4Q 2006 EARNINGS CONFERENCE CALL
Talking Points: Ron Stovall

- Welcome, we appreciate all of you joining us for today's discussion.

- Safe Harbor Reminder – The discussion today contains certain forward-looking statements about the Company's future financial performance and business prospects, which are subject to risks and uncertainties and speak only as of today. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "should," "could," "likely," and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements, including the Company's financial and other goals, are set forth within today's earnings press release, which was filed in an 8-K report, and in the Company's 2005 10-K report, already on file with the Securities and Exchange Commission.

- In the Fourth Quarter 2006 Earnings Release and Supplement, which are now posted on our website at ir.americanexpress.com and on file with the SEC in an 8-K Report, we have provided information that compares and reconciles the Company's managed basis financial measures with the GAAP financial information, and we explain why these presentations are useful to management and to investors. We urge you to review that information in conjunction with today's discussion.

- Gary Crittenden, Executive Vice President and Chief Financial Officer of American Express, will provide some introductory remarks highlighting the key points related to today's announcement.

- Once he completes his remarks, we will turn to the moderator who will announce your opportunity to get into the queue for the Q&A period. Up until then, no one has actually registered to ask questions.

- While we will attempt to respond to as many of your questions as possible before we end the call, we do have a limited amount of time. Based on this, we ask that you limit yourself to one question at a time during the Q&A.

- Before we begin, I'd like to address an important future change to our earnings announcement process. Starting with the 1Q 2007 earnings announcement, we will be revising the timing of our Earnings Release and Supplement distribution. As you know, historically, we've announced earnings and distributed our documents during market hours. However, based on our ongoing evaluation of how to best serve both the institutional and individual investor communities, in April we plan to release our first quarter earnings announcement shortly after the market close and make the two documents available to you as soon as possible after the announcement. As we do now, we will then begin the earnings conference call at 5pm.

- With that, let me turn the discussion over to Gary.

- Welcome and thank you for joining us today.
- As usual, my remarks today will focus on our results for the fourth quarter, as you are already familiar with our results for the first three quarters of the year. However, during the Q&A session, I will be happy to respond to any questions you might have on our full year results, in addition to your questions on the fourth quarter.
- As you have seen in the earnings documents distributed earlier today, our fourth quarter results reflect a continuation of the strong business momentum we reported throughout 2005 and the first three quarters of 2006, in addition to the ongoing benefits of our investments in a broad range of business-building initiatives.
- When you compare our financial results from continuing operations for the fourth quarter to last year's results:
  - Net revenues grew 13%;
  - Income increased 23%; and
  - Diluted EPS of $0.76 rose 27%.
- In addition, ROE for the prior twelve months rose to 35%.
- As you know, during the quarter, we raised our ROE target to the 33 to 36% range. The new target represents an increase from the prior range of 28 to 30%, which was increased in 2005 from the previous 18 to 20% range in anticipation of the spin-off of Ameriprise.
- By raising this target again, one year subsequent to the spin-off, we are acknowledging our confidence in the unique financial characteristics of the Company's spend-centric model, in addition to our ability to generate strong returns, as demonstrated by the ROE levels we've achieved over the past few quarters.
- Our other on average and over time targets of at least 8% revenue growth and 12-15% earnings per share growth, remain unchanged.
- This quarter's results included $68MM ($42MM after-tax) of gains related to the rebalancing of the investment securities portfolio within the Travelers Cheque business. The gains are reflected within the U.S. Card Services segment, where they provided the opportunity to further increase marketing and promotion spending.
- The rebalancing has enabled us to better align the maturity profile of the Travelers Cheque and Gift Card investment portfolio with the TC business' liquidity needs. Certain call features in some of the municipal bonds within the investment portfolio were expected to accelerate their redemptions, which would have caused anticipated total bond proceeds in certain years to exceed the business' forecasted liquidity needs. As a result, we sold some of the bonds with anticipated maturities in years in which proceeds would exceed business needs, which resulted in the gain, and reinvested their principal into longer term securities.

- From an economic standpoint, the rebalancing was an NPV positive transaction that will not have a significant impact on the overall investment revenue from the portfolio. In addition, while the new securities have a somewhat lower average yield than the bonds sold, we felt that current longer-term municipal bond rates are at levels versus historical trends that provide us with an appropriate yield over the long term.

- This year's quarter also included a substantial benefit related to lower credit-related write-offs versus last year in the U.S., when bankruptcy filings rose as a result of the October, 2005 bankruptcy legislation.

- In addition, both quarters included reengineering costs, which totaled $64MM ($42MM after-tax) this year versus $65MM ($42MM after-tax) last year.

- During the quarter, we returned 84%, and year-to-date we returned 93%, of total capital generated to our shareholders through share repurchases and dividends.

  - We repurchased a higher level of shares this quarter, versus last year, as our activity was reduced last year in light of the capital implications of the Ameriprise spin-off.
  - Since 1994, we have returned 69% of capital generated to shareholders, which is above our 65% long term target.

- With regard to our results, the strong revenue growth in the quarter reflects increases in discount revenue, cardmember lending net finance charge revenue and other card-related revenues, all of which reflect the excellent spending, lending and cards in force growth achieved during the quarter.

- As a reminder, our Consolidated Revenues of $7.2B in the quarter are reported on a "GAAP" basis. Therefore, for those who want to understand the Company's revenues from a "managed" perspective, you would need to add the U.S. Card Services GAAP-to-managed adjustments. On that basis, you'd see fourth quarter revenues of $7.4B, a number in line with the level and method some of you use in your models.

- Billed business growth remained strong as each of our customer segments and major geographic regions contributed to our card-related metric growth.

- Worldwide card billed business increased 16% versus last year on a reported basis and 14% on an FX-adjusted basis.

- In our U.S. proprietary business:

  - Consumer spending grew 11%;
  - Small business spending rose 15%; and
  - Corporate Services volume improved by 11%.

- In total, U.S. non-T&E related volumes, which represented approximately 71% of U.S. billings, grew 14%, while T&E-related spending rose 10%.

- Outside the U.S., proprietary billed business growth was 8% on an FX-adjusted basis as we saw 6% growth within our consumer and small business activities and 15% growth within Corporate Services' volumes.

  - As you know, these proprietary card comparisons outside the U.S. are negatively affected by the sale and transfer of our Brazilian operations in 2Q '06, and our Malaysian and Indonesian activities in 3Q '06 to three Global Network Services' bank partners.

  - Excluding the impact of the sales, the underlying proprietary card metrics continue to be strong as we achieved 13% FX-adjusted growth outside the U.S., reflecting double-digit growth in all of our major geographic regions.

- This strength is not fully evident within ICGCS, as in addition to the sales, the segment's revenue and income growth was negatively impacted by the international bank's results, which continue to be pressured by interest rates, and the challenging corporate travel environment.

- And finally, within Global Network Services, billed business rose 67%, driven by continued triple-digit growth within the U.S, as well as robust growth outside of the U.S. Excluding the impact of the transfer of the cards and spending associated with the independent operator agreements established within Brazil, Malaysia and Indonesia, GNS billed business growth was 44%.

- Worldwide cards in force rose 10%. We added 1.5MM net new cards during the quarter and 7.0MM net new cards since last year, reflecting 4% growth versus last year in proprietary cards and 39% growth in network partner cards. If you adjust for the 1.5MM cards that were transferred from the proprietary International Card business to GNS as a result of the market sales, proprietary card growth worldwide was 7% and network card growth was 25%.

- Despite strong growth in cards in force and a slightly higher average fee per card, our net card fee revenue decreased 8% this quarter. Consistent with last quarter, this reflects the reclassification, effective July 1, 2006, of certain card acquisition-related costs which are now reported as contra-revenue within the net card fee line, rather than as operating expenses. This reclassification suppressed total revenue growth by approximately one percent, but had no effect on net income and is not included in the average fee per card calculation.

- Spending per proprietary basic card in force grew 7% worldwide, despite the suppressing effect of the substantial card additions over the past few years.

- Our average discount rate remained flat to last year at 2.55%, and consistent with seasonal patterns, declined two basis points versus last quarter.

  – While the longer term rate trend continues to reflect a negative impact from selective repricing initiatives and ongoing changes in the mix of spending between various merchant categories, the rate has been buoyed more recently by the fact that in some merchant segments, repricing activities have had a positive effect in recognition of the substantial value we bring to those merchants.

- Worldwide lending balances on an owned basis rose 31%. On a managed basis, balances grew 17% on 17% growth in both the U.S. and non-U.S. portfolios.

- On a managed basis, the net worldwide finance charge revenue as a percentage of average loans increased versus last year, but declined versus last quarter.

- Securitization income rose 18% as a higher portfolio yield and lower write-offs were partially offset by greater interest expense and a lower level of securitized assets.

- Travel commissions and fees increased 3%, reflecting a 6% increase in travel sales, a moderately lower transaction level, and lower average revenue per transaction due, in part, to the ongoing transition to on-line booking. U.S. consumer travel sales continued to grow rapidly -- increasing 26% -- and global corporate and international consumer sales rose 4%.

- Despite a relatively flat level of employees versus last year, human resource expenses increased 14% due to merit increases, greater incentive and benefit costs, and higher severance-related costs this year.

- Marketing, promotion, rewards and cardmember services costs increased 10% reflecting greater rewards costs and higher marketing and promotion expenses. Marketing expenses continued to reflect relatively high levels of spending related to various business-building initiatives, but lower costs related to the Company's ongoing, global "My Life, My Card (SM)" advertising campaign, which was in a particularly active phase last year.

  – Increases in rewards costs continue to reflect strong spending growth, higher redemption rates and increasing cardmember participation.

- The total provision for losses and benefits increased 10% as the lending and other provisions increased by 17% and 20%, respectively, partially offset by a 4% decline in the charge provision.

  – The increase in the lending provision was driven by higher loan volumes globally, partially offset by the favorable impact of the lower bankruptcy-related charge offs and strong credit quality in the U.S.

  - While higher loan volumes have also driven greater reserves year over year, reserve coverage of past due amounts fell slightly below 100%, reflecting the improved credit trends within the portfolio over the duration of the model measurement period of 24 months.

  - The charge card provision decline reflects a lower loss rate and improved results within our collections activities in the U.S., partially offset by higher volumes worldwide.

  - The increase in the investment certificate and other provision was mostly due to higher merchant-related provisions.

- Interest expense increased 36% versus last year, driven by higher funding costs and a greater average receivable balance.

- Growth in the remaining operating expenses reflects the impact of increased volumes within our technology and cardmember servicing activities.

- The consolidated tax rate of 24% for the quarter increased from 22% last year. Last year's lower effective tax rate reflected a $60MM benefit primarily related to the finalization of state tax returns. This year's rate reflects tax benefits totaling $52MM that relate principally to certain foreign losses in addition to the finalization of state tax returns.

Summary/Outlook:

- With that, let me conclude with a few final comments.

- We again delivered strong revenue and earnings growth during the quarter while continuing to invest in the business and maintaining substantial balance sheet strength.

- The quarter's results continue to illustrate healthy momentum throughout our proprietary payments business.

- In addition, growth within our network business accelerated, even if you exclude the benefits of the Brazilian, Malaysian and Indonesian independent operator agreements completed earlier in the year.

- Despite an environment characterized by a heightened level of competitive activity, our industry position continues to be strong, as growth in our cardmember spending and borrowing was at the top tier of the industry, and our credit metrics continue to demonstrate best in class credit quality.

- Furthermore, our position among affluent cardmembers and high spenders is well-established and is supported by our focus on leveraging our direct merchant relationships, the unique information benefits of our closed loop network, and our attractive rewards programs to deliver premium, differentiated offerings to our customers while driving incremental spend to our merchants. We believe these advantages and our position within the marketplace are not easily replicated by our competitors.

- We are also very optimistic about the broad growth opportunities within the payments industry. We've spoken to you in the past about the plastic penetration "upside" we see, given the relatively low levels of spending currently on plastic throughout the geographies and customer segments in which we operate.

- Overall, we believe we are well-positioned to execute against this growth opportunity and our financial targets. However, we are also cognizant of the near-term growth challenges within the environment.

- As we have discussed with you previously, interest rate comparisons will be more difficult in early 2007 as a number of hedges rolled-off at the end of last year. In addition, the beneficial provision-related factors from the U.S. bankruptcy law change that we enjoyed in 2006, will likely have much less of an impact in 2007.

- We expect these factors to result in uneven growth over the course of the year in these expense lines. Therefore, we are intently focused on our expense levels quarter-to-quarter.

- In particular, as you know, across all of our businesses, we've made considerable efforts over recent years to implement flexible business plans, which position us to "pull back" on spending when required by external economic factors or business performance, or "push forward," if the environment permits.

- These flexibility plans focus on the more discretionary expense categories, and given the interest and provision comparisons we face, we plan to take a more stringent approach within some of the discretionary expense areas in the first half of 2007.

- In implementing these measures, we, of course, will focus on minimizing any impact to the business' performance or growth overall, and we are confident that the high prior years' levels of investment will continue to provide benefits to the business, mitigating the impact of a somewhat more conservative investment approach during the year.

- In addition to these measures, to ensure that we are positioned to maximize our ability to invest in key growth opportunities, we remain focused on reengineering activities. While this will likely generate reengineering-related expenses from period-to-period, it will position us to continue to effectively control underlying operating expense growth.

- We will also continue to leverage our investment and balance sheet optimization disciplines, which enable us to maximize the efficiency in which we allocate capital, as well as invest in the opportunities that should result in the greatest financial and strategic impact for the Company.

- And as we've discussed with you previously we believe we have several very attractive areas of growth on the immediate horizon that both embody the spend-centric model and provide opportunity to drive plastic penetration, volume growth and market share. In particular, we will continue to be focused on:

  - Our GNS business, in which we intend to continue to capitalize on the strong momentum, both within and outside of the U.S., by working with bank partners to leverage the value and economics of our spend-centric model, and to drive incremental high spenders to our network at very strong returns to the Company.

  - Our small business segment, particularly in the U.S., in which we have a market-leadership position, which we will continue to protect and grow. The average spend within this segment is particularly high, while industry-wide small business spending is only currently less than 15% penetrated by plastic. The opportunities to capture incremental spending on our network, given additional plastic penetration, are thus considerable. In addition, spend velocity and returns within this business are also particularly high, making it a very attractive segment on which to continue to focus.

  - Finally, our global middle market corporate business also represents a significant opportunity given the high average spend, the opportunity for additional plastic penetration and the strong ROE profile of this charge-oriented business.

- In summary, our recent business success and our strong track record of innovation, product development and customer-focused marketing, makes us confident that we are positioned to continue to drive attractive growth and returns into the future.

- Thanks for listening. We are now ready to take your questions.