

AMERICAN EXPRESS CENTURION BANK

Business

American Express Centurion Bank (“AECB”) was incorporated under Utah law as an industrial loan company in 1987 and received Federal Deposit Insurance Corporation (“FDIC”) insurance in 1989. Its principal office is located at 4315 South 2700 West, Salt Lake City, Utah 84184. AECB is a wholly-owned subsidiary of American Express Travel Related Services Company, Inc. (“TRS”).

The information about AECB presented below is qualified in its entirety by reference to and should be read in conjunction with AECB’s Call Reports for each of the years ended December 31, 2005, 2004 and 2003.

AECB issues the Optima Card, Blue from American Express and other American Express branded revolving credit cards in the United States and owns most of the receivables arising from the use of these cards. AECB is also the issuer of certain consumer charge cards. In addition, AECB has outstanding lines of credit in association with certain charge cards and offers unsecured loans to cardmembers in connection with their Sign & Travel and Extended Payment Option. The Sign & Travel program gives qualified United States 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 United States cardmembers the option of extending payment for certain charges on the charge card in excess of a specified amount.

In addition to earning finance charge revenues, AECB 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 cards with differing rates, fees and grace periods, and cards with additional features such as rebates.

In April 2004, AECB entered into a transaction with an affiliate, American Express Bank, FSB (“FSB”) wherein AECB sold the Co-Brand, OPEN from American Express and Consumer Banking assets to FSB and FSB assumed certain AECB liabilities including the retail deposit portfolio. The transaction was based on net book value and no gain or loss was recorded.

Total loans from lending activities were \$13.1 billion, \$10.4 billion and \$19.1 billion as of December 31, 2005, 2004 and 2003, respectively. AECB’s charge-offs, net of recoveries, as a percentage of average loans were 2.89 percent, 3.65 percent and 4.66 percent in 2005, 2004 and 2003, respectively. Reserve rates as a percentage of total loans were 2.72 percent, 3.03 percent and 3.73 percent as of December 31, 2005, 2004 and 2003, respectively. Delinquency rates as a percentage of total loans were 2.82 percent, 2.63 percent and 2.83 percent as of December 31, 2005, 2004 and 2003, respectively.

AECB 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, 2005, AECB had \$5.6 billion of certificates of deposit and foreign deposits outstanding, \$6.0 billion in bank notes outstanding and \$1.6 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 United States cardmember revolving credit loans. At December 31, 2005, AECB sold \$14.3 billion of loans to the Trust.

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Results of Operations

Years Ended December 31, 2005, 2004 and 2003

In 2005, 2004 and 2003, AECB reported earnings of \$1.0 billion, \$1.1 billion and \$1.1 billion, respectively. These earning levels were supported by loans outstanding of \$13.1 billion, \$10.4 billion and \$19.1 billion as of December 31, 2005, 2004 and 2003, respectively. In 2005, 2004 and 2003, average return on assets was 7.28 percent, 7.21 percent and 5.95 percent, respectively.

At December 31, 2005, AECB reserves as a percent of delinquencies were 96 percent. Accounts are charged-off when six contractual payments become past due or earlier if the account is deemed uncollectible. The charge-off rates for the years ended December 31, 2005, 2004 and 2003 were 2.89 percent, 3.65 percent and 4.66 percent, respectively.

As of December 31, 2005, 2004 and 2003, AECB exceeded the FDIC “well-capitalized” levels for tier 1, total capital and minimum leverage rates. The tier 1 rates in 2005, 2004 and 2003 were 8.98 percent, 9.45 percent and 9.00 percent, respectively. Total capital rates in 2005, 2004 and 2003 were 10.31 percent, 10.81 percent and 10.33 percent, respectively. The minimum leverage ratios in 2005, 2004 and 2003 were 11.63 percent, 11.95 percent and 11.55 percent, respectively.

The following financial information of AECB for each of the three years ended December 31, 2005, was derived from AECB’s Call Reports.

CAPITALIZATION OF AMERICAN EXPRESS CENTURION BANK

The following table sets forth the consolidated capitalization of AECB:

(in millions)	As of December 31,		
	2005	2004	2003
Deposits liabilities:			
Less than one year	\$ 5,587	\$ 3,316	\$ 8,832
Greater than one year	-	-	27
Total	\$ 5,587	\$ 3,316	\$ 8,859
Short-term indebtedness:			
Federal funds purchased and other borrowings	\$ 1,622	\$ 1,720	\$ 5,064
Medium-term bank notes	2,150	1,928	2,900
Total	\$ 3,772	\$ 3,648	\$ 7,964
Long-term indebtedness:			
Medium-term bank notes due after 1 year	\$ 3,850	\$ 3,450	\$ 100
Shareholder's equity:			
Common stock	\$ -	\$ -	\$ -
Capital surplus	420	420	420
Undivided profits and capital reserves	1,304	979	1,659
Total shareholder's equity	\$ 1,724	\$ 1,399	\$ 2,079
Total capitalization	\$14,933	\$11,813	\$19,002

SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS CENTURION BANK

(in millions)

As of December 31,

	2005	2004	2003
Balance Sheet Data:			
Assets:			
Cash and cash equivalents	\$ 117	\$ 119	\$ 48
Investments	1,022	1,002	53
Federal funds sold	100	70	145
Loans	13,065	10,375	19,059
Reserves	(356)	(314)	(711)
Loans, net	12,709	10,061	18,348
Other assets	2,005	1,582	1,819
Total assets	\$15,953	\$12,834	\$20,413
Liabilities and Shareholder's Equity:			
Deposit liabilities	\$ 5,587	\$ 3,316	\$ 8,858
Federal funds purchased	373	50	935
Other borrowing	7,249	7,048	7,129
Total debt	13,209	10,414	16,922
Other liabilities	1,020	1,021	1,412
Total liabilities	14,229	11,435	18,334
Total shareholder's equity	1,724	1,399	2,079
Total liabilities and shareholder's equity	\$15,953	\$12,834	\$20,413

As of December 31,

	2005	2004	2003
Selected Ratios:			
Return on average assets	7.28%	7.21%	5.95%
Return on average shareholder's equity	60.72%	63.09%	50.78%
Tier 1 capital ratio	8.98%	9.45%	9.00%
Total capital ratio	10.31%	10.81%	10.33%
Net charge-offs/average loans (1)	2.89%	3.65%	4.66%
Reserves/past due & non-accrual loans (2)	96%	115%	132%

- (1) Net charge-offs/average loans are calculated by dividing gross charge-offs less recoveries by full year average loans.
- (2) Past due and non-accrual loans are based on the Call 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 CENTURION BANK

(in millions)

	As of December 31,		
	2005	2004	2003
Operating Data:			
Interest income	\$ 2,528	\$ 2,333	\$ 2,362
Interest expense	376	302	292
Net interest income	2,152	2,031	2,070
Provision for loan losses	364	383	778
Income after provision for loan losses	1,788	1,648	1,292
Non-interest income	1,441	1,688	2,610
Non-interest expense	1,682	1,685	2,194
Net non-interest (expense) income	(241)	3	416
Pretax income	1,547	1,651	1,708
Income tax provision	553	597	628
Net income	\$ 994	\$ 1,054	\$ 1,080

(in millions)

	As of December 31,		
	2005	2004	2003
Key Statistics:			
Average assets	\$13,650	\$14,620	\$18,150
Average equity	1,637	1,671	2,127
Average loans	11,107	12,045	16,931
Risk-based assets (net)	18,420	14,929	23,291
Tier 1 capital	1,654	1,410	2,097
Total capital	1,900	1,614	2,405
Past-due & nonaccrual loans	369	273	539
Net charge-offs	321	440	789