the continued strength of our business metrics.

The business building investments we've made over the last three years continue to provide us with excellent payback and have led to strong momentum in our indicators.

Let me start with billed business.

As you've seen, billings in 2005 were up 16%, a very strong performance, particularly when you consider the high growth rates we generated in the previous two years.

As you'll hear from AI, our billings growth is coming from multiple sources – new products, new cardmembers and new, higher levels of spending.

And this is true across international as well, where reported billings were up a very strong 17%.

Now, in terms of absolute performance, our growth has been excellent.

But it's our relative growth that really shows the result of our investment strategy over the last several years.

METRICS – RELATIVE PERFORMANCE -- 2005

Our 16% growth for the full year was a full 5 points higher than MBNA, with all other major players even further down the growth scale.

Capital One is not shown on this chart as they just began reporting a volume number.

The reported growth in their U.S. card volume in the 4th quarter was 19%, but as they didn't provide data from 2004, nor detail about what is being measured, we couldn't calculate a comparable full year growth rate.

Now, comparability has always been an issue with this metric, in that some competitors include cash advances and balance transfers in their purchase volumes, while others don't.

For example, we don't include balance transfers as billings, but we do include cash advances, which are immaterial to our overall volume and don't significantly impact our growth rates.

This definitional issue doesn't generally matter except in cases like the current environment, where the growth rates of some competitors are being materially impacted by cash advance volumes.

This demarcation in billings growth has been occurring over the last couple of years, but it wasn't that long ago that our competitive position was quite different.

METRICS – RELATIVE PERFORMANCE -- 2000

For example, looking back at U.S. billings in 2000, our relative ranking was not quite as impressive.

While the industry saw good growth overall, Cap One, Citi, Discover and Provident all outgrew us.

U. S. PURCHASE VOLUME SHARE

Our investment strategy, which we initiated in 2002, mitigated this trend and eventually put us back into a position of growing share.

Once the 2005 numbers are finalized, we expect to see another year of gains in the U.S.

The situation in international is much the same.

We gained share in all international regions in 2004, and we believe we'll see similar results for full year 2005 in many countries when the numbers are finalized.

METRICS – CARDS IN FORCE, AVERAGE CARDMEMBER SPEND & CARDMEMBER LOANS

Cards in force growth continued its upward trend, finishing up 9% for the full year.

Given the surge in cards we saw from our MBNA network launch in the fourth quarter of last year, this year's growth rate represents particularly strong performance.

As with billings, both the U.S. and international are contributing to this growth, with the U.S. up 8% and international up a very robust 10%.

Given our spend centric model, average cardmember spending is a metric we closely watch.

Continuing the solid trend we've seen over the last several years, average spend was up 10% for 2005.

Now, as Al will discuss, this growth is the outcome of many initiatives: from broader merchant coverage, to higher rewards participation, to our focus on customer share of wallet.

Managed cardmember loans grew impressively this year, up 15% on a worldwide basis, with strong growth coming from both the U.S. and international.

While lending balances are an outcome, rather than an objective, of our spend-centric strategy, this strong growth in high quality loans has been an important contributor to our economics.

INDUSTRY GROWTH

With consumer credit in the U.S. growing at only 3%, our performance once again outpaced the industry by a significant margin.

METRICS – CARDMEMBER LOANS -- 2005

As with billed business, it is our relative performance against major competitors that clearly shows the results of our investment strategy.

Given the weak results of a number of large issuers this year, our managed loan growth is now 10 points higher than our nearest competitor – a gap I don't remember seeing in my 20+ years in the business.

The intense competitive environment has caused a number of competitors to reassess their growth strategies over the last several quarters.

In some cases they've opted to move further down the prospect list into sub-prime sectors.

Others have focused more heavily on rewards, while others have been diversifying out of card into other businesses.

Again, this is a far different picture from just a few years ago.

METRICS – CARDMEMBER LOANS -- 2000

Back in 2000, the industry was growing much faster, but our relative position was not as strong.

Cap One, Citi and Provident again outpaced us, while our performance with Discover was a dead heat.

METRICS – CREDIT

Another area where we've focused our capabilities with very good success has been credit.

CREDIT PERFORMANCE – AXP VS INDUSTRY

While the surge in bankruptcy filings significantly impacted the U.S. results of every industry player, I believe the underlying credit quality of our portfolio remains quite strong, whether in the U.S. or in major international countries.

As others in the industry have noted, we too believe the bankruptcy surge was a one-time event in reaction to the legislation.

While our fourth quarter writeoffs increased significantly, our overall writeoff rate continued to be best in class.

Assuming that the change in the law did accelerate some bankruptcy filings from 2006 into 2005, we would expect to see some benefit to our credit indicators during the year.

As we haven't been through an event of this kind before, there is no historical experience to rely on, so we'll only be able to quantify the magnitude of any benefit as the year progresses.

METRICS – TRAVEL SALES/TRAVELERS CHEQUE

Looking across all of these metrics, it is clear that a lot has happened to the industry, to our competitors and within our own company over the last five years.

As nothing in payments stands still for long, we don't intend to become complacent in our current position.

We're well aware that one or more of our peers will eventually turn around their performance.

But I can assure you that we do have the commitment it takes to remain on top and, as you'll see from AI, I believe we have the ideas and the capabilities that should allow us to sustain our relative advantages.

Our final three metrics are not a direct part of our card business, but are important to our performance nonetheless.

Total travel sales were up only 4% for the full year, and trended downward in the fourth quarter, reflecting a heightened competitive environment for corporate accounts, partially offset by very strong growth in U.S. Consumer Travel.

Our higher growth rate in 2004 included both a more favorable business travel environment and our acquisition of Rosenbluth Travel.

Within Travelers Cheque and Prepaid, the sales of paper travelers cheques continued to decline in 2005; however, we did see strong growth in our gift card product, which benefited this year from both broader distribution and increased advertising.

And finally, at American Express Bank, our private bank holdings were up by 10% for the year, continuing their double digit growth trend.

* * * * *

AGENDA – GROWTH PERSPECTIVE

So, as I said earlier, I believe we had an excellent year.

We began the year with good momentum and, as the year passed, our performance continued to be strong, even against some high comparatives.

We continued to reap the benefits of our investment strategy and, as you clearly saw, we further widened the gap between ourselves and our major competitors.

While our shareholders, I'm sure, are pleased with a good quarter or a good year for that matter, their priority – and mine – is the moderate to long-term.

Our results have been impressive, but the key question is one of sustainability.

I've heard this question phrased a number of ways from several people in today's audience.

SUSTAINABILITY QUESTIONS

“Given the pressure on your discount rate from merchants and regulators, what are your long-term economics going to look like?”

“Given the competition for premium customers, how are you going to stay on top?”

“Given a “maturing” industry, where does your future growth come from and does it come only by trading off high returns?”

Now, the first question is clearly an important one, and I believe Louise Parent and Bill Glenn fully addressed it at our last meeting in August.

As a result, Al and I will not be talking extensively about the merchant side of our business today, although you can certainly raise any questions you’d like as part of the Q and A.

Regarding the issue of discount rate I’ll just say that the situation today remains largely as it did six months ago – our premium rate is a major economic driver for us, and we continue to ensure we’re supporting it through the generation of premium value for our merchants.

My point of view continues to be that we’re managing our premium economics, and the various factors that impact those economics, quite well.

Our competitive position in the premium card segment also hasn’t changed.

Al will take you through some data on this, which continues to show that our high spend customer base remains very engaged, loyal and satisfied, contrary to the public claims of success by Visa and MasterCard in this segment.

So, it’s this last area I want to talk about today – what business opportunities will sustain our future growth, and what kind of returns do we expect to generate?

As you all know, I’m quite confident in our moderate to long-term potential, so today I’ll take you through some of the points that I believe support my confidence.

I’m going to look at our sustainable growth potential from three perspectives:

GROWTH PERSPECTIVE – INDUSTRY, COMPANY & FINANCIAL DYNAMICS

First, I’ll discuss the core industry opportunity in payments;

Second, I’ll go into the specific capabilities and business opportunities at American Express that I believe can uniquely add to our marketplace opportunity;

And finally, I’ll discuss some of the financial dynamics that should allow us to generate strong returns for shareholders as we capitalize on our business opportunities.

In combination, I believe these elements can generate sustainable growth and high shareholder value over the moderate to long-term.

So let me start with the broad opportunities within payments.

U.S. SPEND GROWTH – 2004 VS. 2009 POTENTIAL

In the U.S. in 2004, it's estimated that consumers made over \$6 trillion in payments. Of this amount, less than 40% was put on plastic, which includes both credit and debit.

By 2009, total payments will grow to over \$8 trillion, reflecting a projected compounded growth rate of 5% per year.

Of greater relevance to us, however, is plastic share, which is projected to grow from 38% to 48%, for a 5 year cumulative growth rate of 10.4%.

Given the sheer size of the underlying numbers here, a 5 year growth rate of 10% is exceptional for any industry.

But even as \$1.5 trillion of U.S. spending is forecasted to move onto plastic, over \$4 trillion remains on the table in the form of paper and electronic payments.

So, while a 10% market growth is terrific, the upside beyond that number is quite strong.

SEGMENT SPEND GROWTH

Additional opportunities can also be seen by looking at the current penetration of plastic by segment.

While U.S. consumers have clearly embraced plastic as a form of payment, other segments have even further potential for growth. For example:

International consumers are much further down the adoption curve, with less than 25% of current spend on plastic, and with countries like China, India and Russia just beginning their transition.

Business spending also represents a large untapped source of spend, with over 85% of U.S. small business payments currently made by cash and checks.

And even in larger companies in the middle market segment, plastic still accounts for less than 10% of their spend.

As we are a major player in all of these segments, our potential is therefore quite broad.

So where is this penetration opportunity projected to come from?

As you might expect, a large share is coming from industries that have just begun their transition to plastic.

U.S. SPEND GROWTH BY INDUSTRY

Sectors such as healthcare, B2B, and telecom are among the fastest growing of all categories, yet have among the lowest levels of plastic penetration.

At the same time, well-established industries such as insurance, fast food, and even rental housing, have only recently begun accepting plastic, adding to the potential opportunity.

As I said earlier, I know that some people believe that plastic is a mature industry.

(In fact, even some of our competitors have stated this.)

But with numbers and trends such as these, I believe we can clearly put that hypothesis to rest.

AXP CAPABILITIES AND OPPORTUNITIES

So on top of this broad potential within payments, what additional growth opportunities exist that are specific to American Express?

What opportunities use our capabilities and assets in ways that should generate even greater growth?

As we've discussed before, we have a number of unique assets that we bring to bear in payments.

SPEND CENTRIC MODEL

Our spend-centric model and our closed loop network are two of the most important.

No one else has our spend-based focus, and, importantly, no one else has the capabilities of a closed loop network with which to pursue these spend opportunities.

Our spend-centric model is at the core of our strategy and it informs and influences our tactics, whether in marketing, risk or operations.

Important to our success has been the fact that our organization understands the advantages of our spend model, and have fully inculcated its concepts in the assessment of our investment opportunities.

Bringing these opportunities to life is all in the details, so this will be a major part of Al's presentation.

He'll take you through some of the exciting and innovative initiatives he and his team have been working on, initiatives that specifically capitalize on both our spend centric model and our closed loop.

While these two unique assets are key to our future growth, we also have a number of other capabilities and opportunities that I believe differentiate us from our peers.

AXP CAPABILITIES AND OPPORTUNITIES – REWARDS

The first of these capabilities, and the one most closely linked to our spend-centric model and closed loop relationships, is our expertise and product breadth in rewards.

Rewards of some kind – be they Costco rebates, Cash, Delta Skymiles, or our traditional Membership Rewards program -- are a key benefit for most of our consumer and small business products around the world.

We are the leader in this segment, with the largest rewards program of any issuer and almost 15 years of experience in managing and utilizing these benefits within our franchise.

The strength of our reward offerings is a direct result of our merchant network.

As Bill Glenn discussed back in August, our unique position as a payment network and merchant acquirer means we have direct relationships with merchants, which is unlike either the associations or other issuers.

These merchant relationships are incredibly valuable when it comes to the scope and depth of the reward options we can offer.

I believe we've effectively used rewards as a competitive weapon and as a key differentiator in the marketplace.

At a time when lend-based competitors were generating growth with 0% APR offers, we opted to maintain our spend-based focus and push more aggressively into the rewards space.

Rewards are clearly a large cost for us, as I'll discuss in a moment.

But the impact of our reward programs is far broader than a single line item on our P&L.

ECONOMIC BENEFITS OF REWARDS

As we've discussed before, the economic benefits we gain from having cardmembers on a reward product more than justify our cost.

Higher spend serves to improve our scale and our value to merchants.

Lower attrition rates translate into retaining spend and reducing the need to ramp up card acquisition. And lower delinquency rates improve provision performance and serve to lower collection costs.

So, on average, the cost of rewards is more than offset by the improved economics of the cardmember's relationship.

Going forward we expect to continue using rewards as a growth opportunity.

Competition among reward products has been particularly intense and this isn't likely to abate.

Other issuers are trying to replicate our success here, and that is clearly driving up the competitive stakes.

As a result, we'll continue to build the value of our reward products and will look to increase the utilization of rewards across our card base, both in the U.S. and internationally.

Rewards have proven to be an important business lever when it comes to generating growth.

And, as we've done in the past, we'll use this lever as we see fit in order to grow our business and improve our financial performance overall.

AXP CAPABILITIES AND OPPORTUNITIES – REENGINEERING *(No slide)*

Another important capability is our reengineering expertise.

Year in and year out we've met or exceeded our reengineering commitments, now over \$5 billion in benefits over the last five years.

We've moved well beyond the "low hanging fruit" opportunities to the point where we've now integrated reengineering into our very approach to the business, from product design to revenue enhancement.

Reengineering is not just an annual goal for our finance and operations staff; we've achieved our success because we've instilled a reengineering mindset across the organization – in sales, marketing, and risk, to name just a few.

In addition, as our growth in payments has been completely organic, we haven't had the straight-forward reengineering opportunities that come with acquisitions, such as the integration of back offices or the consolidation of corporate functions. We've had to be more thoughtful and innovative in our reengineering actions and, as a result, I believe we've strengthened our expertise over time.

In 2006 we're looking to generate another \$1 billion in reengineering benefits.

Our reengineering incorporates a wide range of initiatives to both drive revenue and reduce expense. Among them: further driving service to the web, deployment of new technology, a detailed focus on end to end process management, credit management enhancements, information management advances and improving the effectiveness of all of our loyalty activities.

In Al's remarks you will hear about some specific examples under several of these categories.

In addition, we also continue to utilize Six Sigma as an important driver of reengineering.

Of our total reengineering benefits since 2001 almost 20% have come as a result of Six Sigma, a percentage that grew to over 50% in 2005.

We've applied Six Sigma against processes in all areas of the company, including those that have significant positive impact on our cost base such as our very effective procurement programs, and our demand management process within Technologies.

I list reengineering as a growth opportunity not because it directly adds cards to our franchise or increases our average spend, but because it is a primary funding source for investments that do drive those metrics.

Over the years we've re-invested a large portion of our reengineering benefits back into the business, a practice that has clearly contributed to our performance and which will continue.

With a revenue base of \$24 billion, and total expenses of over \$20 billion, viable reengineering opportunities clearly remain.

Sustainable growth comes from superior products and sustainable investment, and reengineering should continue to be a source of that investment spend over the moderate to long-term.

AXP CAPABILITIES AND OPPORTUNITIES – RISK MANAGEMENT *(No slide)*

Another key and differentiated capability is our risk management expertise.

While the payment industry has clearly benefited from a relatively benign credit environment (last quarter's bankruptcy event notwithstanding) as you saw earlier, we continue to outperform our peers.

The sophistication of our models, the expertise of our risk team, and a closer alignment between risk and our business leaders have all led to best in class results over the last several years.

As with reengineering, you may ask why I list risk management as a growth opportunity.

Better management of credit clearly helps our margins, and therefore our bottom line -- that's a given. However, to me, the greater advantage is in how we've used our risk capabilities to grow our business.

Because of our expertise, we've improved not just our credit indicators, but our overall business metrics as well:

- We've improved our targeting of high spending, credit worthy prospects, increasing our card base, adding to our spend, and improving the NPV of our marketing investments;
- We're able to instantly assess the credit situation of existing cardmembers, allowing for additional spend that may have been denied in the past;
- And we've worked with merchants and small business cardmembers in specialized industry teams to maximize their volumes while appropriately managing our risk.

Examples such as these require a full and supportive alignment between risk and marketing, and I think the success of this alignment is clear from our results.

Each of these examples is not just about minimizing losses, but about maximizing our business and revenue opportunities.

AXP CAPABILITIES AND OPPORTUNITIES – GNS

The final item I'll discuss under this category is Global Network Services, another opportunity that is unique to us in our role as both a global network and as a proprietary issuer.

As you'll see from AI, we have terrific proprietary opportunities to help sustain our growth into the moderate to long-term.

When you then layer on the potential from our network partnerships, it dials up our spend-centric model to the next level.

For example, in 2005 GNS generated excellent growth, with billings up 36% and cards in force up 23%.

Our international partnerships remain quite robust, and the first full year of results from our U.S. partnership with MBNA also added substantially to our growth rates.

However, as good as those numbers are, the potential we have is significant.

Internationally, Korea and Australia are currently generating very strong results, while Russia and China will be key opportunities for GNS in the future.

In China, for example, we've been very pleased with the early progress of our partnership with ICBC, which has so far been exceeding our expectations.

With our recent partner signings, our U.S. performance should also ramp up.

Over the course of 2006 we expect to see continued growth from MBNA, and additional growth from our new partnerships with Citi, UBS/Juniper, HSBC, GE Capital, USAA and Bank of America.

I believe we've signed up an excellent group of partners, partners that bring not just significant expertise, but also large scale and the opportunity to make our brand more accessible to a broader range of customers.

U.S. NETWORK PARTNERS

A good way of seeing this is by looking at U.S. bankcard purchase volume.

Through June, our network partners represented over 50% of the total Visa and MasterCard pie, or over \$700 billion in estimated annual spend.

As our contract terms financially incent our partners to bring high spenders onto our network, we're convinced that our partnership will have their full commitment.

Given the operating leverage we have in this business and the relatively low level of capital to support it, the returns here could be quite high.

GNS has the potential to be sizable and to bring high value to our shareholders. And, quite importantly, it is an opportunity that is unique to us.

So those are some examples of the add-on opportunities that I believe position us to outpace the growth of the industry in terms of our volumes.

FINANCIAL DYNAMICS

The final element of our sustainability comes from the financial dynamics that we then bring to bear against these opportunities – dynamics which, like our capabilities, provide us with a relative advantage.

Let me take you through a couple of examples in this category.

FINANCIAL DYNAMICS – REVENUE DIVERSIFICATION -- AXP VS. COMPETITORS

Let me start with our revenue base.

One of the many advantages of our spend based model is the revenue mix it generates.

Over 80% of our revenues are generated by fees, which is very different from most others in the industry who are reliant on spread.

Our revenue comes substantially from discount revenue and up-front customer fees, which gives us both greater stability and growth potential than lend based models.

Not only are we less reliant on the ups and downs of interest rate cycles, but we're also less restricted by the credit-line spending caps that issuers run up against in a lend based model.

FINANCIAL DYNAMICS – OPERATING LEVERAGE – INTEREST MARGINS

Another important element of the sustainability of returns is our operating leverage.

Based on our successful reengineering efforts in years past and the nature of our business model, I believe we have the potential to further drive improvement to our margins.

This would allow us to continue to meet our financial targets, while at the same time providing a reliable source of investment funding.

Let me give you some examples, starting with our interest margins.

As I said earlier, our spend-based model makes us far less dependent on spread revenues.

Nonetheless, managing interest margins remains a key area of focus for us.

As you can see here, over the last five quarters, our net interest margin has generally trended upward while most of our competitors have seen declines.

We've pulled a number of levers to get these results, including: the implementation of a multi-year hedging program to minimize short-term rate increases, pricing flexibility within a number of our customer portfolios, and a planful mix shift across our product base.

FINANCIAL DYNAMICS – PORTFOLIO MIX

As you can see here, over the past 3 years we've increased the percentage of loan balances on variable rate pricing, moving from 38% in 2003 to 57% in 2005.

In a rising rate environment such as we currently face, this has provided us with an effective means of managing our interest margins and limiting our overall rate exposure.

Another well controlled element of our expense base has been our HR costs.

HUMAN RESOURCES EXPENSE TRENDS

Since 1999 we've significantly reduced our ratio of HR costs to revenue.

Since our major restructuring in 2001, we've now stabilized this element of our margin over the last 4 years, even in light of significantly higher health care costs and the expensing of stock options, which we began in 2003.

Another critical expense area for us has been marketing and promotion, and rewards.

As many of you have noted, this has been a large and fast growing P&L line for us over the last few years.

MARKETING & PROMOTION - REWARDS SPLIT

Both of these expenses have trended upward substantially over the last few years as we've grown our investment spend, our card base and our billings.

With our aggressive push on rewards over the last several years, this cost has outpaced our M&P growth and now accounts for 59% of this expense line.

As I mentioned earlier, rewards will continue to be an important element of our growth plans going forward.

These programs are working well and the overall economics are most attractive.

MARKETING & PROMOTION RATIO

Now, moving on to marketing and promotion.

M&P has also been a critical investment for us over the last few years, and it has also been working well.

Depending on the economic and competitive environment, we've dialed our discretionary M&P expenses up or down as we've seen fit, and have clearly seen the positive results in our metrics.

We have worked to build flexibility and efficiency into our marketing spend and, as a result, even as the absolute dollar level of our marketing and promotion has doubled, these costs have generally remained in line with our growth in revenues and billed business.

As the cumulative impact of our multi-year investment strategy takes hold, the self-reinforcing link between revenues and M&P should help to sustain our performance in the future.

Another example of flexibility and leverage can be seen in other operating expenses.

OTHER OPERATING EXPENSES AS % OF REVENUES

These expenses, which cover all operations costs other than salaries and benefits, continue to be the focus of a number of major reengineering actions, and I believe the benefits are clear.

As we've worked to increase the efficiency of major expense lines such as lease costs, telecom, and technology, we've been able to significantly improve our overall leverage and generate sustainable benefits to our margins.

While I talked about both provision and interest earlier, let me wrap up my discussion on operating leverage with these two categories.

PROVISION/INTEREST AS % OF REVENUES

The margin benefits from both of these lines over the last few years have been significant.

Clearly, the environmental benefits have been realized across the industry.

But, as I mentioned earlier, our reengineering initiatives and internal capabilities have allowed us to outperform the competition in both of these areas.

While the margin benefits here will not be as large going forward, our effective management of these expenses in the past, and our pipeline of opportunities in both credit and our funding strategies, make me confident that our relative performance should continue to be strong.

FINANCIAL DYNAMICS – SPEND VELOCITY

Another dynamic of our model that differentiates us from other players is our spend velocity.

This ratio looks at our billed business levels relative to our receivables and is an indicator of our efficiency in generating spend and utilizing capital.

As you can see, among major players we are the clear leader in this metric. In our worldwide charge and lending businesses we currently generate more than 6 dollars of spend for every dollar of receivables.

This is driven by our high spending card base, as well as by the acceleration of billings within GNS.

As a result, the growth of our card business requires far less capital than the level required by our competitors.

FINANCIAL DYNAMICS – OPTIMIZATION

Also key to our financial returns has been the successful actions we've taken to optimize our balance sheet.

As we strengthened our focus on payments we took the opportunity to move out of a number of businesses that had provided lower returns to our shareholders.

The sale of operations such as educational lending, business leasing, tax and business services, and our ATM operations have provided twofold benefits – first, they freed up capital to put toward higher-return uses; and, in a number of cases, they generated P&L gains that were then re-invested into business building initiatives.

In the past we've used the benefit of one time items, such as last year's insurance recovery and tax settlements, to opportunistically invest in growth and I expect this practice to continue as future events occur.

Each of these financial dynamics clearly plays a positive role in our performance but, in combination, I believe the numbers speak for themselves.

ROE PREMIUM

Through higher investment returns, better margin control and more efficient capital management, over the last 10 years we've been able to generate returns significantly above our cost of equity.

With the spin-off of Ameriprise our reported ROE improves and is now in line with TRS' historical returns. While we're pleased with these results on both an absolute and relative basis, we remain committed to new ideas, investments and reengineering to lift our returns even further.

CAPITAL RETURN TO SHAREHOLDERS

This strong historical performance has also allowed us to return a high level of capital back to our shareholders, although it has varied year by year depending on specific events.

We continue to be committed to our on average and over time payout target of 65%, which we have achieved on a cumulative basis over the last 10 years.

We expect, however, that year to year variances will continue as we proactively manage our growth over the moderate to long-term.

GROWTH AND PAYOUT

When you look in combination at payout ratio and historical EPS growth for the payments and processing industry, our strong performance is quite evident.

Our payout ratio is among the highest in the industry, while our EPS performance over the last 3 years is best in class.

I believe this slide says a lot about our overall management objective for the company.

Our goal is two-fold: to continually reinvest back into the business to take advantage of high-return growth opportunities, while at the same time generating significant cash flow and value for our shareholders.

As I said earlier, this is a self-reinforcing process, one that we have successfully managed over the last several years and one that we expect to sustain over the moderate to long-term.

AGENDA

I believe all of these elements, in combination, put the company in a very strong position.

We're in a growing industry; we have businesses with substantial organic growth potential at high returns; we have unique capabilities to apply against that potential; and we have a premium brand that is unique in this industry.

Our reengineering efforts have successfully funded a high, base level of investment spending, supplemented by the opportunistic use of one time gains as they materialized.

Our pipeline of potential growth initiatives remains quite robust, with opportunities ranging from new products to new channels, and from new segments to new geographies.

And, as our post-spin ROE clearly shows, we're getting excellent payback.

As a result, we're in the best kind of virtuous circle, with investments generating growth growth yielding returns and returns further funding investments.

As I said earlier, I do recognize the issues we face.

The competitive environment is more intense than at any time in our history.

Our discount rate premium is under pressure -- from above by merchants and regulators, and from below by Visa and MasterCard.

And the benefits of a favorable economic, interest and credit environment may be moderating over time.

These challenges are real, and I don't discount their potential implications.

But I also know the assets, ideas and flexibility we have at our disposal as well.

We've had a great run, with strong business and financial performance.

And, given our opportunities and potential, I believe you can now see why I have confidence in our ability to sustain our performance over the moderate to long-term.

* * * * *

So, with that as an overview, Al will now give you a deeper drill into our U.S. consumer and small business segments, where I believe our prospects for growth are outstanding.

Under Al's leadership, these businesses have had exceptional performance.

Once you hear some of the specifics on our recent results, our capabilities and our opportunities, I believe you'll have a much better perspective on both the scope and depth of our potential.

Al

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.