

**KEEFE, BRUYETTE & WOODS**  
**2008 DIVERSIFIED FINANCIALS CONFERENCE**  
**JUNE 4, 2008**

**TITLE SLIDE**

Thank you, Sanjay. It's a pleasure for me to be here.

I'd like to cover a couple of topics with you over the next thirty minutes or so.

First, given that everyone's knowledge of American Express is probably varied, I'll quickly review our first quarter performance.

After that, I'll spend the majority of my time on how our structure and business model puts us in a stronger relative position to manage through the current environment.

So, let me begin with our recent performance.

**PERFORMANCE VS. TARGETS**

In looking at our first quarter results from continuing operations, we met or exceeded our on-average-and-over-time financial targets for revenue growth and Return on Equity.

Our first quarter EPS growth reflected the impact of a pension and accounting-related gain in 2007. If you exclude these two items, EPS grew modestly, which included the effects of a weakened economic environment, resulting higher credit costs, and higher levels of marketing expense versus relatively lower levels in 2007.

Overall, however, even in light of the environment, our returns continued to be very healthy and our revenue growth remained strong.

**Q1'08 REVENUE PERFORMANCE**

Each of our major revenue categories contributed to our overall growth rate of 11%. Our discount revenue was driven by strong billings growth, as well as a stable discount rate.

Higher net card fees are evidence of the growth in our underlying card base, as well as a higher average fee per card. The investments in cardmember value that we've made over time have allowed us to raise annual fees for our premium products, even as we compete in fee-free categories with most of our competitors.

Our net interest and securitization income have benefited from growth in our managed loan balances, as well as a lower effective cost of funds.

## Q1'08 REVENUE PERFORMANCE BY BUSINESS

Looking at our growth by segment, you can see that both of our business groups contributed to our revenue performance.

Within Global Consumer, the revenue growth of International Card Services partially reflects the benefit of a weaker dollar. But even on an FX adjusted basis, the underlying performance of our non-U.S. markets was strong and helped counter the somewhat weaker trends we saw in the U.S.

You can also see the strong growth achieved within Global Business to Business. This includes the comparatively higher return, lower risk Global Commercial Services and Global Network and Merchant Services segments.

For those of you who are unfamiliar with our segments, I'll be going into greater depth on these businesses in a moment.

## METRIC TRENDS

Our revenue performance was driven by the relative strength of our core business metrics.

Our first quarter results included:

- 14% growth in billings, or 11% on an FX adjusted basis;
- 10% growth in cards in force;
- A 6% increase in average spend per card;
- And 19% growth in managed cardmember loans<sup>1</sup>.

To give these metrics appropriate context, I thought it would be useful to share our position relative to our competitors in terms of our absolute volumes and growth rates.

## Q1'08 WORLDWIDE KEY METRIC COMPARISON

Looking at first quarter billings, our 14% growth rate was the highest among our major peers. Our total billed business of \$166 billion was almost 60% greater than that of our nearest competitor, Citi, and almost 7 times the level of Cap One.

On the lending side of the business it's a different picture. Our strategy is to generate billings while giving our customers the flexibility to revolve. Balances are an outcome rather than an objective of our approach. So, while our growth rates have been strong over the last several years, we are not close to being the largest player in lending.

As you can see, our position in lending is very different from our position in spending. Citi, B of A, and JP Morgan are each more than double our size.

---

<sup>1</sup> On a GAAP basis, owned loan growth was 17%.

## **SHARE OF US PURCHASE VOLUME**

Our strong relative performance in 2007 once again led to gains in share of spend. In the U.S., for general purpose charge and credit spend, we increased share by 70 bp, which brings our gain to 420 points over the last five years. Even including faster growing debit spend, our U.S. share increased for the year.

We don't yet have data for a number of markets outside of the U.S., but we expect to see spend share gains in several international markets as well.

## **METRIC TRENDS**

We're hopeful we can continue our share trends in 2008 in spite of the weaker economy. We're closely monitoring our U.S. billings growth during this time, but our biggest "watchout", as you would expect, is credit in the U.S. We saw the first signs of significant weakness in our credit numbers at the end of last year, and this trend has continued in 2008.

## **US LENDING MANAGED NET WRITE-OFF RATES VS COMPETITORS**

Our net write-off rate in the first quarter increased by 90 basis points versus the fourth quarter of 2007, but remained best in class against our major peers.

While this is clearly a difficult environment, I do believe we're managing credit effectively. We're being measured and deliberate in our approach. We're taking appropriate actions to control credit, even as we continue to focus on the growth of profitable spending and balances.

We do expect the environment and the credit actions we're taking to negatively impact our spend growth and our loss metrics over the near term. As we've noted in earlier disclosures, we do expect that write-off rates will be higher in the second quarter than in the first, and that our U.S. managed loan growth for the year will be slower than the 16% growth assumed in our initial plan.

Since credit is top of mind for everyone here, I thought I'd drill down a little deeper on some aspects of our performance.

Let me start with our relative rates. There are three main reasons for our generally lower write-off rates versus the industry.

## **FACTORS AFFECTING AXP US CREDIT PERFORMANCE: ABSOLUTE BASIS**

First is our premium cardmember base. Unlike our lend-centric competitors, we have never been on the treadmill of having to add balances at all costs. We look for prospects, largely

from the super-prime and prime segments, who have the capacity to generate profitable spend.

Our second advantage is risk management. Whether it's approving an application, or authorizing a higher line of credit, our process is disciplined and our capabilities are advanced.

Our models and expert systems employ a wide range of data – data that is specific to a geographic area, such as real estate values, and also data that is specific to cardmembers and prospects, such as the terms and issuer of their mortgage obligation. Having this range of data allows our models to be dynamic; it allows them to adjust to the changing external environment. Also, we've applied for patents on many of our models, giving us an edge when it comes to evaluating potential credit actions.

Our quantitative models are managed and supported by our qualitative assets: our risk professionals. It's no surprise that I believe our team is the best in the business. They are smart, seasoned and experienced in the ups and downs of economic cycles.

The final advantage we have is the diversity of our rewards offerings and their high penetration within our base, be it Membership Rewards, Delta Skymiles, Costco or cash rebates, among others. Cardmembers affiliated with one of our reward products tend to spend more, attrite less and have better credit performance.

For example, for our proprietary charge products, which represent the majority of our billings, cardmembers must pay on a timely basis in order to earn their Membership Reward points. In this case, MR effectively acts as a carrot and a stick when it comes to cardmember behavior. Because of the range of benefits associated with a rewards relationship, we have consistently and successfully worked to increase the penetration of rewards across our base.

Each of these elements has contributed to the strength of our relative write-off performance. But we also recognize that the favorable gap between us and our peers has narrowed somewhat recently, a trend that will likely continue over the next few quarters. There are a number of reasons for this as well.

#### **FACTORS AFFECTING AXP US CREDIT PERFORMANCE: RELATIVE BASIS**

First is the natural seasoning that occurs with any portfolio. Higher loss levels are historically generated from cardmembers who have been in a portfolio for 13 to 36 months. We've generated competitively superior levels of loan growth over the last few years from both card acquisition activity and our spend initiatives. As a result, we would expect our loss rates to increase naturally as new cardmembers go through this maturity cycle.

As you saw earlier, loan balance growth for many of our major competitors is in the low to mid single digits, a trend that has been consistent over the last four years. Because of their slower growth, there's not much to "season" in their portfolios, which helps their loss rates in the current environment.

A second factor in the compression of our gap advantage is the very high growth generated within our small business lending portfolio. As a group, small businesses consistently generate higher loss rates and are more volatile in a changing economic environment than consumers. But, they also have higher spend and high, attractive returns.

As a result we've invested in this segment over the last several years and have generated good earnings performance, despite the fact that this shift in mix has lifted our consolidated write-off rate. As of the end of the first quarter, small business loans in the U.S. represented 17% of our total managed portfolio<sup>2</sup>, and have grown at a 18% compounded rate over the past three years.

This is one example of how we always consider the overall economic value of a cardmember when making our investments. Our aim is not to invest in cardmembers who will minimize our loss rates; our goal is to invest in cardmembers who will drive profitable spend and favorable economics over the life of their relationship.

A third factor in the narrowing of our gap is that our cardmember base tends to be somewhat concentrated in geographies where real estate values have declined more significantly. This isn't surprising, as these are also areas where consumer spending is more concentrated.

Because of our longer-term approach, however, even under scenarios of weaker credit, our recent lending growth remains profitable. Since our model is spend-centric, our products typically generate higher revenue than lend-focused bankcards. As a result, even as we experience weaker credit for a time, the higher revenue we earn allows our investments to generally sustain their attractive returns.

#### **Q1'08 WORLDWIDE LENDING MANAGED RISK ADJUSTED YIELD**

The final point I want to make about our first quarter performance relates to yield.

As you can see, the combination of our lower net write-off rate and our net interest margin give us the highest risk adjusted yield among our peer group.

We're facing a difficult credit environment, but we're still generating good earnings and returns from our lending activities.

Now, because of the overall environment, we do expect 2008 to be a challenging year, in terms of both growth and profits.

#### **EPS FROM CONTINUING OPERATIONS ASSUMPTION**

---

<sup>2</sup> On a GAAP basis, small business loans in the U.S. represented 28% of our total owned portfolio.

While recent U.S. consumer credit behavior is somewhat softer than the first quarter, taken as a whole, our current performance, together with the flexibility inherent in our business model, affirms our belief that we are still tracking to the reported EPS growth assumption of 4% to 6% we disclosed earlier in the year.

This expectation is based on an economic environment that is consistent with what we have experienced to date. If conditions were to worsen from here we would likely be more focused on the medium to long term strength of the franchise, versus our short-term objectives.

## **EPS TRAJECTORY**

This projected EPS growth, while below our on-average-and-over-time objective of 12% to 15%, would keep us well within our targeted range based on our cumulative performance over time. In fact, we've grown EPS 14% on a compounded basis since 1993, when our "on average and over time" target was originally set.

## **BLUE BOX**

I now want to turn to a review of our company's structure and business model. As you've seen, our consolidated financial performance has been quite strong, with consistent high growth over the last few years. I believe, however, that it's important to periodically take a step down from the consolidated level and view our growth and our business model from the ground up. To that end, I want to give you some insight into the diversity of our business, which I believe positions us to better manage through the current environment.

Now, many people know about our company through our consumer advertising and, as a result, sometimes the other elements of our customer-focused portfolio get overlooked. So, I thought it would be useful today to give you a brief overview of the businesses within our Global B2B organization. These businesses have attractive economic and strategic characteristics, and provide important diversity within our overall model.

## **Q1'08 GLOBAL COMMERCIAL SERVICES**

The first B2B reportable segment is Global Commercial Services.

Global Commercial Card is the organization focused on the sales and support of our Corporate card products and services. We offer local currency Corporate cards to large and mid-sized companies in over 45 countries around the world and have international dollar Corporate cards in over 100 countries. We are the leading card provider in the corporate segment. This card portfolio consists of only pay-in-full charge products and, as you can see, in the first quarter it generated excellent growth.

Given the relatively lower levels of plastic penetration within B2B, this business offers not only good current performance, but should also provide substantial opportunity for future growth.

The second component of Global Commercial Services is Amex Business Travel, which is the largest travel management company in the world. It provides mid-sized and large corporations with offline and online end-to-end travel solutions, which help manage and optimize a company's travel expenses. Linking our business travel services with our Corporate Card products allows us to better assist clients in effectively managing their travel costs, which is a major controllable expense for many companies.

#### **Q1'08 GLOBAL COMMERCIAL SERVICES**

To give you some perspective of size, in combination these two businesses represent 16% of consolidated revenues and income from continuing operations.

#### **Q1'08 GLOBAL NETWORK AND MERCHANT SERVICES**

The other reportable segment within B2B is Global Network and Merchant Services.

Global Network Services is the organization that supports the bank partners who issue Amex branded products on our network. Working with partners such as B of A in the U.S., Lloyds in the UK and Westpac in Australia, among many others, GNS adds volumes to our fixed infrastructure, allowing us to increase our productivity and leverage our expense base.

GNS is not the card issuer in these relationships, but instead earns associated revenues on the spending of partners' cardmembers on our network, similar to Visa and Mastercard. Also, in some markets, GNS partners help build and expand our merchant base. In each case, an important responsibility for GNS is to maintain the relationship with our partners and assist them in growing their Amex business. GNS has had outstanding growth over the last several years, in terms of both cards and spending. Given our GNS partnerships in high potential markets such as China, Russia, Brazil and Eastern Europe, I believe our future growth will continue to be impressive.

By far the largest contributor to the GNMS segment is Global Merchant Services. This organization acquires merchants for the Amex network and provides them with a range of services. GMS is something of a financial hybrid in that it has the characteristics of major merchant acquirers such as First Data and Heartland Payments. But it also provides network operations and transaction processing for all Amex branded cards, similar to Visa and Mastercard.

GMS has had consistent high growth over the last several years, in line with our growth in spending.

Having Global Merchant Services and proprietary issuing businesses in our company portfolio is a significant advantage that we have relative to either our processing or issuing

peers. This combination of issuing and acquiring businesses forms our closed loop network, a company asset that allows us to better understand and add value to both merchants and cardmembers.

Having both sides of a payment transaction lets us leverage our information capabilities, allows us to take advantage of market opportunities more quickly, and gives us greater optionality when it comes to choosing our growth levers.

#### **Q1'08 GLOBAL NETWORK AND MERCHANT SERVICES**

To give you a perspective of the size of our GNS and Global Merchant Services businesses, in combination they represent 14% of our consolidated revenues and 23% of income from continuing operations.

#### **Q1'08 GLOBAL BUSINESS TO BUSINESS**

As you can see, the growth of our B2B businesses over the past several years have made them a large and important contributor to our overall results. In total for the first quarter our two B2B segments – Global Commercial Services and Global Network and Merchant Services, contributed 30% of the company's consolidated revenues and 38% of income from continuing operations.

#### **Q1'08 REVENUE PERFORMANCE BY BUSINESS**

Our customer focused structure gives us the advantage of having two complementary businesses centered on the ultimate driver of growth: the customer. These two integrated, global franchises build upon the strengths and best practices we have at an individual country level, while providing a unifying growth platform for all of our businesses across the globe. But, while both businesses are focused on payments, each has different, yet complementary, economic characteristics.

#### **GLOBAL CONSUMER VS BUSINESS TO BUSINESS CONTRASTS**

Over time, we've built compelling value propositions for both our consumer and B2B customers. Yet the acquisition process for each is quite different.

Acquiring consumer and small business cardmembers is largely marketing driven and occurs primarily through advertising, direct mail, our website, partner and other marketing channels, although in some markets outside of the U.S. a personal sales force is used. In contrast, in B2B the acquisition of merchants, commercial clients and network partners is a high touch sales process, largely requiring a face to face effort.

As a result, the expense base for Global Consumer includes a higher proportion of marketing costs, which tend to be more discretionary and flexible.



Global Consumer also has a substantial level of rewards costs, which tend to be volume driven.

B2B's expenses are people focused and are therefore more fixed and less discretionary over the short-term.

From a credit perspective, in our consumer businesses we are the issuer of our proprietary card products. Therefore we bear the risk associated with credit and funding, and we price our products accordingly.

In contrast, B2B issues card products for mid-sized to large corporations, where the credit risk is comparatively lower. In our GNMS segment, partners issue cards that run on our network, and we carry no cardmember credit risk. GNMS does bear a manageable level of merchant-related and GNS partner credit risk, which tends to be less frequent and event specific.

Funding consumer balances – whether charge card or lending -- requires capital, which makes our consumer businesses more capital intensive than our B2B segments.

And finally, the revenue mix of each business differs. Global Consumer generates fee and spread revenue, while B2B is predominantly fee driven.

#### **Q1'08 GLOBAL CONSUMER VS BUSINESS TO BUSINESS CONTRASTS**

These differing characteristics can be clearly seen in our financial details.

In looking at revenues for Global Consumer, 28% of revenues come from net interest and securitization and 72% from discount revenue. B2B's revenues are all from discount revenue and fees from customers, such as business travel or network partners.

On the expense side of the ledger the higher credit and marketing costs for Global Consumer contrast with the higher salary-driven operating costs of B2B.

The intent of this comparison is not to infer that one business is better or worse than the other, because that's not the case. Both businesses are very profitable. Both generate growth. And I believe the combination of the two strengthens our diversity and gives us a competitive advantage over the moderate to long-term.

I wanted to share this view with you so that you could gain a better perspective on our business model and our growth drivers. But I've no doubt that many of you have other questions about our model, particularly in light of the current environment.

There are two questions in particular that I've heard about our lending business and its recent growth.

#### **BUSINESS MODEL QUESTIONS**

Have you grown your lending business appropriately?

And, has the higher lending activity driven by your cardmembers resulted in a change to your overall model?

Let me address both of these questions.

Yes, our lending growth has been exceptional over the last few years. Our lending growth has been in the strong double digits, a rate that has significantly outpaced the low to mid-single digit growth of most of our peers.

But the bottom line is that the growth we've generated has been profitable. It has added to our scale and relevance. It has allowed us to tap into new customer pools. And, most importantly, it has been generated as part of our spend-centric strategy.

Unlike our lend-centric peers, our model makes it most profitable for us to pursue spend, not balances. The balances we've added over the last several years have been profitable, but they have not been our primary business objective.

To show this, let me start with the basics of our lend portfolio.

## **CONSUMER AND SMALL BUSINESS PROPRIETARY CHARGE AND CREDIT CARDS**

Most of you are aware that we generally offer two types of proprietary products.

Our charge cards are pay-in-full products. They have no pre-set spending limit, and have a high average spend. The vast majority of these products are linked to Membership Rewards, which, as I mentioned earlier, offers a strong incentive for cardmembers to put their plastic spend onto our products.

Our customers have made it clear that while they value the discipline of our pay in full terms, they also appreciate payment flexibility when it's needed. As a result, we do provide lending options to our charge customers. Our Lending on Charge features, such as Sign and Travel and Extended Pay, allow customers to revolve specific purchases.

As of the end of the first quarter, balances generated by lending on charge products made up approximately 24% of our U.S. loan portfolio.

Of course, we also have a wide range of revolving credit cards. These products have specific credit lines but still generate high average spend. For example, our family of Blue products, such as Blue Cash and Blue Sky, represent 31% of U.S. managed lending balances and are our primary fee-free product. However, another 31% of the portfolio is generated by co-branded products, such as our Delta, Costco, Starwood and Hilton cards. As with our charge portfolio, the vast majority of our lending relationships are linked to some form of

rewards, such as MR Options, Delta Skymiles, or the cash rebates provided on our Costco products.

Each of these co-branded products is a credit card, but many customers still choose to pay their balances in full each month. In fact, given the customer behavior that we see, certain segments of our lending portfolio such as Delta and Starwood more closely resemble our charge portfolio than they do a typical lending product.

Whether charge or lending, the features and economics of all of our products are designed to support our spend-centric strategy.

Given that we've outperformed the growth of our lending peers over the last several years, I'm sometimes asked if this means we're lowering our underwriting standards to add balances. The answer is no. We're not. We continue to grow our volumes based on full customer economics. We continue to focus on high spending, credit worthy segments and our data reflects this.

#### **FICO SCORE PEER COMPARISON**

In looking at publicly available data reported by securitization trusts, you can see that our charge and lending portfolios currently have the lowest levels of sub-prime balances in the industry, and the highest levels of super-prime.

#### **US CARD SERVICES AVERAGE FICO AT ACQUISITION**

Even as we've grown our lending over the last few years, we have not loosened our underwriting standards.

Over the last 4 years the average FICO score for applicants at the time of acquisition has gotten better, not worse. And, as you would expect, in this current year we've become even more selective in our acquisition activities.

Now, I know that some people have questioned the use of FICO in extending credit. There is a belief that the scores have become inflated over time and that it's no longer a valid indicator of creditworthiness.

#### **FICO AND DELINQUENCY RATES**

I will concede that FICO scores have crept up over time, but as you can see here there is still exceptional correlation between FICO scores and delinquency rates. So FICO shouldn't be dismissed; the key is in using these scores the right way.

For example, within our risk processes we use FICO as a tool, rather than being the major consideration in our credit actions. For comparative purposes and as a point of reference, FICO is still a valid indicator, but it is just one input into our risk processes. FICO helps us

rank prospects, but we then base our approvals on a broader range of data that is more predictive of a prospect's true creditworthiness.

We consider their total size of wallet; we segment a prospect's needs between their spend and revolve capacities; we look at their home value; we look at the amount and type of debt they hold. By using a range of factors we believe we're knowledgeable about an applicant before they even join our franchise.

The high growth in our lending products has also led people to ask that second question I mentioned earlier: Has the higher lending levels driven by our cardmembers changed our business model?

Lending has certainly helped our growth and contributed to our economics, but it has not dramatically changed the characteristics of our spend-centric model.

### **WORLDWIDE BILLED BUSINESS TREND**

As you can see, all of our products – proprietary charge, proprietary lending and GNS – have contributed to our strong growth in billed business over the last 5 years.

Lending products have clearly generated good gains in spend, and our billings mix has shifted somewhat over time, but our proprietary charge products continue to contribute the majority of our spend.

### **WORLDWIDE PROPRIETARY BILLINGS AND LOAN GROWTH**

As I said earlier, our lending growth has been generated through our spend-centric strategy, and I believe this slide supports that statement.

As you can see, the billings growth of our worldwide proprietary credit card products has been greater than our balance growth. If we were adding balances for the sake of balances, these growth rates would directionally be reversed.

The majority of our balances are driven by spending, which some customers then choose to revolve. That has been the objective of our lend strategy for the last 5 years and that is what we've consistently achieved.

### **WORLDWIDE PROPRIETARY AVERAGE BASIC CARDMEMBER SPEND**

Given the nature of these products, credit cards do have credit limits and generally have lower average spend than our proprietary charge cards. But, over time, you can see that our consolidated average spend has continued to grow at a strong level, with a 4 year CAGR of 10%.

This reflects the quality of the spend we've added. Our average spend remains substantially above that of Visa, Mastercard and Discover and is key to the value we provide our merchants. Even though having a higher proportion of credit cards serves to moderate our average spend, I believe we've done an excellent job in managing this mix.

## **SPEND VELOCITY**

Another characteristic of our business model is our high spend velocity.

This ratio looks at billed business levels relative to AR and is an indicator of our efficiency in generating spend and utilizing capital. As you can see, we've generally increased this metric over time, even with our higher levels of lending growth.

## **Q1'08 SPEND VELOCITY BY BUSINESS**

This dynamic of our model differentiates us from the rest of the industry.

Our corporate and small business segments have exceptional spend velocity given the predominance of charge products in their portfolios. But even our lowest spend velocity businesses significantly outperform the industry average. As a result, the overall growth of our card business requires far less capital than the level required by our competitors, thereby improving our relative returns.

## **Q1'08 WORLDWIDE MANAGED REVENUE BY SOURCE**

There has been some commentary that our success in lending has made us more like our lend-centric peers but, as you can see, this is clearly not the case. Our revenues are dominated by transaction and other fees. Spread continues to be an important, yet relatively small part of our base, a fact that hasn't significantly changed over time.

## **5 YEAR REVENUE TREND**

Even with our strong balance growth over the last five years, this contribution has remained consistent. While our proportion of net interest and securitization revenue has ticked up slightly, our discount revenue has grown strongly as well.

To me this demonstrates the consistent application of our spend-centric model. Our strategy is to use lending as a lever to drive both spend and discount revenue, an objective that I believe we're successfully executing.

## **5 YEAR CHANGE IN EXPENSE BASE**

Moving from revenues to expenses, here you can see the expense base generated by our business model.

Credit costs do represent a slightly higher proportion of our base today versus five years ago, but the growth of this expense has been in alignment with our volume growth.

The most compelling shift here has been driven by our investment strategy. As you can see, over the last 5 years we've used reengineering and lower operating expense growth to fund higher marketing and rewards costs. This multi-year investment strategy has been responsible for our exceptional metric growth, which in turn has allowed us to drive both revenues and earnings over this time.

## **ROE**

Finally, you can see that, even with our strong growth in lending, our business model consistently generates high returns that have recently been above our stated long-term target of 33% to 36%.

Our superior returns have been the result of our profitability and our efficient use of capital. As I noted earlier, we look to appropriately balance our capital utilization based on our business and growth needs. This has led to a productive mix of ROE generation across our proprietary payment products, as well as our network and merchant businesses, both of which require limited capital.

## **Q1'08 ROE AND RETURN ON TANGIBLE EQUITY**

One metric that I thought would be useful to share is our return on tangible equity, which is important in evaluating the underlying performance and cash flows of our business segments and the company overall.

The difference between the two metrics is driven by acquisition goodwill and intangibles that we've recorded over the years. Our Global Commercial Services segment has the highest share of intangible assets given their higher level of acquisition activity, primarily in business travel, but more recently with our March acquisition of GE's Corporate Payment Services business.

On an absolute basis, all of our businesses generate exceptional returns, an outcome of our unique business model and our capital management practices.

## **BLUE BOX**

In closing, let me make the following points.

For several years now we've generated great momentum, with strong business metrics and exceptional financial performance. We've benefited from a disciplined, multi-year investment strategy and a consistent focus on growth.

Now, I'm not in a position to predict what may or may not happen in the economy. It's clear there's weakness and greater uncertainty, but these are outside the boundaries of what I can control. My focus is on making sure that American Express navigates through changing economic conditions in the best position possible, relative to our payments competitors and relative to the overall industry.

We don't yet know the extent of the current downturn, but I believe the position of the company today is far stronger than it was during the earlier downturns of 1990 or 2001:

- We've divested certain businesses and grown others, such as B2B, thereby lowering our overall risk profile.
- Our unique spend-centric strategy has allowed us to generate market leading growth. This, coupled with our improved investment optimization methods, has enabled us to use our capital more productively;
- Our competitive position is substantially stronger, on both an absolute and relative basis;
- We've put greater flexibility into our business model, allowing us to adjust to changes more quickly – whether it be implementing defensive measures or taking advantage of competitive opportunities;
- And across all of our businesses we've instilled a strong focus on the customer, someone we need to stay close to regardless of the environment.

Economic conditions will be what they are, and credit losses will be above average over the short-term, but I remain confident that our model is both strong and flexible. Our financial characteristics remain strong and essentially unchanged, even as our lending activities have grown over the last several years. We will be impacted by the environment, but I believe we'll not just manage through this period, but that we'll emerge a stronger company.

Thank you.