

AMERICAN EXPRESS BANK, FSB

Business

American Express Bank, FSB (“FSB”) was incorporated under United States law as a federal savings bank in 2000 and received FDIC insurance in the same year. Its principal office is located at 4315 South 2700 West, Salt Lake City, Utah 84184. FSB is a wholly-owned subsidiary of American Express Travel Related Services Company, Inc. (“TRS”).

The information about FSB presented below is qualified in its entirety by reference to and should be read in conjunction with FSB’s Thrift Financial Reports for the year ended December 31, 2004.

FSB issues OPEN: The Small Business NetworkSM (“OPEN”) and American Express co-branded revolving credit cards in the United States and owns most of the receivables arising from the use of these Cards. FSB is also the issuer of certain OPEN Charge Cards. In addition, FSB has outstanding lines of credit in association with certain OPEN Charge Cards and offers unsecured loans to Cardmembers in connection with its Sign & Travel and Extended Payment Option programs. The Sign & Travel program gives qualified U.S. Cardmembers the option of extended payments for airline, cruise and certain travel charges that are purchased with the Charge Card. The Extended Payment Option offers qualified U.S. Cardmembers the option of extending payment for certain charges on the Charge Card in excess of a specified amount.

In addition, FSB offers Consumer Banking, an online banking service that provides consumers with high-value products, such as ATM access with rebates on surcharges from other banks, competitive rates on deposits and lending products and the convenience of banking by the Internet, telephone, ATM or mail.

In April 2004, FSB entered into a transaction with an affiliate, American Express Centurion Bank (AECB), wherein FSB acquired the OPEN, Co-Brand and Consumer Banking assets of AECB and assumed certain AECB liabilities including the retail deposit portfolio. The transaction was based on net book value and no gain or loss was recorded. Selected ratios and key statistics are calculated using FSB activity subsequent to this transaction.

In addition to earning finance charge revenues, FSB also receives revenue from Optima Cardmember fees and discount revenue from service establishments. The Optima account is offered in different versions with a variety of features and terms, including co-branded cards, cards with differing rates, fees and grace periods, and cards with additional features such as rebates.

Total loans from lending activities were \$10.8 billion as of December 31, 2004. FSB’s charge-offs, net of recoveries, as a percentage of average loans was 2.92% in 2004. The reserve rate as a percentage of total loans was 3.41% as of December 31, 2004. The delinquency rate as a percentage of total loans was 2.67% as of December 31, 2004.

FSB funds its lending activities principally through the sale of certificates of deposits to the public and to affiliates of TRS and through borrowings from banks and affiliates. As of December 31, 2004, FSB had \$6.0 billion of certificates of deposit and other deposits outstanding, \$3.0 billion in bank notes outstanding and \$1.1 billion in other borrowed funds and federal funds purchased. In 1996, TRS created the American Express Credit Account Master Trust, (the “Trust”) to securitize certain U.S. Cardmember revolving credit loans. At December 31, 2004, FSB sold \$6.2 billion of loans to the Trust.

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Results of Operations

Year Ended December 31, 2004

In 2004, FSB reported earnings of \$395 million. This earnings level was supported by loans outstanding of \$10.8 billion as of December 31, 2004. In 2004, average return on assets was 3.57%.

At December 31, 2004, FSB reserves as a percent of delinquencies were 128%. Accounts are charged-off when six contractual payments become past due or earlier if the account is deemed uncollectible. The charge-off rate for the year ended December 31, 2004, was 2.92%.

As of December 31, 2004, FSB exceeded the OTS 'well-capitalized' levels for tier 1, total risk based and tier 1 risk based capital. The tier 1 rate in 2004 was 11.14%. The total risk based rate in 2004 was 12.06%. The tier 1 risk based rate in 2004 was 10.78%.

CAPITALIZATION OF AMERICAN EXPRESS BANK, FSB

The following table sets forth the unaudited consolidated capitalization of FSB as of December 31:

(in millions)	<u>2004</u>
Deposits liabilities:	
Less than one year.....	\$ 5,966
Greater than one year.....	<u>23</u>
Total.....	<u>\$ 5,989</u>
Short-term indebtedness:	
Federal funds.....	\$ 1,063
Medium-term bank notes.....	<u>1,702</u>
Total.....	<u>\$ 2,765</u>
Long-term indebtedness:	
Medium-term bank notes due after 1 year.....	\$ 1,350
Term borrowings due after 1 year	<u>-</u>
Total.....	<u>\$ 1,350</u>
Shareholder's equity:	
Common stock.....	\$ -
Capital surplus.....	1,290
Undivided profits and capital reserves.....	<u>173</u>
Total shareholder's equity.....	<u>\$ 1,463</u>
Total capitalization.....	<u><u>\$ 11,567</u></u>

**SELECTED FINANCIAL INFORMATION OF
AMERICAN EXPRESS BANK, FSB**

As of December 31st (in millions)

	2004
Balance Sheet Data:	
Assets:	
Cash and cash equivalents.....	\$ 41
Investments.....	589
Loans.....	10,806
Reserves.....	(369)
Loans, net	10,437
Other assets.....	1,107
Total assets.....	\$ 12,174
 Liabilities and Shareholder's Equity:	
Deposit liabilities.....	\$ 5,989
Federal funds purchased.....	1,063
Other borrowings.....	3,052
Total debt.....	10,104
Other liabilities.....	608
Total liabilities.....	10,712
Total shareholder's equity.....	1,463
Total liabilities and shareholder's equity.....	\$ 12,174

2004

Selected Ratios:	
Return on average assets.....	3.57%
Return on average shareholder's equity.....	26.56%
 Tier 1 capital ratio.....	 11.14%
Total risk based capital ratio.....	12.06%
Net charge-offs/average loans	2.92%
Reserves/past due & non-accrual loans (1).....	128%

Note: Selected ratios are calculated using the period May through December.

(1) Past due and non-accrual loans are based on the Thrift Financial Report definitions for all balances that are 30 days past due and still accruing plus all non-accrual loans.

**SELECTED FINANCIAL INFORMATION OF
AMERICAN EXPRESS BANK, FSB**

The following unaudited financial information of FSB for the year ended December 31, 2004 was derived from FSB's Thrift Financial Reports and should be read in conjunction therewith and with the detailed information contained elsewhere here-in and incorporated by reference.

For Year Ended December 31st (in millions)	2004
Operating Data:	
Interest income.....	\$ 811
Interest expense.....	110
Net interest income.....	701
Provision for loan losses.....	284
Income after provision for loan losses.....	417
Non-interest income.....	1,641
Non-interest expense.....	1,422
Net non-interest income (expense).....	219
Pretax income.....	636
Income tax provision.....	241
Extraordinary items, net of tax.....	0
Net income.....	\$ 395

As of December 31st (in millions)	2004
Key Statistics:	
Average assets.....	\$ 11,052
Average equity.....	1,487
Average loans	10,113
Risk-based assets (net).....	11,736
Tier 1 capital	1,343
Total risk based capital.....	1,415
Past-due & non-accrual loans.....	289
Net charge-offs.....	295

Note: Key statistics are calculated using the period May through December.