



# Lehman Brothers 2006 Financial Services Conference

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# AXP Performance vs. Long Term Targets



	<u>Target</u> <sup>1</sup>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>YTD'06</u>
Revenue	8%	8%	12%	10%	13%
EPS	12-15%	12% <sup>2</sup>	16% <sup>2</sup>	22% <sup>2</sup>	17% <sup>2</sup>
<u>ROE</u>					
Pre-Spin <sup>3</sup>	18-20%	21%	22%	25%	30%
Post-Spin	28-30%			31% <sup>4</sup>	33% <sup>4</sup>

1. Targets are on average, over time.

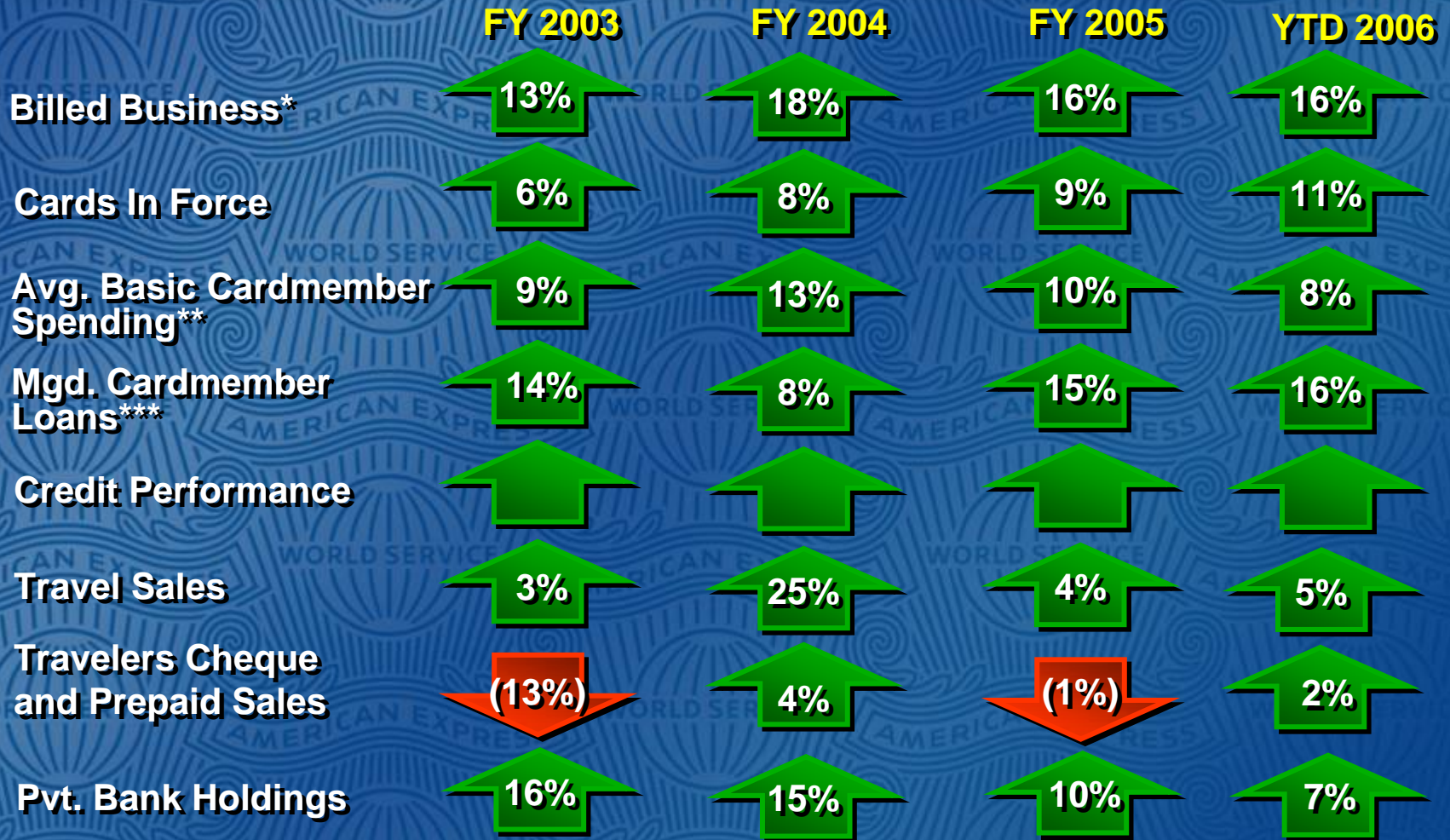
2. Income from continuing operations. EPS growth on a net income basis was 14% in 2003, 17% in 2004, 11% in 2005 and (7%) YTD as of June 30, 2006.

3. Calculated on a trailing 12-month basis using reported net income over average total shareholders' equity (including discontinued operations).

4. Pro forma ROE, is determined on a trailing 12-month basis using income from continuing operations (which excludes discontinued operations) over average month-end shareholders' equity for the period from 9/30/05 through 12/31/05 for 2005 and from 9/30/05 through 6/30/06 for YTD, 2006.

Source: 2003-2004 Revenue and EPS growth for AXP continuing operations based on data reported in Company's 8-K reports dated 10/6/2005 and 4/5/06.

# Metric Trends



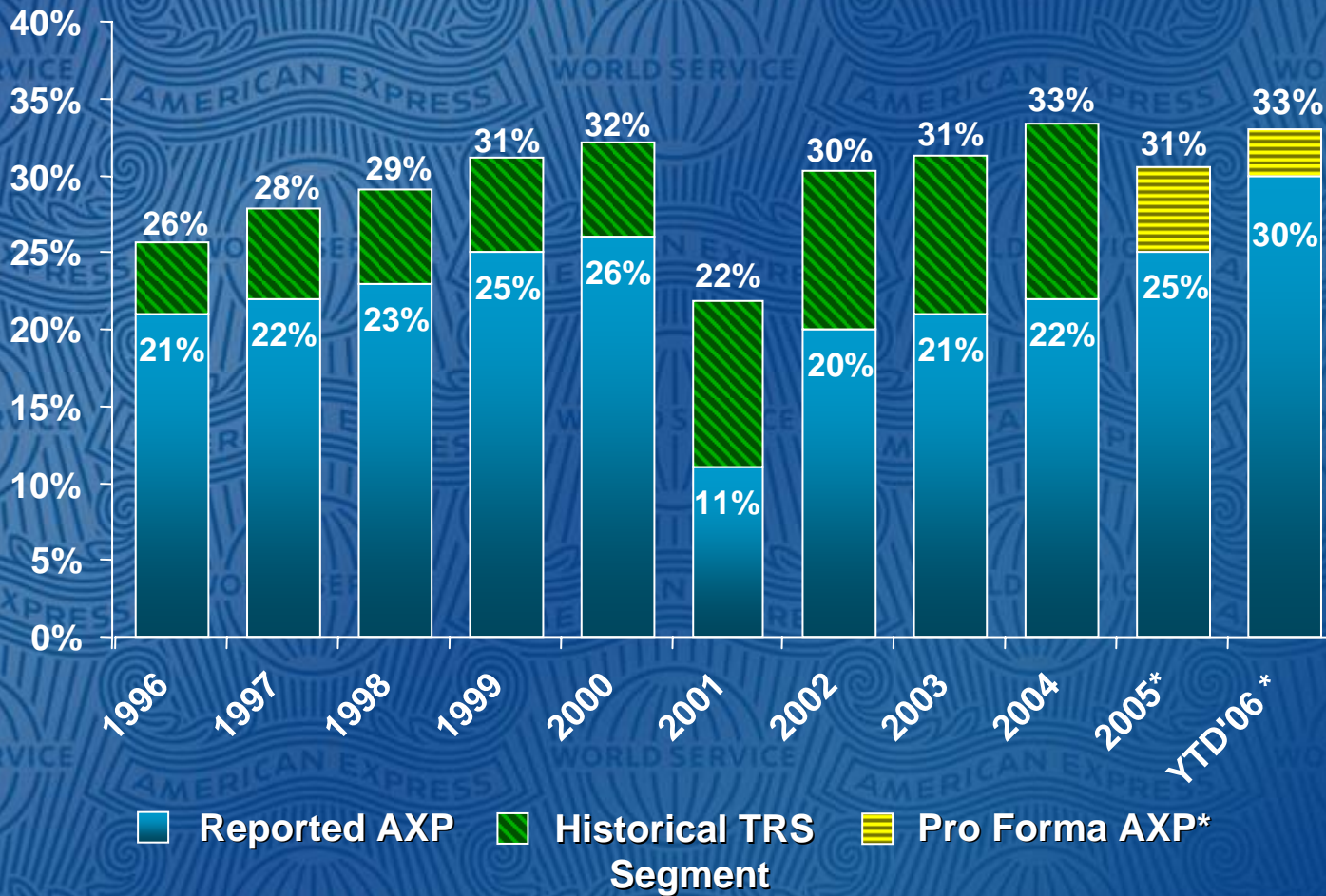
\*Activities related to proprietary cards, including cash advances and certain insurance fees, and cards issued under network partnership agreements.

\*\*Computed from proprietary card activities only.

\*\*\*On a GAAP basis, loan growth was 14% in 2003, 10% in 2004, 23% in 2005 and 29% YTD as of June 30, 2006.



# Returns: AXP ROE 1996 – YTD'06



ROE is calculated on a trailing 12-month basis using reported net income over average total shareholders' equity (including discontinued operations).

\*Pro forma ROE, is determined on a trailing 12-month basis using income from continuing operations (which excludes discontinued operations) over average month-end shareholders' equity for the period from 9/30/05 through 12/31/05 for 2005 and from 9/30/05 through 6/30/06 for YTD, 2006.



# AXP Capital Returned to Shareholders

(\$ in millions)

1994-Q2'06 Cumulative Return: 68%



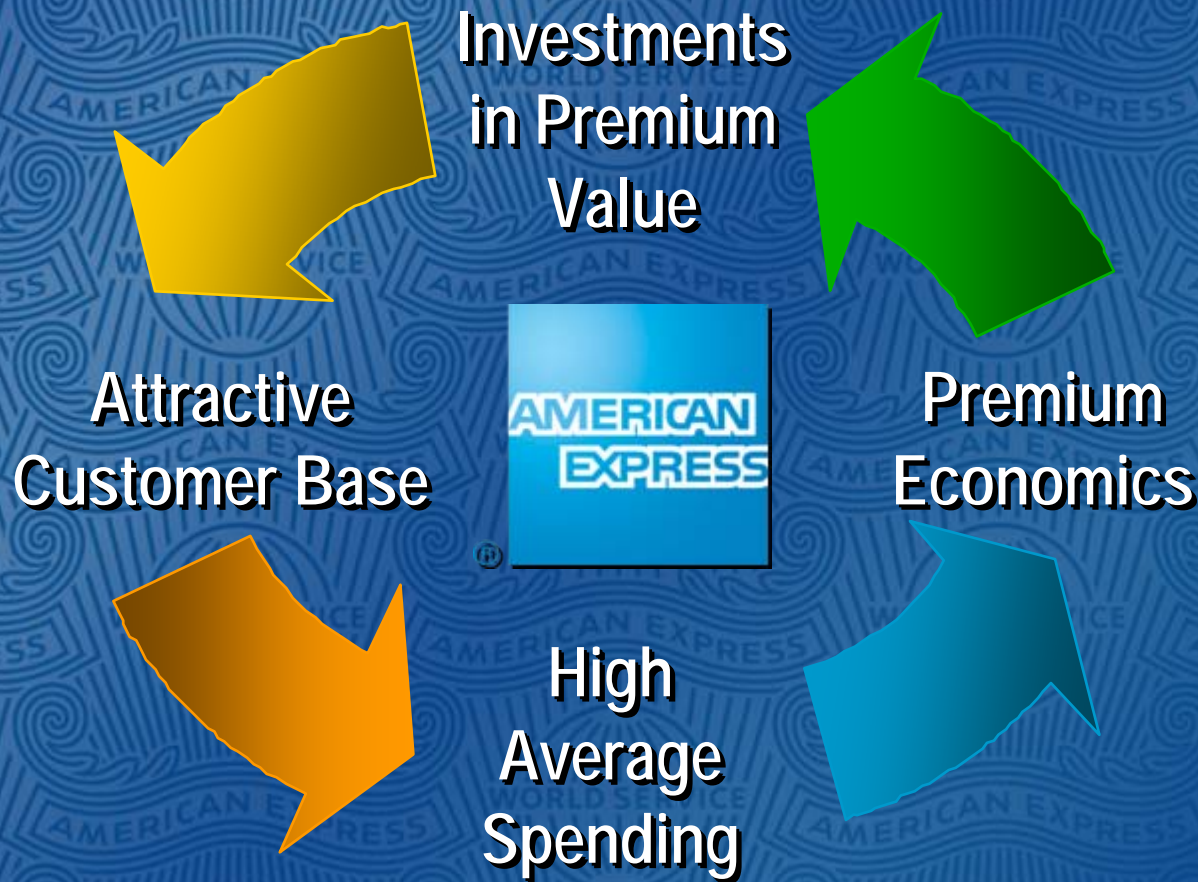
% of Capital Returned

65%	72%	69%	76%	83%*	55%	56%	77%	54%	54%**	87%	48%	105%
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\* 1998 includes shares issued to Nippon Life in December 1997, as well as the related repurchases of those shares in 1998.

\*\* Excluding the capital needed to support the Threadneedle and Rosenbluth acquisitions, capital returned was 69%.

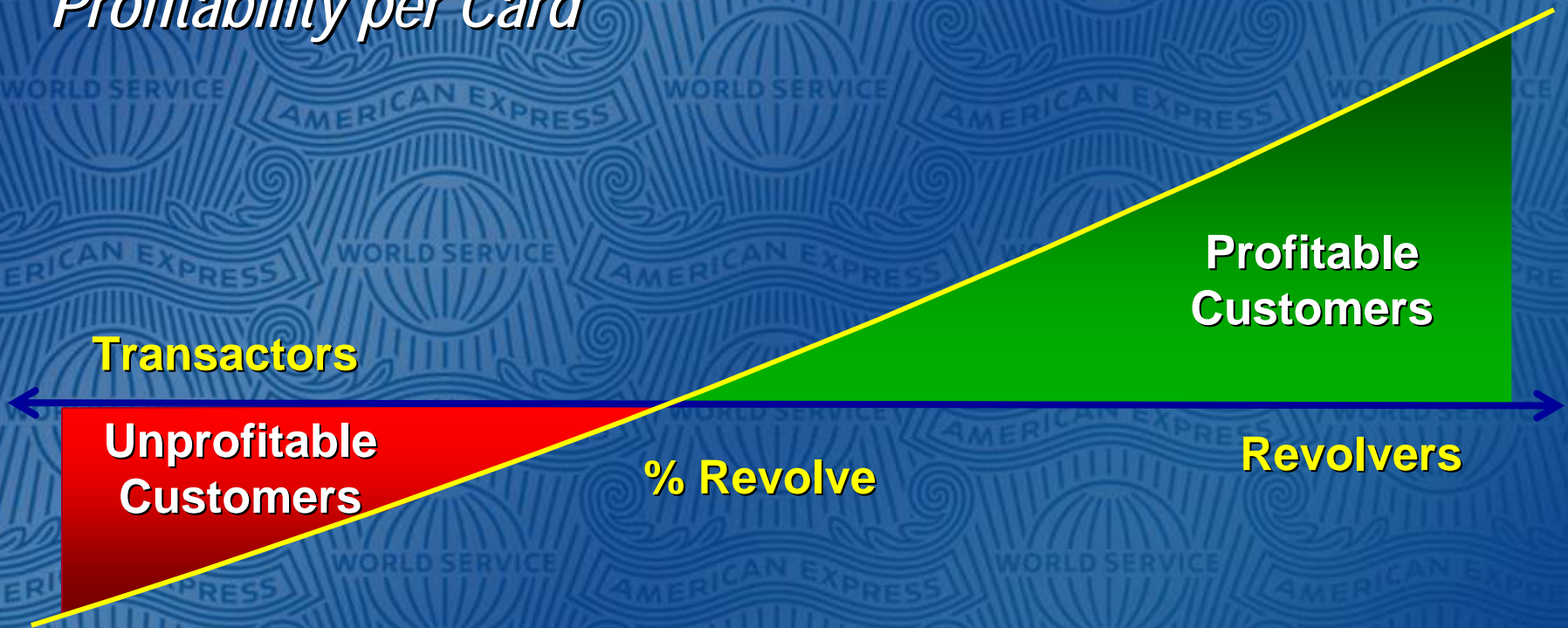
# Spend-Centric Model





# Lend-Centric Economic Model

*Profitability per Card*



**Revolve-centric model**

# Profit Impact of Spend-Centric Model

*AXP Spend-centric model vs. Lend-centric model*

## Revenues

Spend

Discount Rate

Fee Revenues

Net Spread

## Expenses

Cost to Acquire

Rewards

Cost of Services

Credit

**Total Profit**



# ROE Impact of Spend-Centric Model

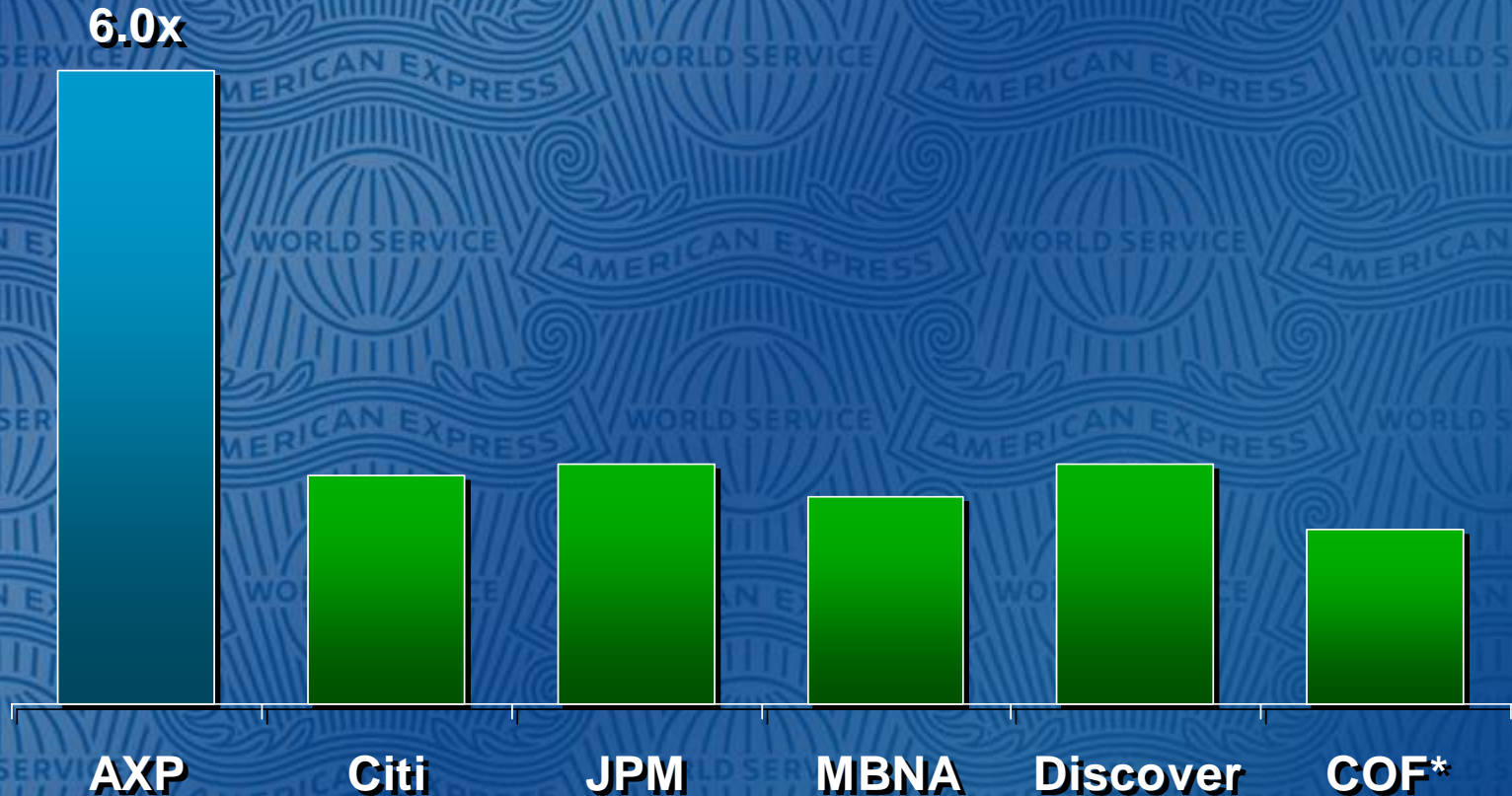
$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Required Equity Investment}}$$

**LEND-CENTRIC**  
Higher equity  
↓  
Lower ROE

**AXP SPEND-CENTRIC**  
Lower equity  
↓  
Higher ROE



# 2005 Spend Velocity



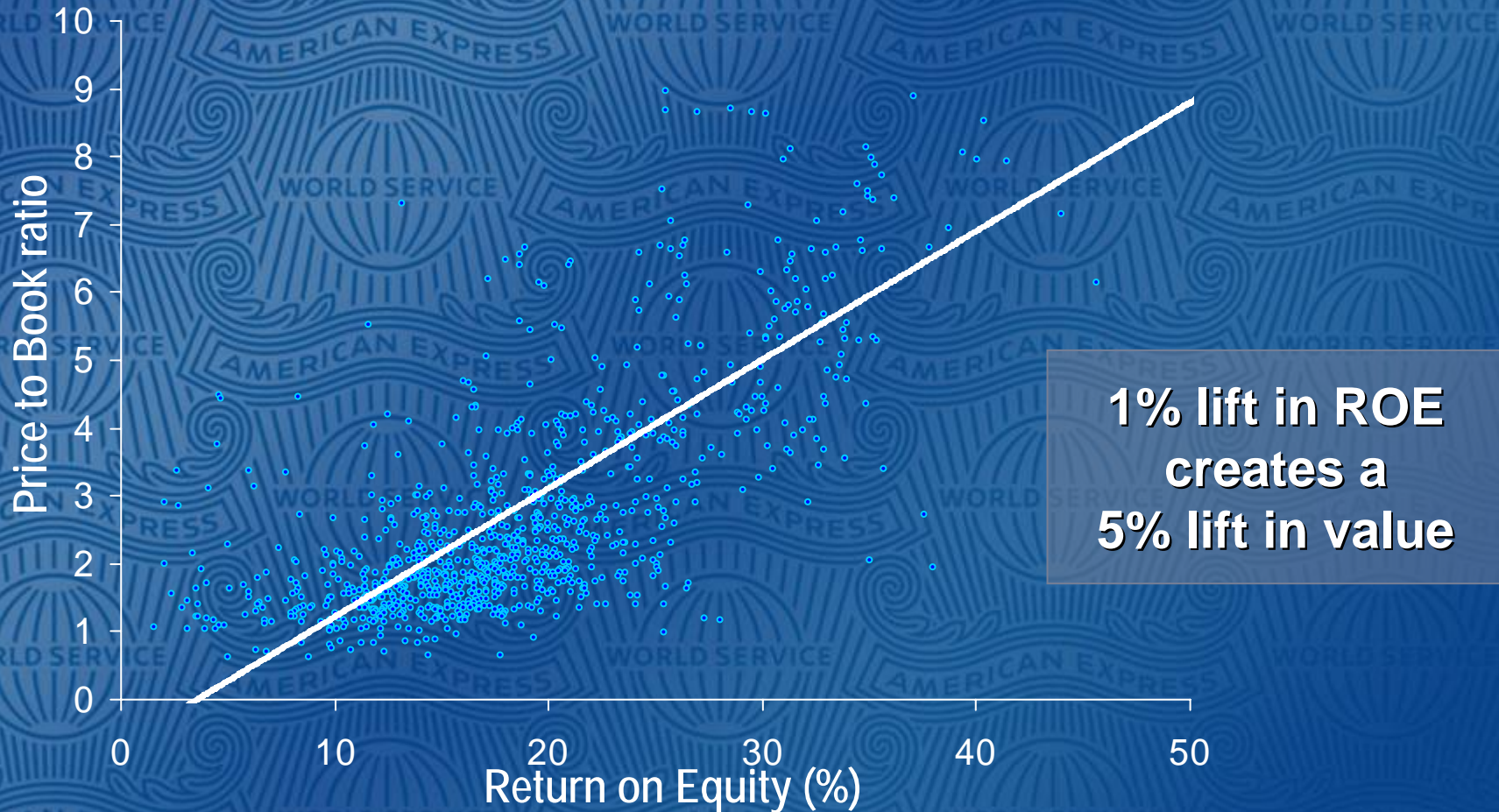
*Note: Spend velocity is defined as annual billed business divided by average managed receivables. AXP spend velocity determined using average GAAP (i.e., owned) receivables was 8.1x for 2005.*

*\*U.S. Cards portfolio only*

*Source: Company data and public filings.*

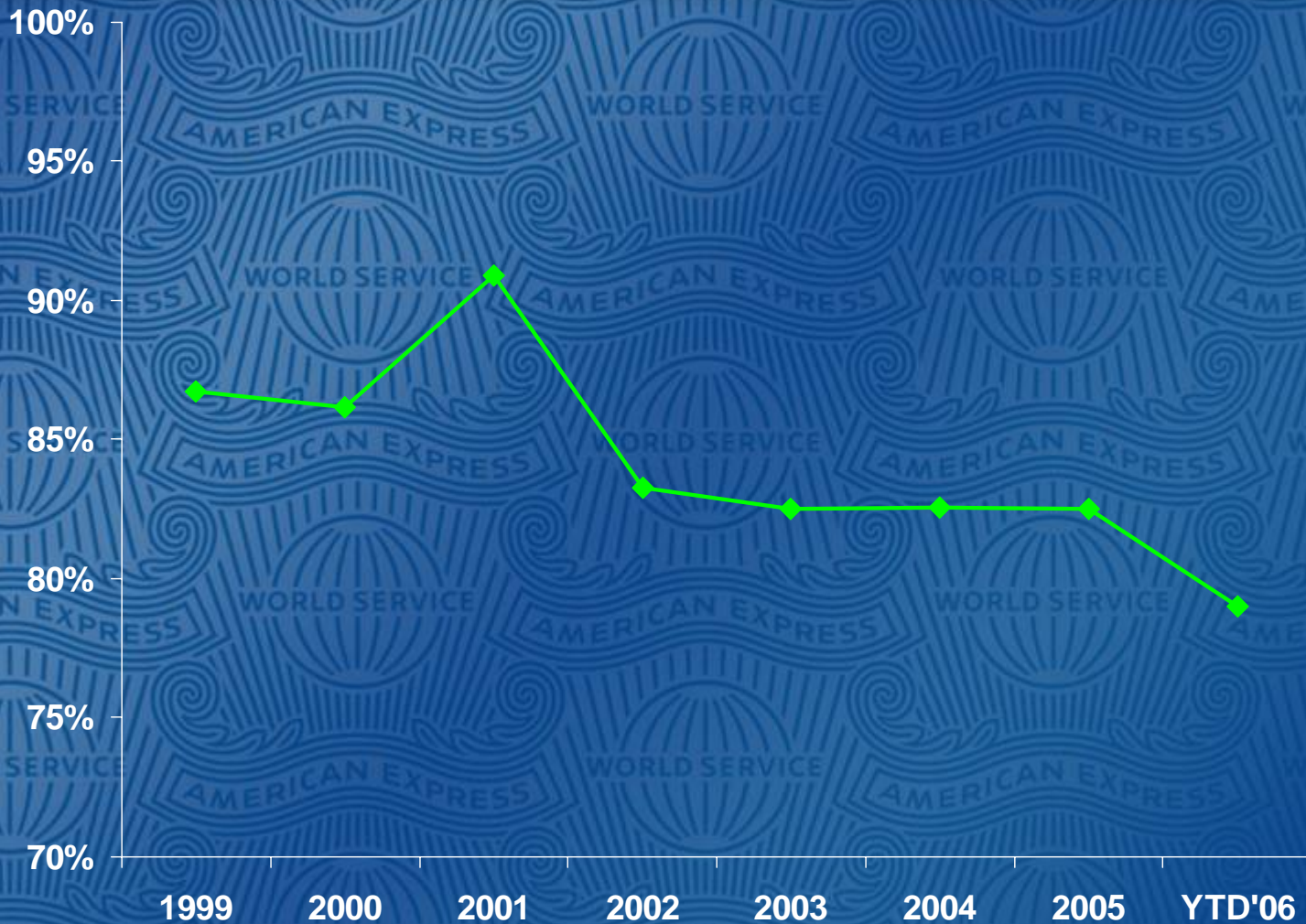
# Higher ROE Earns a Higher Valuation

*Financial Services Industry (1993 -2005, by quarter)*



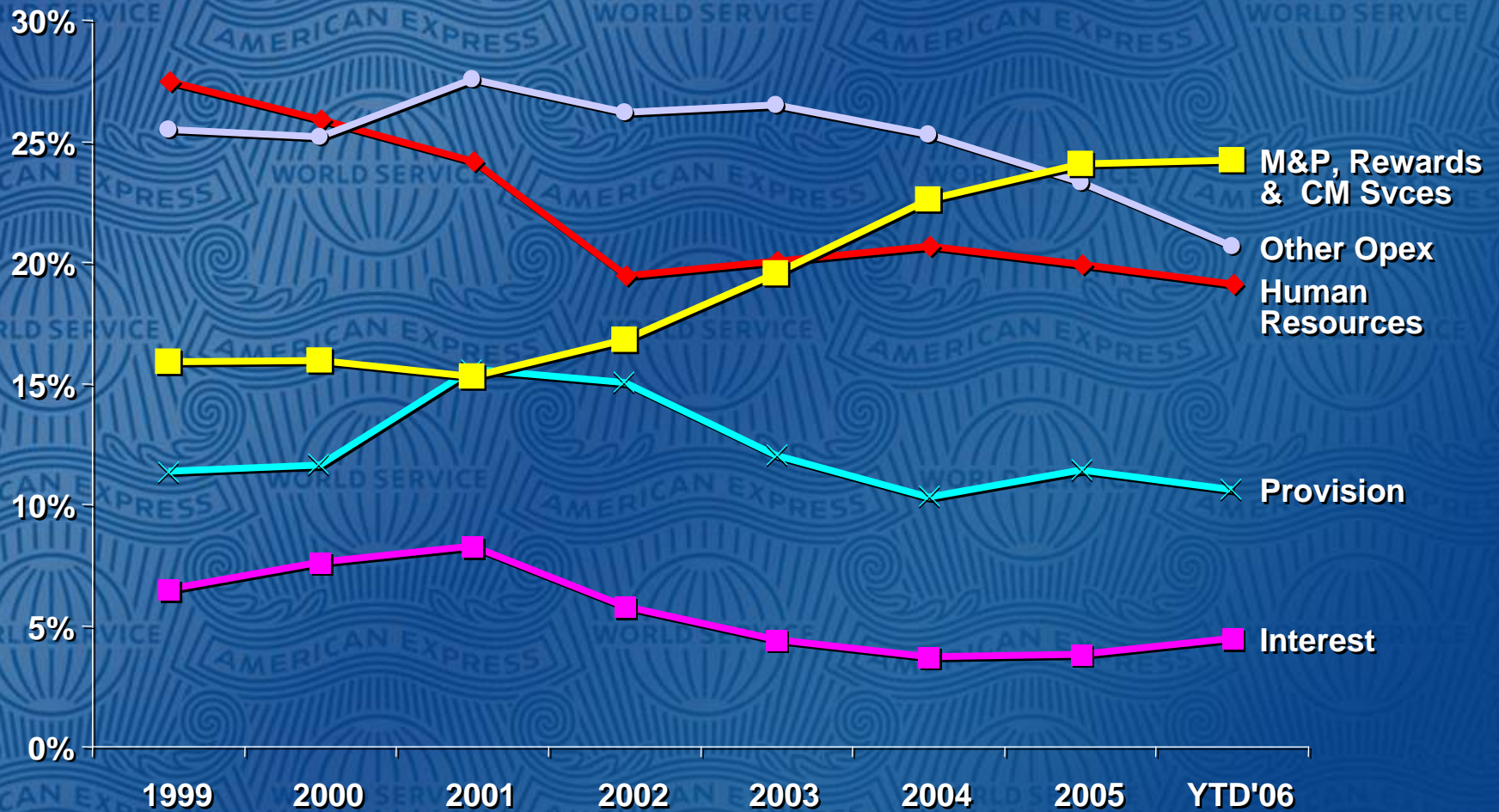


# Total Expenses as a % of Revenue



\*See Note 1 in Appendix for computation methodology.

# Expenses as a Percentage of Revenue



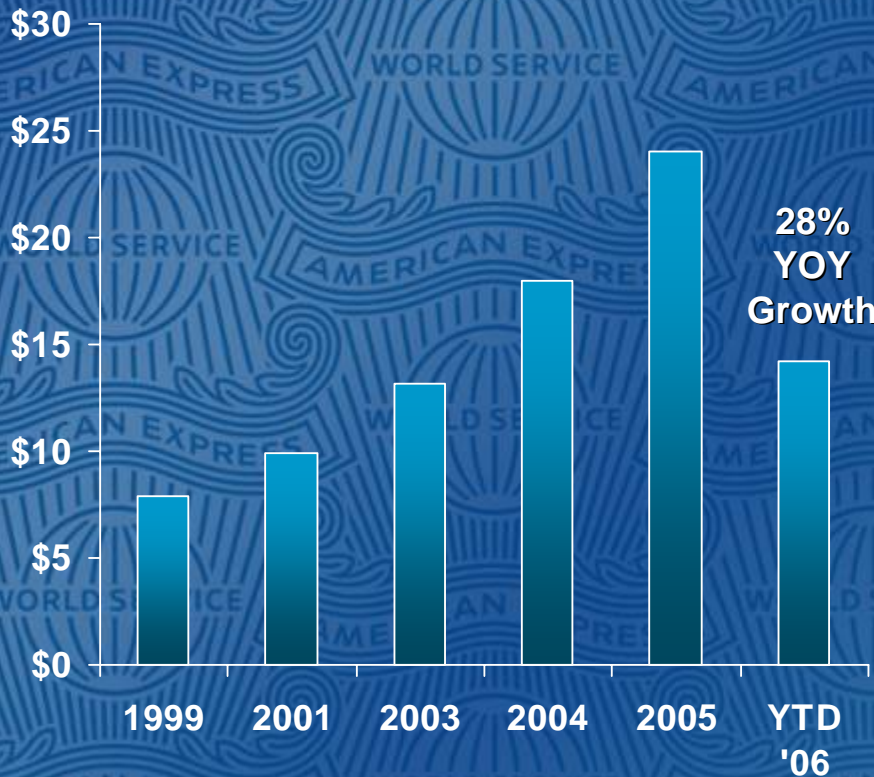
\*See Note 2 in Appendix for computation methodology.



# Expanded Opportunity: GNS

## Billed Business (\$B)

*CAGR 1999-2005: 20%*



## Cards in Force (MM)

*CAGR 1999-2005: 25%*



# Expanded Opportunity: Small Business



## *Spend Penetrated by Plastic*

**U.S. Consumer < 40%**

**International Consumer < 25%**

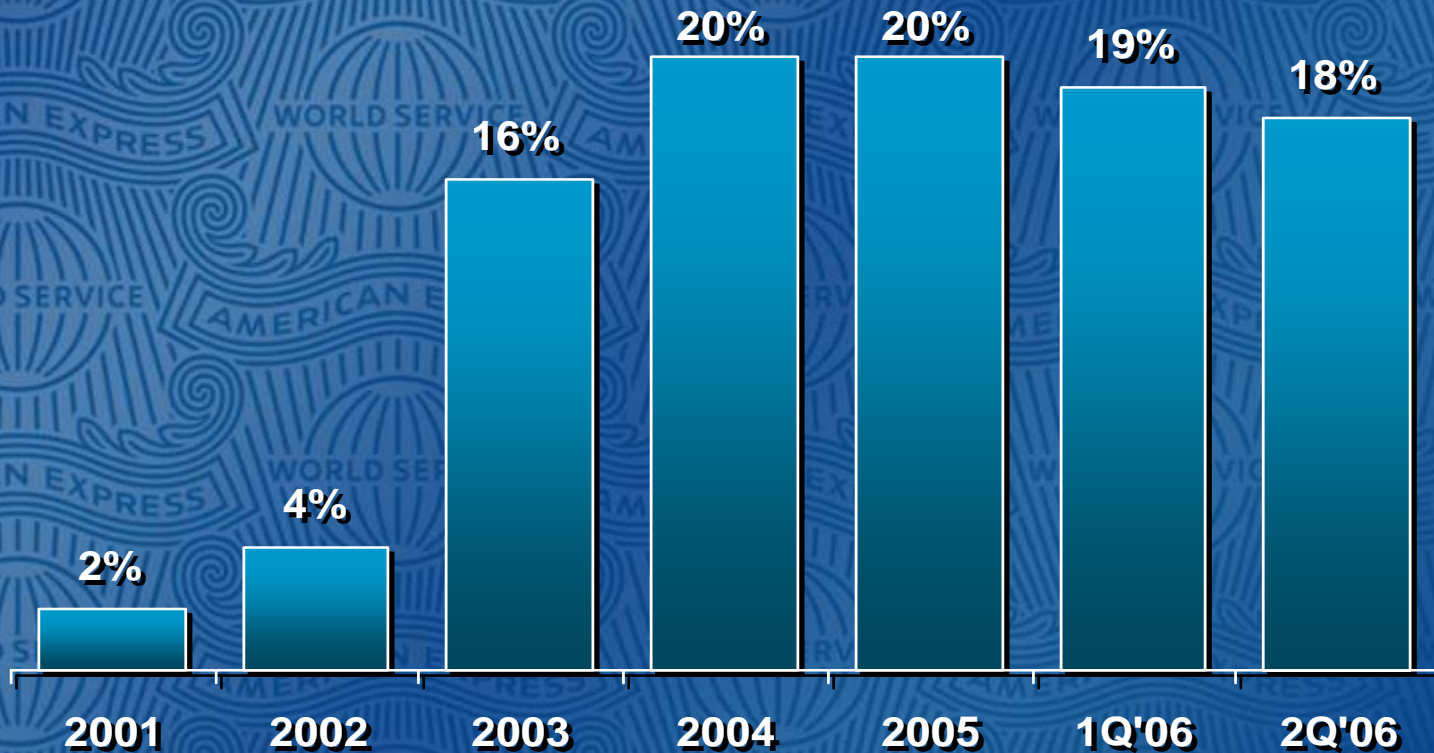
**U.S. Small Business < 15%**

**Global Middle Market < 10%**



# Expanded Opportunity: Small Business

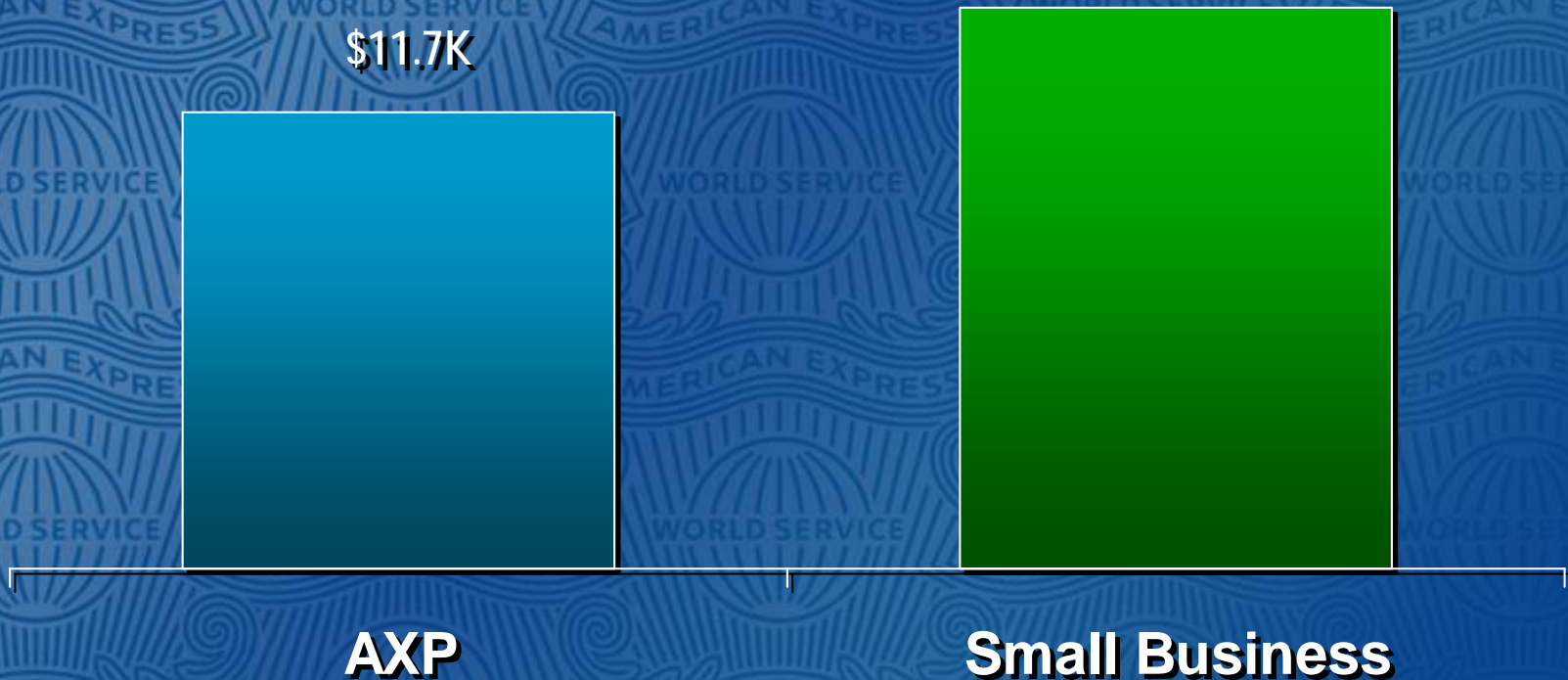
*Billed Business YOY Growth, U.S.*



# Expanded Opportunity: Small Business



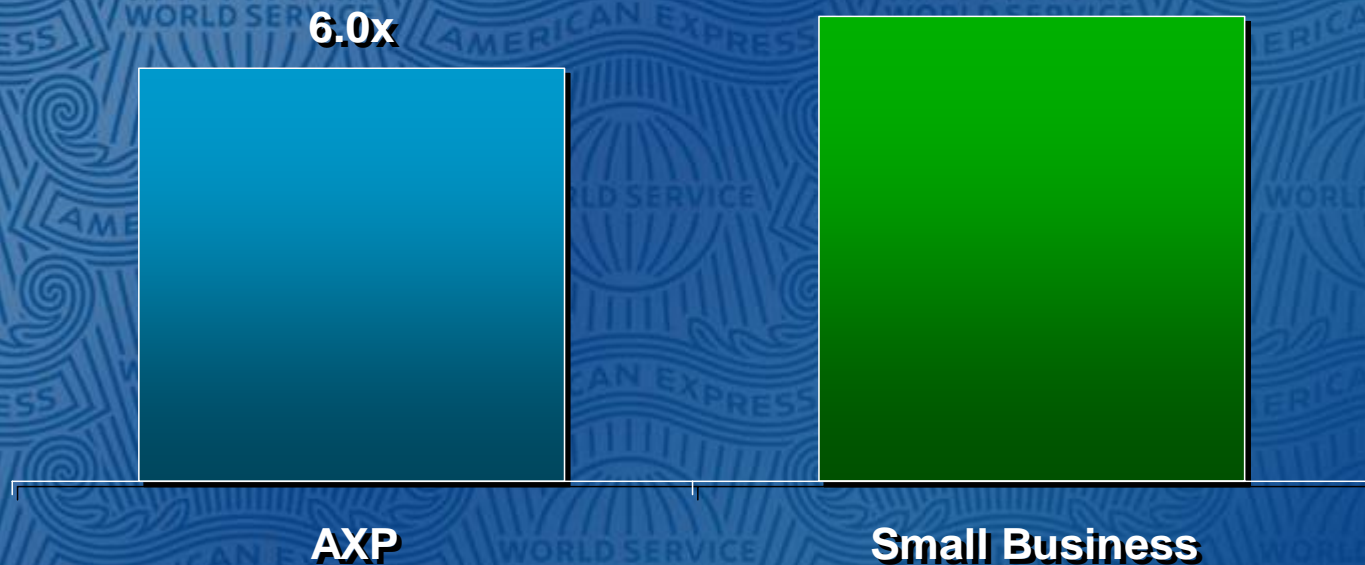
*2005 Average U.S. Spend per Cardmember, Indexed*





# Expanded Opportunity: Small Business

*2005 Spend Velocity, U.S.*



*Note: Spend velocity is defined as annual billed business divided by average managed receivables. AXP spend velocity determined using average GAAP (i.e., owned) receivables was 8.1x for 2005.*

*Source: Company data*



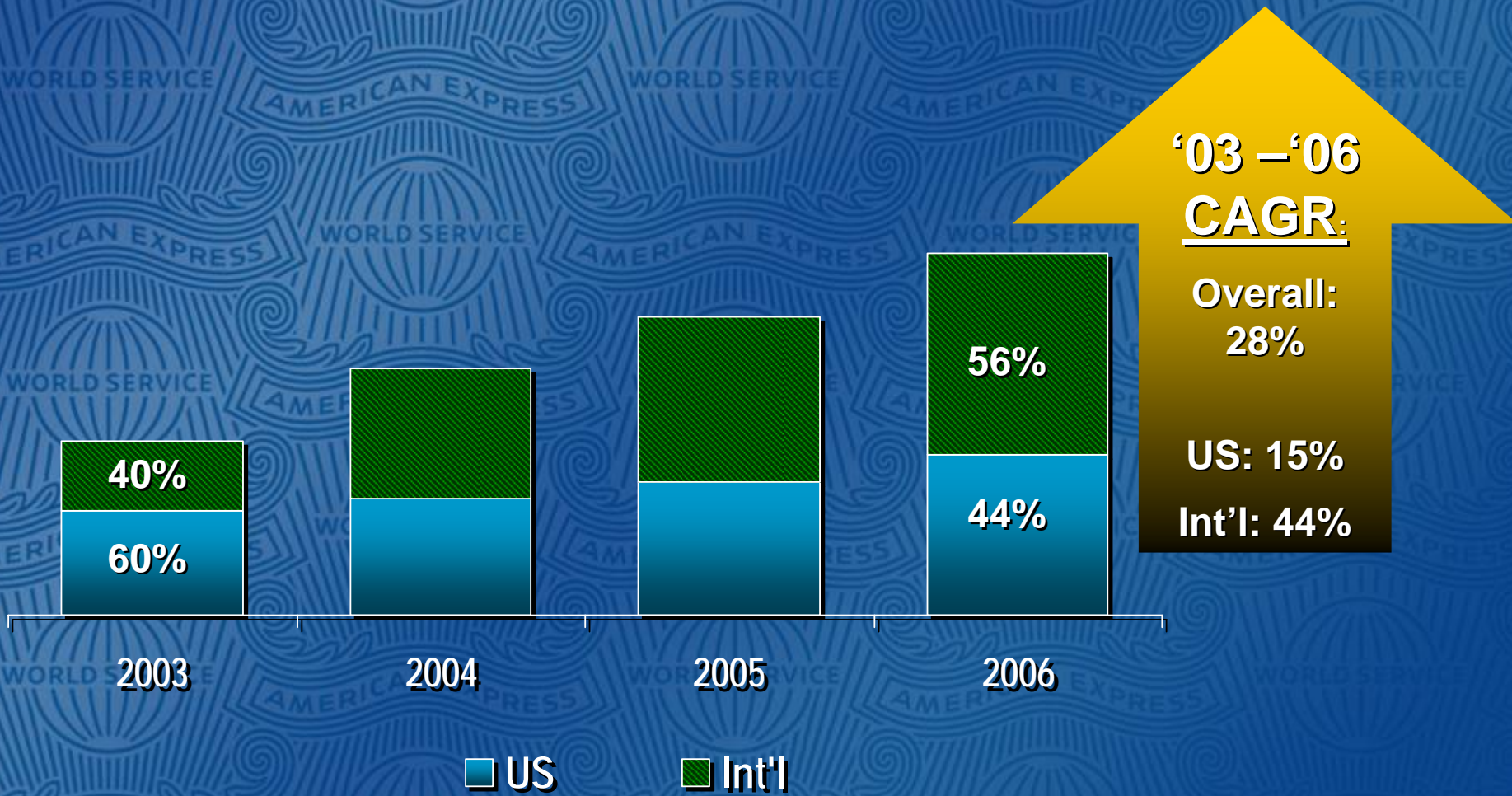
# Expanded Opportunity: Middle Market

## *Spend Penetrated by Plastic*

<b>U.S. Consumer</b>	<b>&lt; 40%</b>
<b>International Consumer</b>	<b>&lt; 25%</b>
<b>U.S. Small Business</b>	<b>&lt; 15%</b>
<b>Global Middle Market</b>	<b>&lt; 10%</b>



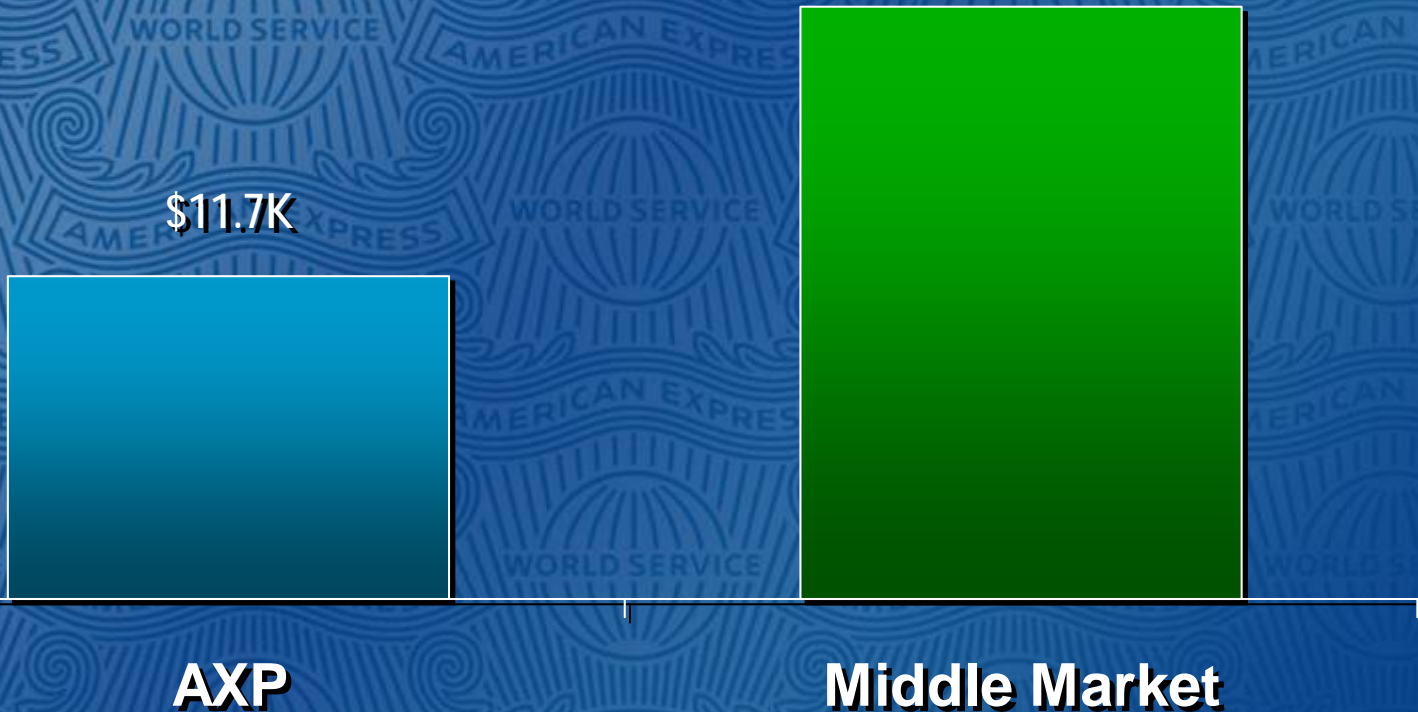
# Global Middle Market Sales Force Expansion



# Expanded Opportunity: Middle Market



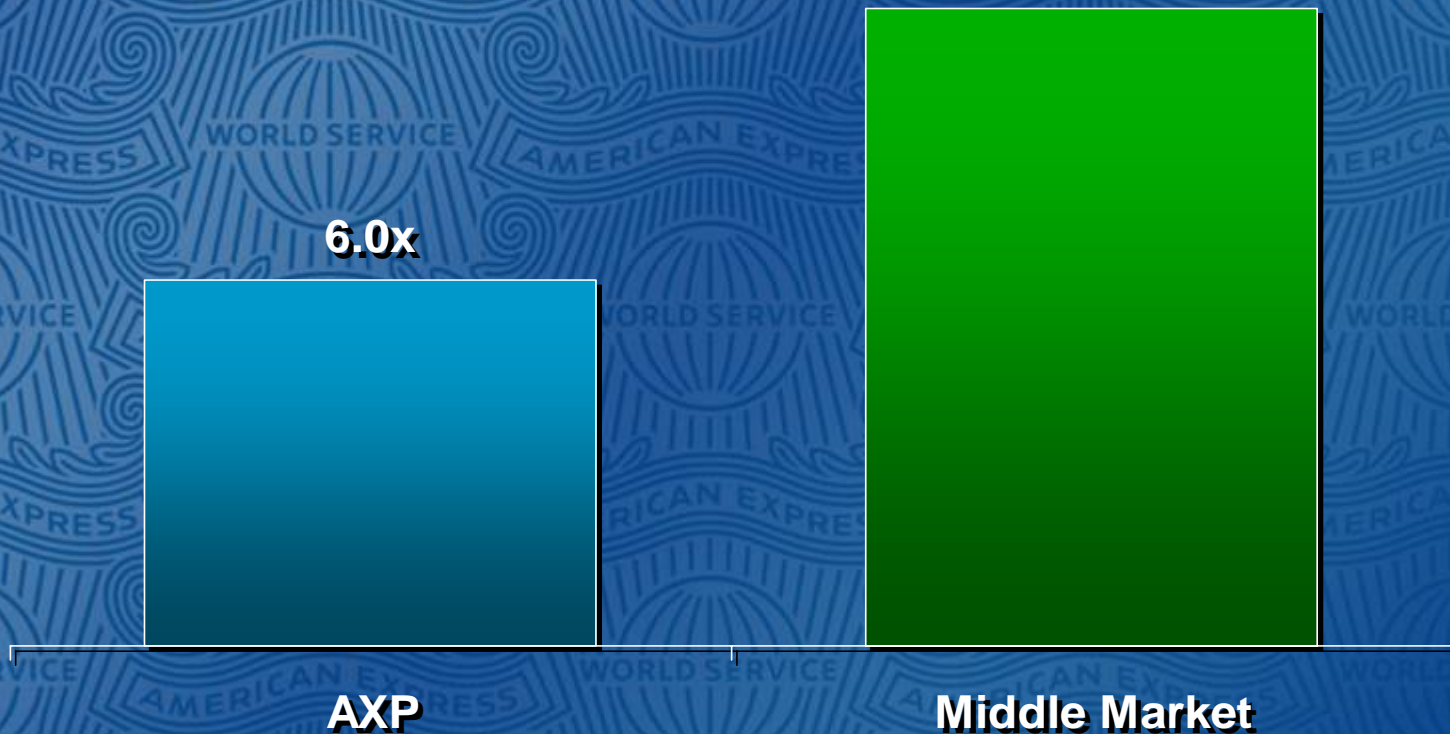
*2005 Average U.S. Spend per Cardmember, Indexed*





# Expanded Opportunity: Middle Market

*2005 Spend Velocity, U.S.*



*Note: Spend velocity is defined as annual billed business divided by average managed receivables. AXP spend velocity determined using average GAAP (i.e., owned) receivables was 8.1x for 2005.*

*Source: Company data*

**AMERICAN  
EXPRESS**



# Appendix



- **Note 1:** Data for the periods from 1999-2001 derived from (i) total expenses for AXP less reported expenses for the American Express Financial Advisors segment ("AEFA") and (ii) total reported revenues for AXP less reported revenues for AEFA. On a consolidated basis, including AEFA, reported expense as a percentage of total revenues was 84%, 83% and 93% for each year in 1999-2001, as per the Annual Reports for each year. 2002-2006YTD data derived from reported company data.
- **Note 2:** For Human Resources expense, data for the periods from 1999-2001 derived from (i) total reported human resources expense for AXP less reported human resources expense for the American Express Financial Advisors segment ("AEFA") and (ii) total reported revenues for AXP less reported revenues for AEFA. On a consolidated basis, including AEFA, reported human resources expense as a percentage of total revenues was 28% for each year in 1999-2001. 2002-2006YTD data derived from reported company data.

For Other Opex expense, data for the periods from 1999-2001 derived from (i) total reported other operating expenses for AXP less reported other operating expenses for AEFA and (ii) total reported revenues for AXP less reported revenues for AEFA. On a consolidated basis, including AEFA, reported other operating expenses as a percentage of total revenues was 22%, 21% and 25% for each year in 1999-2001. 2002-2006YTD data derived from reported company data.

For Provision and Interest expenses, data for the periods from 1999-2001 derived from (i) total reported provision expense or interest expense (as the case may be) for AXP less reported provision expense or interest expense (as the case may be) for AEFA and (ii) total reported revenues for AXP less reported revenues for AEFA. On a consolidated basis, reported provision expense as a percentage of total revenues was 17%, 17% and 21% for each year in 1999-2001, respectively. On a consolidated basis, including AEFA, reported interest expense as a percentage of total revenues was 5%, 6% and 7% for each year in 1999-2001, respectively. 2002-2006 YTD data derived from reported company data.

For Marketing & Promotion, Rewards and Customer Services expense, data for the periods from 1999-2001 derived from (i) total reported marketing & promotion and rewards and customer services expense for AXP less reported marketing & promotion and rewards and customer services expense for AEFA and (ii) total reported revenues for AXP less reported revenues for AEFA. On a consolidated basis, including AEFA, reported marketing & promotion, rewards and customer services expense as a percentage of total revenues was 12% for each year in 1999-2001. 2002-2006YTD data derived from reported company data and internal company data.