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Remarks by Ed Gilligan, Group President, Global Corporate Services and International Payments

Thanks Ken. Good afternoon, ladies and gentlemen. It's a pleasure to be here.

Today, I will touch on our principal international businesses. My focus will be primarily on our consumer card products, but I will also discuss how our commercial cards contribute to our strategy. Before I get to the heart of my remarks, I'd like to make a few comments on the industry and the environment in which we operate.

Our international card business has contended with a wide array of economic challenges over the past few years. Softness in Europe's economy, recessions in Japan and Hong Kong, the impact of SARS, and monetary crises in Latin America, all had an affect on our business. But as I will discuss in a few minutes, we were able to profitably weather the storm thanks to our flexibility and focus. Having 2 dozen key proprietary issuing markets, gives us the scope to optimize our portfolio of businesses, by moving investments to markets where the opportunity for growth is the greatest. Additionally, our affluent customer base was less affected by the various economic challenges.

We've been navigating these markets for the past 150 years and I'd like to review some of our history.

Here are a few milestones. We have had a presence outside the United States almost since the time the company was formed. In fact in 1852, we had an agent in Acapulco to arrange shipping for our customers.

- In 1891 the first Travelers Cheque was cashed overseas in Leipzig.
- Our first overseas office opened in 1895 in Paris.
- It was followed the next year by an office in London where one of the first customers was Mark Twain.
- In 1916, we continued our global expansion with an office in Buenos Aires.
- And that same year, we established a presence in Manila

I show you these pictures not only to engage in some nostalgia, but also to make an important point:

- We have a long history of successfully operating in markets across the globe
- We have a depth of experience in working with a multitude of cultures and regulatory systems, and
- We have built up local knowledge over many years in our key international markets.

150 years ago, we were in the vanguard of companies that expanded beyond the US borders. Today we are truly global. Outside the US, our brand has an advantage that is unique in the industry, and we have built a reputation for dependability, quality, and longevity that we believe none of our competitors can duplicate.

Our international business has grown from those beginnings to an enterprise with global reach. We have achieved significant scale and flexibility, which we believe is critical for a successful global operation.

We have also created a platform for innovation in our international businesses. It's often more efficient to experiment and perfect a new product in a smaller market, and then quickly spread it around the world if it proves successful.

And finally, we see a bright future for international. There is growth opportunity in all key markets and we are building on the strength of our unique spend-centric model. The affluent high-spending customer base we focus on, is both large and growing. We serve this market through our consumer cards, through our bank partners, through our small business cards, and through our commercial cards. The growth potential is significant and we are in an excellent competitive position.

As I talk about all these points, I'll divide the discussion into 4 basic questions.

1. What is the scope of our international business?
2. Who is our competition?
3. What is our strategy?
4. What are our growth prospects?

Let's begin with a look at the scope of our international business. We have a very strong presence outside the US. And, unlike most other card companies, we are in many international markets – not just a few. In fact we believe you can't be a truly global brand without a presence in a large number of countries.

Our international presence starts with our proprietary markets. We offer local currency cards in 24 countries. In addition, we issue US dollar or euro cards all around the world. These products are designed for affluent consumers who travel frequently and want to protect themselves from fluctuations in their local currency.

As David House discussed at our meeting last February, we also have agreements with banks and other financial institutions to issue cards through our Global Network Services business. To date, we have more than 80 GNS partnerships in over 90 countries. The MBNA deal we announced earlier this year is a US example of a GNS partnership. Outside the US, many of our GNS partners don't just issue cards, they also acquire merchants for the American Express network.

Let me mention some other facts about our international presence.

- The American Express card is accepted by millions of merchants around the world. We estimate that our merchant network outside the US accommodates over 80 percent of our cardmembers' general purpose charge and credit card spending.
- The Travelers Cheque is issued in 9 currencies and has global acceptance.
- We have a global network of travel agencies – both owned offices and franchisees.
- American Express Bank has a long-standing presence in 45 countries.
- And we have expanded our non-US investment capabilities with the purchase of Threadneedle Asset Management in the UK

Here are some basic facts on our international businesses that include our international consumer cards, Global Corporate Services, Global Network and Establishment Services, Threadneedle, and American Express Bank.

- We have 36 thousand employees outside the US.
- We had over 24 million cards in force at the end of last year and had 90 billion dollars in billings.
- American Express Bank had over 16 billion dollars in assets under management.
- And Threadneedle had 84.7 billion dollars in assets under management, as of our acquisition on September 30, 2003.

Just to give you a quick update on where we are at mid-year, let's take a look at some key statistics.

- Our cards in force grew at a combined rate of 10 percent,
- Billed business grew 25 percent. (restated for currency conversion, growth was still strong at 15 percent) and
- Loans grew by 6 percent

Now let me briefly compare our international card business to those of our principal competitors. Our competition consists of a mix of global and local players. In the aggregate, we are the largest issuer internationally in terms of Billings. Yet we face formidable competitors virtually everywhere.

Despite this heavy competition, our focus on the affluent and commercial segments, and our global scope, set us apart from our competition, and give us the advantage of highest total billings as well as higher billings per cardmember.

Globally, we view Citibank and HSBC as our strongest competitors as they offer card products in a large number of markets. MBNA and CapitalOne have been successful in introducing cards in a few countries, but currently their international presence is still highly concentrated.

As you can see, we have significantly higher billings and more cards in force than any of these competitors. These numbers indicate that we have a stronger ratio of billings to cards, which is a key difference in our business model. For example, compared to HSBC, we have 20 percent more cards, but our billings are almost double. That's because we are focused on a large number of high spending customers, rather than just cards in force. And you will see in a few minutes why that is important.

I would now like to shift to the focus of today's discussion: our proprietary card strategy. When I talk about proprietary cards, I am referring to both the consumer and commercial cards that we issue. As I begin this part of the discussion, I would like to share with you a few facts that illustrate how we are specifically focused on high spending cardmembers, and how that focus applies across a large number of markets.

- The top 25 percent of our cardmembers average 18 thousand dollars annually in spending. And we have segmented our services to focus on them.
- Our largest international consumer account was in Australia where a cardmember spent 5 million US dollars in a 12-month period.
- Our largest Corporate account headquartered outside the US billed 800 million dollars last year.
- Globally, we processed 337 million transactions through June of this year. That's 21 transactions per second.
- We have 6.6 customer interactions every second in International.

That should give you a flavor of the spending behavior of our customer base. Let me now talk about the business model that drives high spending.

Those of you who were here for Al Kelly's presentation last year will remember this model. It also applies to our international payment businesses. The spend-centric model starts with a customer proposition that provides premium value. Across the globe, we believe we are uniquely positioned to create consistent premium value offerings for our cardmembers. This attracts a customer base that spends far more on average compared to Visa or MasterCard. These higher spenders also have higher insistence on using their American Express cards, thanks to our loyalty programs.

And because they spend more and insist on using their American Express cards, we are able to earn a premium discount rate from merchants. We invest some of that premium discount in driving even more spending to merchants, thereby creating a stronger value proposition for cardmembers and merchants alike. The entire model is supported by a high quality customer experience.

Affluent customers have many similar characteristics around the world, which means that we can meet most of their needs through a common set of value propositions:

- They are brand conscious and have a strong brand affinity
- They like our rewards programs,
- They expect flawless service, and
- Most of them travel frequently

This focus on the battle for the affluent high spender is critical to our business model, and is one that plays to our strengths. And it is a battle in which we are making good progress. Before we move on, I want to say that I am going to be using some country-level data to show you how our spend-centric strategy is working. In each case, I will use local currency so that there is no distortion caused by the effects of a weakening dollar. These graphs clearly demonstrate the lead we hold over Visa and MasterCard in capturing the high spending consumer's business.

Germany is a market in which consumers rely heavily on cash and debit cards for most purchases. But as you can see in the first set of bar graphs, in the charge and credit card sector, our average spend is almost double that of spending on Visa and MasterCard.

In Japan, despite a recessionary economic environment, we have been able to generate consistently high spend within our base. And in Mexico, our historic focus on high spending consumers has built a solid foundation, which allows us to sustain our spend advantage despite the entry of US and Spanish banks into the market.
In both Japan and Mexico, our average spend is almost triple those of Visa and MasterCard. Now look at how this breaks down by competitor in two other markets, the UK and Brazil.

In both markets, we enjoy a spend advantage that is much greater than that of each of our major local competitors. As you can see on these graphs, our average spend per card is 2 to 3 times higher than that of our closest competitors. I just gave you a quick look at five countries, but the pattern of significantly higher average spend holds true for almost all of our international proprietary markets.

Now let me talk about 3 critical components of our business model that we believe give us a unique advantage:

- We have a clear focus on the customer
- Our network operates as a closed loop encompassing relationships with both the customer and the merchant
- We have a global approach to managing the business

I'll begin by talking about how we match our products to our target customer segments. Let's look at our customer-focused approach. As I've said, we have designed our strategy to generate higher spend. It consists of acquiring, deepening, and broadening relationships with high value cardmembers.

To acquire customers, we have developed premium products designed to reach specific segments. We are increasingly expanding distribution channels, especially partnerships, to optimize the acquisition process. Having acquired customers, the next step is to deepen relationships and increase our share of wallet. Here again, we take a segmented approach to loyalty and servicing. And Membership Rewards plays a key role in deepening our relationships with many of our most profitable customers. Finally, to broaden our relationships, we cross sell travel, insurance, personal loans, and retail financial services. Throughout this whole process, we must provide a superior customer experience.

That's the quick overview. Now let me come back and drill down starting with acquisition. The key to successfully acquiring customers is to target the right products to the right prospects. Our card portfolio focuses on distinct customer segments, and is divided into five product lines.

In our international markets, we have a strong set of premium charge cards like those we offer in the United States. We have the green, Gold, Platinum, and Centurion cards. Most of our proprietary markets now issue Platinum cards, and we have introduced the Centurion card in 6 international markets: The UK, Germany, Hong Kong, Mexico, Japan, and Australia. The Centurion Card will be launched in a number of additional countries over the short to medium term.

On the revolve side, we offer lending products in many places. Increasingly, revolve products are becoming a key part of bringing new customers into the franchise. These products also meet the needs of some segments of our current base who want the flexibility of a revolving product.

Next are co-brands, which are becoming an increasingly important part of our strategy. We have consumer co-branded cards with partners such as British Airways, Singapore Airlines, AeroMéxico, BMW, Air Canada, and Costco. Co-brands are a key component of our strategy. These cards not only cover a broad set of spending categories, they are partnerships with strong, well-known brands.

We have an equally compelling and tailored set of products for small businesses, that provide valuable financial management tools for these customers.

And of course we have an extensive range of commercial cards that offer unrivalled expense management capabilities for mid-size and large corporations. In several markets, we have introduced co-branded commercial cards linked to airline rewards programs. These products, though relatively new, are already showing strong promise, both in terms of account acquisition and usage.

Overall, this comprehensive product range provides us with the flexibility to offer unique and very competitive value propositions. We are not a mass-market player, rather, we target the affluent consumer segment and small to large businesses. For consumers, we recognize that there are many discrete segments. And we have a specific plan to target them.

Let me give you an example of how this plays out in the real world. This is how we target customers with a broad range of products in Italy. These are the consumer segments. The example is Italy, but it is representative of our other international markets. We have identified four distinct segments:

- Frequent flyers, who are interested in travel rewards and benefits
- Domestic affluents, who are motivated by non-travel rewards
- Pre-Affluents, who want more flexibility and who tend to prefer lending products, and
- Small Businesses, who are looking for financial control and savings.

Frequent flyers are among our highest spending cardmembers. Their needs are met by both our Platinum Card and our co-branded Alitalia card. The Domestic Affluents travel less, but are still interested in our premium product features such as Membership Rewards. So the Gold Card is the product for them. We also have cards affiliated with major Italian soccer teams that appeal to this segment. The pre-affluent have specific lifestyle needs that are best met by our Blue Card or our Gold revolve product.

And lastly, we have successfully attracted small businesses through our Gold Business Card and an Alitalia co-brand designed for small enterprises. This strategy, combined with a bank distribution system, has made Italy one of our most successful markets. When the Italian economy was growing by 1.4 percent over the past few years, our reported billings were up 13 percent.

Now let's look at the important role partners are playing in acquiring customers. To help meet the dual imperatives of relevance and scale, we concluded that a partnership strategy was essential in international. These May Year-To-Date numbers show that partnerships account for almost one third of all acquisition in our proprietary international markets. Of that, 37 percent is through airline co-brands, and the rest are with non-airline partners like BMW and Costco.

Among our most effective partnerships are those with airlines. By partnering with a national carrier, we have been able to transform our business in several key markets. The Netherlands is a prime example. In November 2003, we launched a range of co-brand cards with KLM. These cards have a unique value proposition that ties directly into KLM's four-tiered frequent flyer program.

And while it's still early, the numbers show that this product is a success. The annualized average spend on the KLM card is 11 thousand dollars. This card jump-started our business in the Netherlands and, as you can see, June year-to-date billed business is up 40 percent and our new cards acquired are up 60 percent.

Our co-brand card with Air France has shown similarly impressive results. This is a more mature product, but it clearly has added high-spending cardmembers to our franchise. Today, half of our high spending French cardmembers carry the Air France card. This product has allowed us to grow and generate profits despite not having broad penetration into the total French consumer base. And as you can see here, our growth rates in France were strong despite the sluggish French economy.

While airlines are important to us, we are also branching out to non-airline partners. Here is an example from Canada where we've partnered with Costco. Our product serves as both a payment product and the consumer's Costco membership card. It offers a popular cashback feature, and it leverages the strong affinity between Costco and its customer base.

Similar to our experience in the US, the Costco card in Canada has increased our scale and relevance in the market. It has a high penetration rate among consumers and comes with a significantly lower cost of acquisition, thanks to in-store efforts by Costco employees.

You can expect to see more of these types of partnerships. In addition to expanding our co-brands beyond airlines into retail, we are also widening our distribution channels.

As I mentioned before, David House talked about GNS earlier this year. The GNS business encompasses cards **issued by banks** on our network. This is not the only relationship we have with banks. We also have agreements in which banks distribute cards **issued by American Express** to their premium customers.

I'll describe one example. In France, we partnered with Société Générale to distribute our Gold and Platinum cards. Those cards now generate 25 percent of the new Gold and Platinum cards we acquire in the market. And the average annual spend on the Société Générale Gold cards is almost 6,000 dollars. Platinum is 24,000 dollars.

Bank distribution partnerships are complementary to our GNS strategy, and we are expanding the number of other ways that we can work together with banks.

Another example of new distribution partnerships is affinity cards. We have been particularly successful in penetrating the affinity card market in Australia, where we have cards with the majority of the largest professional associations. In Australia, affinity cards form a big part of our total revolving portfolio. The data on this slide refer to all of our affinity cards in Australia, and show their contribution to our proprietary consumer lending activities.

One example of a successful affinity card is with CPAs. With a value proposition linked to Membership Rewards, this card is performing well in generating increases in billed business for us. Affinity cards in general are among our strongest performing cards with high average spend, and low attrition.

Our focus on the high spending segment, combined with expanded distribution and co-branded partnerships, has produced strong results in Australia over the past three years. While our cards in force have increased 14 percent, our billed business is up 12 percent. Loans have grown 40 percent and our revenue is up 16 percent over that period.

Let me now talk about how we use incentives to deepen relationships with high value cardmembers. As I pointed out earlier, in international, our high value cardmember segment spends on average 18 thousand dollars per year.

Across international, most high spending cardmembers have a card that includes Membership Rewards or a co-branded loyalty program. And because we have diversity in our range of rewards, we are not overly dependent on any one partner.

As you know, cardmembers enrolled in rewards programs are very attractive in terms of spend, retention, credit performance, and profitability. This is why we have ramped-up our initiatives to expand reward-linked products across our global card base. As in the United States, rewards programs in international are a key competitive differentiator, and they add tremendous value both as a component of our customer proposition and as a loyalty tool.

We have over 1,200 Membership Rewards partners in international with an average of 70 partners in each country. And less than 30 percent of them are in the travel industry.

As you can see here, the sheer breadth of our reward offerings is unparalleled. This is just a sample of our many rewards partners across the globe. Cardmembers can redeem their points with 35 airlines and over 275 hotel chains. Our non-travel redemption options include retail – ranging from The Gap to Takashimaya, an upscale Japanese department store. Other redemption categories include dining, spas, charities, movie theatres, automobiles, and special events like the MTV Music Video Awards in Europe.

We are seeing an increase in popularity of the non-air rewards. Redemption volumes on non-air rewards made up 38 percent of total redemption volume in 2003, up from 31 percent four years ago. This is a very positive trend, as it demonstrates that giving our customers more choice is gaining in appeal. Branching out into non-air rewards also improves the economics of the program.

Membership Rewards works for us. These figures clearly demonstrate that cardmembers enrolled in Membership Rewards are our best customers.

- Their average spend is 4 times higher than the rest of our base.
- Voluntary attrition is 40 percent lower.
- Collection attrition, which is a measure of better credit quality, is 20 percent lower.
- And despite the increasing costs of Membership Rewards as penetration and usage expand, you can see that this program plays a vital role in our profitability.

Rewards are the foundation of our high spending cardmember strategy and, going forward, we are looking for ways to add more value.

To broaden relationships, we have complementary businesses that allow us to offer expanded value propositions, generate additional earnings, and differentiate ourselves from our competitors. We believe that we have a broad set of highly relevant products and services to cross-sell to our customers.

Insurance is becoming an important element of our business in international. We are gaining traction with this business, and believe that there is upside with insurance products. As of June 2004, we had 2.9 million policies in force.

I'm sure you are familiar with our global travel network that serves as a constant reminder to traveling cardmembers that we have a worldwide service capability. But we also use our travel business to create unique value propositions for our Platinum and Centurion cardmembers through our Membership Travel organization. This is a group we set up with our most experienced travel experts, to provide a premium travel service and exclusive lifestyle experiences for our most valuable cardmembers.

Two years ago, we reconfigured this service to create more appeal to the affluent segment. It is paying off this year with Membership Travel sales up 21 percent. So we now have a platform to further build loyalty as we achieve even more penetration of the high spending customer segment.

With personal lending, we are expanding our relationships with cardmembers mainly through lines of credit, term loans, and other financing options.

And finally, we have introduced financial services in some markets. We are still in the initial stages but we are following the same targeted approach as with the other products, and believe that this business presents an excellent opportunity going forward. Both personal loans and retail financial services are managed by American Express Bank.

Next I'll talk about the second element of our business model – the Closed Loop.

I think you are probably familiar with this concept. Unlike Visa and MasterCard, American Express has a direct relationship with both the merchant and the cardmember. This allows us to develop spend stimulation and loyalty programs that are closely aligned with cardmembers' spending habits. These programs have proved very effective for us and for merchants, and we continue to invest in them.

The closed loop also brings us another critical competitive advantage. Because we have access to richer, more complete data from both the merchant and the cardmember, we can create unique and flexible management information for corporations. This allows them to track employee spending, to enforce compliance with company T&E policies, and to help negotiate better rates with suppliers.

American Express also gains an advantage in terms of lower risk. The closed loop gives us a huge amount of aggregate data, which we use to improve our credit risk models. And we can also get unique data at point of sale that helps us reduce fraud.

While we know there are additional merchants we need to add to our network in key markets, I do want to point out that coverage has not proved to be an insurmountable obstacle. It has not stopped us from increasing billings or from maintaining our competitive advantage in higher average spend per cardmember.

We have improved our coverage by aligning our targeted merchant acquisition with the needs of our customer segments. And our partnerships are definitely helping.

Our merchant network is strong and growing, but I want to assure you that we are focused on adding more merchants. We know that if we can close the coverage gap further, we will drive even more billings growth through our spend model. My colleague, David House, and his team that is responsible for acquiring and managing relationships with merchants, have made great strides in expanding the network.

We believe that our focus on affluent high-spending customers requires a different merchant acquiring strategy than would a mass-market approach. In fact, our closed loop relationship with cardmembers and merchants, puts us in a strong position to understand where and how our cardmembers want to use our products. This allows us to:

- Drive more value into existing relationships with merchants through marketing campaigns that generate increased sales for them and us, and
- Selectively enroll merchants in our network by identifying where our cardmembers live and travel.

Let me show you one tool our Establishment Services division uses to target merchants that match our cardmembers' spending needs.

This is a picture of a screen from an innovative on-line system we have deployed with our merchant sales force in Europe. Using this system, a sales person can identify merchants by industry sector and geographic location. I know you can't see the details but these dots represent locations of restaurants in Paris that already accept the American Express Card.

Here is an even tighter focus on a specific neighborhood. The blue dots are restaurants that accept the American Express Card and the other colored dots are those that do not. The variation in colors indicates potential size of billed business. Using this system, a sales person can go street-by-street and pinpoint restaurants to sign up.

This system allows us to take a very targeted approach to locating and signing merchants in places where we know our customers want to use their card. This tool has worked very well. For example, this year we have signed over 1,000 Michelin rated restaurants in France alone through June. We have also launched an activation program that encourages cardmembers to use their cards at newly signed restaurants, by offering them complementary champagne or other amenities on their first visit. This targeted signing of merchants, combined with our marketing offers for cardmembers, encouraging them to spend at these new merchants, is an example of the power of our closed loop business model.

This focused approach is helping us make significant progress in closing the coverage gap across many industry sectors in France. We have strong levels of relevant coverage in high-end retail and T&E establishments, in areas where our cardmembers live and spend. This targeted focus, along with the partnerships with Air France and Société Générale, have turned France into one of our strongest performing markets in terms of billings and profit growth, as I showed you earlier. And we're making similar progress expanding the network in other markets around the world.

Before I move on to the next section, I want to mention one important issue we face on the regulatory front. In some of our markets, authorities are taking steps to regulate Visa's and MasterCard's interchange fees. Regulators view the card associations as monopolies, and therefore carefully scrutinize the various fees that they charge their merchants and consumers. Regulators in the European Union and Australia have already placed limits on the level of interchange fee that card issuers can earn. The United Kingdom is also considering regulation.

While American Express is not the subject of these actions, the new regulations on Visa and MasterCard will have the effect of widening the gap between our merchant discount rates and those of the associations in some industry sectors. Eventually, this could exert a downward pull on our own discount rates.

We are addressing this challenge by continuing our business transformation and reengineering initiatives to maintain and improve our margins. We are also continually strengthening our value proposition to merchants to support our premium pricing.

The last advantage of our unique business model is our global approach. There are four capabilities that we believe give us an edge over our competitors:

- Flexibility
- Risk Management
- Servicing Platforms, and
- Global Marketing

I'll touch on each of them briefly.

First let's look at an example of the flexibility of our portfolio. As you can see on the chart on the left, we started seeing an increase in bankruptcies in Hong Kong in 2002. So we responded by cutting back investments there and shifting our emphasis to Australia and some European markets. Not only did this reduce our risk exposure in Hong Kong, we were able to offset the net income impact from Hong Kong with increased income in the other markets.

We followed a similar approach in Argentina when that country experienced a severe financial crisis several years ago. This flexibility is possible because we have a global structure that enables us to optimize our investments among the 24 key proprietary markets that we focus on.

We are also able to optimize investments between Corporate Card, and consumer card, both internationally and within a particular market. Investment funds can be moved between the two lines of business to capture a specific business opportunity, or to respond to changing economic conditions. In fact, we take a systematic approach, market by market, to determine how funds can be most effectively allocated among the various card businesses. A key part of this market optimization process is the joint development of initiatives for all the businesses in a market to support each other's growth strategies.

Risk Management is another of our global capabilities. Credit performance is improving on both the charge card and lending portfolios. While charge card and loan volumes grew in the double digits, our net loss provision as a percentage of billed business declined, reflecting our improved credit quality.

I am happy to say that credit performance remains very strong. This is the result of acquiring more high value customers and continued investment in global risk management capabilities.

Another global asset is our customer service network. This is how we have configured our international customer service capabilities. The red dots represent major center hubs that service both geographic regions and other markets. The green dots are smaller centers that complement our main hubs.

This global network is, we believe, a clear advantage for us. When volumes spike in one area, we have several alternatives to spread calls on a 24-hour basis. The network also provides us with a unique global business continuity system. When there are power failures or other unforeseen events that disrupt our ability to function at full capacity in one center, we are able to transfer calls to other locations.
Finally, there is our global marketing capability. As I mentioned earlier, we see similar characteristics across the globe among the affluent and commercial segments. To address their common needs, we build basic value propositions centrally for our core products. This gives us the benefits of scale and consistency. These products

and services are then adapted locally to meet the needs of customers or to take advantage of unique market opportunities.

Our global marketing team, drawn from talent from around the world, works closely with local marketing experts. This ensures that we have the basic global consistency in our products without sacrificing the local relevance needed for ultimate success. It also produces a network of marketing experts who can share best practices quickly, giving us faster time to market and rapid globalization. This combination of global and local marketing capabilities has resulted in the introduction of more than 80 new products and services across our international business last year.

Two of our most successful global products were first developed in international markets. The first Blue Card was launched in Taiwan in 1997. And the Centurion Card was developed and launched in the UK before we rolled it out in the United States.

Now let’s talk about our prospects for growth.

The consumer card market outside the United States has a lot of potential. According to estimates by Global Insight, an industry research firm, the volume of general purpose plastic spending will almost quadruple in size between 2001 and 2007. This year, the estimate of plastic spending in 19 international markets is 2.3 trillion dollars and it’s expected to grow to almost 4 trillion dollars by 2007.

In addition, as you can see, affluent households have grown, and are expected to grow even more, as a percentage of total households in major countries. The continued growth of this affluent base, combined with the increase in the market for general purpose plastic, gives us confidence in our potential to further grow our business.

Let me take a minute to talk about Corporate Card. We are encouraged to see that this business is bouncing back both in the US and internationally. Globally, billed business is up 18 percent year-over-year, and is now almost 8 percent above the volume for the same period in 2000. Revenue is up 17 percent. In our international markets, billed business is up 26 percent and revenue is up 21 percent.

Corporate Card is a major factor in our international card business. As more companies outside the US recognize the need for expense management systems, the more opportunity we have to play a larger part in this expanding market. We believe that we have an unparalleled expense management product and we think we will gain a large piece of this rapidly expanding market.

Now I’ll turn to the results for our consumer card business. We have already seen that our sharpened focus on high-spending customers is paying off. Year to date in June, Cards in Force were up 5 percent. New Cards Acquired were down 12 percent, and Billed Business was up 24 percent, as we focused on quality vs. quantity. Over the same period, Attrition rates were down 54 basis points, and Revenue was up 16 percent.

These figures demonstrate that our spend-centric strategy is producing results. And the number of high value customers as a percentage of our total base is increasing. We believe this strategy will be key to our continued growth.

Now that I have described our international business, let me talk for a minute about the future. We believe our opportunities for growth will come both from increasing our share of the market, and in expanding the market itself. As I mentioned earlier, we know that we have a gap to close on merchant coverage in some countries, but we have already achieved significant billings growth at our current coverage levels. The more we increase relevant coverage in regions where our cardmembers live and travel, and in industries our cardmembers want, the more our billings growth should increase.

We have also only begun to scratch the surface on expanding distribution channels. Finding more ways to get more cards to more consumers should give us additional growth potential.

And we know that our rewards programs are powerful drivers of plastic spend, especially among our high-value customer base. As we are successful in attracting more new and current cardmembers into our various rewards programs, we believe we can generate even more spend on our cards and capture a higher share of wallet.

That is how we plan to grow our share of the market. We also believe that we can actually expand the market for plastic spending. There are two principal ways that we can accomplish that: by bringing in new high-spending segments, and by adding new industries in which cardmembers can use plastic.

We believe that we can bring new customer segments into our franchise if we deploy the right products to meet their needs. One example is small and mid-sized businesses who still use predominately cash and checks. This is a segment that we are just beginning to build, and we believe there is significant room for growth.

There are also new industry sectors in international where customers have not yet begun to use plastic. Utilities and insurance are just two of the everyday spend sectors that have billings growth potential in international.

In short, we believe we can expand our slice of the pie, while at the same time expanding the size of the pie as a whole. We are confident that our international card strategy will continue to attract, engage, and retain high spending consumers across the globe. We believe that we have the right products for these customers. We believe our loyalty and spend stimulation programs are second to none. And we see a strong range of competitive opportunities, as we continue to innovate to meet their needs.

Despite the advantage that American Express enjoys in the high spending consumer sector, there is more of their spending that we have not yet captured. And this affluent sector is clearly growing in many parts of the world.

I believe we have already demonstrated that we can achieve scale and relevance without playing a mass-market game. Make no mistake; we want as many cards as we can possibly get in our target segment. And by staying true to our spend-centric model and continuing to expand distribution channels, we will get quality customers. These are the customers that will bring in levels of revenue that will allow us to add value to our merchant network, invest in new products and services, and contribute to shareholder value.

Thank you.