1Q 2005 EARNINGS CONFERENCE CALL
RON STOVALL OPENING REMARKS

- 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 2004 10-K report, already on file with the Securities and Exchange Commission.

- In the First Quarter 2005 Earnings Release Supplement, which is 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 TRS' managed basis financial measures to be discussed today with the TRS GAAP financial information, and explains why this presentation is 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.

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

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- Welcome and thank you for joining us today.

- As you have seen in the earnings documents distributed earlier today, our first quarter results continue to reflect the strong business momentum we have reported over the last two years, particularly in TRS, in addition to a continuation of high levels of investment spending and initial costs related to the planned spin-off of AEFA.

- Specifically, when compared to last year's results:

  - Total Revenues grew 10%;
  - Net Income increased 19%, or 9% before last year's accounting change;
  - Diluted EPS of $0.75 rose 23%, or 14% before last year's accounting change; and
  - ROE was 23%.

- It is important to note that last year's results included two items related to an accounting change at AEFA. Specifically, an above-the-line benefit of $43MM, after-tax, and a below-the-line charge of $71MM, after-tax.

- During the quarter we returned 63% of total capital generated to our shareholders, through dividends and share repurchase activity.

  - The somewhat lower repurchase activity during 1Q '05 versus recent quarters reflects a more measured approach to repurchases as we work to finalize the capital implications of the anticipated spin-off of AEFA.

- Strong revenue growth in the first quarter was driven by:

  - A 15% increase in worldwide billed business;
  - A 10% increase in proprietary spending per basic card;
  - A 7% increase in cards-in-force;
  - 3% growth in worldwide managed lending balances, or 7% when adjusted for last quarter's equipment leasing portfolio sale; and
  - A 7% increase in assets owned, managed and administered at AEFA.

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- Consolidated expenses were up 9%, primarily reflecting higher business-building expenditures, human resources costs, and interest expense. Provision expense increased on growth in our charge and owned lending portfolios and higher provisions at AEFA.

- Our decision to expense stock options beginning in 1Q '03 continued to negatively affect the Human Resources expense comparison as the impact of incremental annual option grant expense, increased levels of restricted stock awards and other related compensation changes are reflected in the 12% increase versus last year. This increase also reflects advisor-related spin-off costs, Threadneedle incentive based costs, costs related to the continued reengineering of our travel activities and last year's DAC benefit at AEFA.

    - Importantly, the underlying human resources costs and related employee count continue to be well-controlled.

- On the reengineering front, we are well-underway to achieve the $1B of benefits targeted for 2005.

- And lastly, the consolidated tax rate for the quarter was flat compared to last year.

- With that, let me now turn to the business unit results.

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At TRS:

- Overall, the quarter reflected strong financial performance with excellent metrics, driven by strength throughout our proprietary card and network businesses.

- Managed net revenues increased 9% and net income rose 20%.

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- The benefits of our investment spending over the past two years continue to be evident in our card-related metrics, which are strong both on an absolute basis and versus the competition.

- Spending per proprietary basic card in force grew 10% on a worldwide basis, showing the success of our loyalty-related initiatives and merchant coverage-expansion activities.

- Worldwide billed business was very strong during the quarter, increasing 15%.

- In our U.S. proprietary business:

    - Consumer spending grew 13%;
    - Small business spending rose 17%; and
    - Corporate Services volume improved by 7%, despite continued pressure created by airline pricing declines.

- In total, U.S. non-T&E related volumes grew 17%, while T&E-related spending rose 8%.

    - U.S. airline-related volume increased 3% as 15% transaction volume growth was suppressed by a 10% lower average airline charge.

- Outside the U.S., reported billed business was up 18%, which equated to 14% growth on an FX-adjusted basis, reflecting 11% growth within the consumer and small business, as well as the corporate segments.

- Global Network Services volumes rose in excess of 35% on continued strong growth in non-U.S. partner volume, as well as the addition of MBNA-related volumes in the U.S.

    - Last week’s announcement that we will team with UBS and Juniper Bank to offer an American Express network card to UBS’ wealth management clients provides additional volume potential later this year.

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- Worldwide cards in force grew 7%, as we added approximately seven hundred thousand net new cards during the quarter and 4.5MM cards over the last year.

  - Continued successful card acquisition activities and improved cardmember retention levels within our proprietary issuing business, as well as strong growth in network cards worldwide, combined to drive this growth.

- Our discount rate of 2.56% rose by two basis points versus the fourth quarter of 2004 on seasonal shifts in the spending mix, but consistent with the strong retail and everyday spend growth, declined three basis points versus last year.

  - Over the last decade, our average discount rate has declined modestly, largely due to the success of our strategy to evolve our spend mix towards non-T&E categories. However, during this period our industry-related merchant pricing has held relatively steady, reflective of our strong merchant relationships.

  - Additionally, over the last year or so, we have signed long-term contracts with a number of our largest merchants, many of which extend beyond this decade, demonstrating the benefits they receive from our cardmembers and partnership.

- Worldwide managed lending balances grew 3% year over year or 7% excluding the impact of the sale of our leasing business in the fourth quarter of last year. This improvement came despite an industry environment that continues to generate low single-digit organic receivables growth.

  - In addition, the net yield on the portfolio increased versus last year and last quarter. Coupled with our strong credit performance, this has resulted in an improvement in our risk-adjusted margin that compares very favorably to industry trends.

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- Travel revenues increased slightly as transaction levels grew modestly and we continued to see on-line bookings growth outpace counselor assisted activities. While these on-line bookings generate a lower level of revenue per transaction, the ultimate cost of these transactions is also lower.

- On the expense side, marketing, promotion, rewards and cardmember services expenses increased 29%, due to particularly high marketing and promotion expense increases and a lesser increase in rewards-related costs.

- Total managed provision for losses declined 6%, as charge card and lending credit quality, as well as reserve coverage ratios, remained strong.

- Human resources expense rose 7%, due to greater management incentive expenses, larger employee benefit costs and merit increases.

- Total other operating expenses decreased 6%, primarily reflecting benefits from the 3Q ’04 sale of the ATM business, a positive change in reserves resulting from various control improvements, and reduced printing and supplies expenses.

- And lastly, the effective tax rate of 32% was flat versus last year.

At AEFA:

- Net income increased 5%, but decreased 27% before last year’s accounting change.

    - The decrease before last year’s accounting change reflects the $43MM after-tax, above-the-line DAC valuation benefit associated with the accounting change.

- Assets owned, managed and administered rose 7%, reflecting market appreciation, favorable foreign currency translation impacts and asset inflows versus last year.

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- Despite a relatively lackluster market environment, total cash sales increased 5% on strength in sales of non-proprietary mutual funds, investment certificates, insurance products and institutional activities.

- Revenues increased 8% on increased net investment income, greater investment management and service fees, larger insurance-related revenues, higher fees earned on non-proprietary funds and growth in financial planning and advice service fees.

- The provision for losses and benefits increased 10% on higher in force levels, particularly within certificate products, and generally higher interest crediting rates.

- Field human resources expense increased 8% on the inclusion of the spin-off related costs mentioned earlier, as well as higher asset levels and growth in the advisor force.

- The advisor base rose 2% versus last year and held steady versus the December 2004 level, despite typical seasonal pressures in the first quarter as well as expected initial spin-off related distractions that typically accompany an announcement of this kind.

    - Veteran advisor retention rates remain strong.

- Non-field human resources costs increased 22%, reflecting performance-related incentives at Threadneedle, higher benefits and management incentive costs, as well as merit increases.

    - The average number of non-field employees was relatively unchanged versus last year.

- Other operating expense growth reflects increased marketing costs, higher expenses related to securities industry regulatory matters and spin-off related costs.

- The effective tax rate was 29% versus 28% last year.

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- Before discussing the Bank's results, I would like to spend a few minutes on the AEFA spin-off.

- I know that you have many questions about the ultimate costs and capital implications of this transaction. While we are not yet in the position to provide you with this information, we should soon be able to fill in many of the details.

- The planned filing of our Form 10 in June will provide you with a better understanding of the transitional costs, ongoing expense implications of separating the two companies, and the capital strategy for AEFA. It will also give you a pro-forma segment breakout of AEFA's results that should further enhance your understanding of the business.

- In conjunction with the filing, we will also hold a conference call to provide you the opportunity to ask questions to facilitate your analysis of the transaction.

- There are significant efforts underway throughout the company to coordinate and execute all of the initiatives that will be required to complete this transaction, including, among other things, de-linking integrated technology and corporate staff-related activities and establishing a new brand for AEFA.

- In the quarter, as a result of these initiatives, we incurred an initial $22MM of pre-tax, spin-off related expenses, the majority of which reflect expenses designed to recognize and reward advisors for their ongoing contributions to AEFA's success.

- Cumulatively, and over time, these expenses will be significant and we plan to disclose them as part of our quarterly results throughout the year.

- Lastly, we continue to strive to complete the spin-off towards the end of the third quarter. However, as you know, the timing of certain key tasks, such as SEC approval of the Form 10, is not fully within our control.

At AEB:

- Net income of $30MM decreased 1% versus 1Q '04, as pressures from rising interest rates were offset by continued growth in private banking and FIG-related activities, last year's reengineering costs and a lower tax rate.

- The Bank's results reflect a 9% increase in total loans outstanding to $7.0B, driven by growth in the Private Banking, FIG and Consumer loan portfolios.

- Finally, results also benefited from a provision decline of 19% versus last year.

Summary/Outlook:

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

- We delivered record earnings for the quarter while continuing to invest in the business and maintaining substantial balance sheet strength.

- Our results again illustrate the healthy momentum in our card business, where our competitive position has strengthened as shown by our gains in share of industry spending and lending activities over the last two years. Based on the reported data from our major competitors to-date, it appears that these gains continued through the first quarter.

- To ensure that we are positioned to invest aggressively for the future and to leverage fully the many growth opportunities we see in the payments arena, we continue to work to reengineer the business and to control underlying operating expense growth.

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- Our pipeline of marketing, product and service-related initiatives is particularly strong today, with investment opportunities that we expect will generate a number of new and enhanced capabilities for our card customers, merchant partners and network issuers.

- In fact, over the next year, you will see a portion of this pipeline as we introduce a number of new products, reward program enhancements, and service enhancements that will further position American Express as an industry innovator and leader.

- We believe that the breadth of these initiatives is excellent and that they will enable us to leverage our considerable ability to understand our card and merchant customer behavior and needs, segment these customer bases appropriately, and provide them with value-added offers, benefits and services.

- Our recent business success, coupled with our strong track-record of innovation, product development and superior marketing, makes us confident that these investments will continue to drive growth into the future.

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

Forward-Looking Statements

This release 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 ability to complete the planned spin-off of its AEFA business unit, which is subject to final approval by the Company's Board of Directors, the receipt of necessary regulatory approvals and a favorable tax ruling and/or opinion, and in connection with the proposed spin-off, the Company's ability to capitalize AEFA consistent with rating agency requirements and to manage transition costs and implement effective transition arrangements with AEFA on a post-completion basis; 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 travel related services products, particularly credit and charge cards 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 services (GNS) business; the Company's ability to introduce new product, reward program enhancements and service enhancements on a timely basis during the latter half of 2005 and the first half of 2006; the success of the GNS 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 U.S. GNS bank partners 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 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 TRS' 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 $500 million for the future purchases of Delta SkyMiles rewards points and to loan up to $75 million to Delta; AEFA's ability to improve investment performance, including attracting and retaining high-quality personnel, and reduce outflows of invested funds; AEFA's ability to develop and introduce new and attractive products to clients in a timely manner and effectively manage the economics in selling a growing volume of non-proprietary mutual funds and other retail financial products to clients; fluctuation in the equity and fixed income markets, which can affect the amount and types of investment products sold by AEFA, the market value of its managed assets, and management, distribution and other fees received based on the value of those assets; AEFA's ability to recover deferred acquisition costs (DAC), as well as the timing of such DAC amortization, in connection with the sale of annuity, insurance and certain mutual fund products, and the level of guaranteed minimum death benefits paid to clients; changes in assumptions relating to DAC, which could impact the amount of DAC amortization; changes in federal securities laws affecting the mutual fund industry, including possible enforcement proceedings and the adoption of rules and regulations designed to prevent trading abuses, restrict or eliminate certain types of fees, change mutual fund governance and mandate additional disclosures, and the ability to make the required investment to upgrade compliance systems and procedures in response to these changes; AEFA's ability to avoid deterioration in its high-yield portfolio in order to mitigate losses in its investment portfolio; fluctuations in foreign currency exchange rates; fluctuations in interest rates, which impact the Company's borrowing costs, return on lending products and spreads in the insurance, annuity and investment certificate 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 TRS' lending securitizations; the amount of recovery under the Company's insurance policies for losses resulting from the September 11th terrorist attacks; 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.