

## AMERICAN EXPRESS CENTURION BANK<sup>1</sup>

### 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, 2006, 2005 and 2004.

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 the Extended Payment Option. The Extended Payment Option gives qualified United States cardmembers the option of extended payments for airline, cruise, and certain travel charges that are purchased with the charge card.

In addition to earning finance charge revenues, AECB also receives revenue from cardmember fees and discount revenue from service establishments. Proprietary charge and lending cards are offered 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 were \$18.0 billion, \$13.9 billion, and \$10.7 billion as of December 31, 2006, 2005, and 2004, respectively. AECB’s charge-offs, net of recoveries, as a percentage of average loans were 3.07 percent, 2.97 percent, and 3.50 percent in 2006, 2005, and 2004, respectively. Reserve rates as a percentage of total revolving loans were 2.47 percent, 2.93, percent and 3.03 percent as of December 31, 2006, 2005, and 2004, respectively. Delinquency rates as a percentage of total revolving loans were 3.25 percent, 3.04 percent, and 2.55 percent as of December 31, 2006, 2005 and 2004, 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, 2006, AECB had \$4.4 billion of certificates of deposit and foreign deposits outstanding, \$10.6 billion in bank notes outstanding, and \$1.2 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, 2006, AECB sold \$13.8 billion of loans to the Trust.

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<sup>1</sup> Document revised from previous disclosures.

## AMERICAN EXPRESS CENTURION BANK

### **Results of Operations**

#### *Years Ended December 31, 2006, 2005 and 2004*

In 2006, 2005, and 2004, AECB reported earnings of \$1.4 billion, \$1.0 billion, and \$1.1 billion, respectively. These earning levels were supported by loans outstanding of \$18.0 billion, \$13.9 billion, and \$10.7 billion as of December 31, 2006, 2005, and 2004, respectively. In 2006, 2005, and 2004, average return on assets was 8.42 percent, 7.68 percent, and 7.14 percent, respectively.

At December 31, 2006, AECB reserves as a percent of delinquencies were 75 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, 2006, 2005, and 2004 were 3.07 percent, 2.97 percent, and 3.50 percent, respectively.

As of December 31, 2006, AECB exceeded the FDIC “well-capitalized” levels for tier 1, total capital, and minimum leverage rates. The tier 1 rates in 2006, 2005, and 2004 were 9.62 percent, 8.48 percent, and 9.17 percent, respectively. Total capital rates in 2006, 2005, and 2004 were 10.95 percent, 9.80 percent, and 10.53 percent, respectively. The minimum leverage ratios in 2006, 2005, and 2004 were 12.15 percent, 11.63 percent, and 11.95 percent, respectively.

The following financial information of AECB for each of the three years ended December 31, 2006, 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,		
	2006	2005	2004
Deposits liabilities:			
Less than one year	\$ 4,446	\$ 5,587	\$ 3,316
Greater than one year	-	-	-
Total	\$ 4,446	\$ 5,587	\$ 3,316
Short-term indebtedness:			
Federal funds purchased and other borrowings	\$ 1,150	\$ 1,622	\$ 1,361
Medium-term bank notes	3,000	1,650	1,328
Total	\$ 4,150	\$ 3,272	\$ 2,689
Long-term indebtedness:			
Medium-term bank notes due after 1 year	\$ 7,550	\$ 4,350	\$ 4,050
Shareholder's equity:			
Common stock	\$ -	\$ -	\$ -
Capital surplus	421	420	420
Undivided profits and capital reserves	1,892	1,304	979
Total shareholder's equity	\$ 2,313	\$ 1,724	\$ 1,399
Total capitalization	\$18,459	\$14,933	\$11,454

## SELECTED FINANCIAL INFORMATION OF AMERICAN EXPRESS CENTURION BANK

(in millions)

As of December 31,

	2006	2005	2004
<b>Balance Sheet Data:</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 156	\$ 117	\$ 119
Investments	1,042	1,022	1,002
Federal funds sold	600	100	70
Loans	17,998	13,925	10,720
Reserves	(403)	(356)	(314)
Loans, net	17,595	13,569	10,406
Other assets	1,704	2,005	1,582
<b>Total assets</b>	<b>\$21,097</b>	<b>\$16,813</b>	<b>\$13,179</b>
<b>Liabilities and Shareholder's Equity:</b>			
Deposit liabilities	\$ 4,446	\$ 5,587	\$ 3,316
Federal funds purchased	165	373	50
Other borrowing	11,535	7,249	7,048
Total debt	16,146	13,209	10,414
Other liabilities	2,638	1,880	1,366
Total liabilities	18,784	15,089	11,780
Total shareholder's equity	2,313	1,724	1,399
<b>Total liabilities and shareholder's equity</b>	<b>\$21,097</b>	<b>\$16,813</b>	<b>\$13,179</b>

As of December 31,

	2006	2005	2004
<b>Selected Ratios:</b>			
Return on average assets	8.42%	7.68%	7.14%
Return on average shareholder's equity	62.35%	60.72%	63.10%
Tier 1 capital ratio	9.62%	8.48%	9.17%
Total capital ratio	10.95%	9.80%	10.53%
Net charge-offs/average loans (1)	3.07%	2.97%	3.50%
Reserves/past due & non-accrual loans (2)	75%	96%	115%

- (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,		
	2006	2005	2004
<b>Operating Data:</b>			
Interest income	\$ 1,698	\$ 1,164	\$ 1,291
Interest expense	505	376	302
Net interest income	1,193	788	989
Provision for loan losses	464	364	383
Income after provision for loan losses	729	424	606
Non-interest income	3,352	2,805	2,729
Non-interest expense	1,952	1,682	1,684
Net non-interest (expense) income	1,400	1,123	1,045
Pretax income	2,129	1,547	1,651
Income tax provision	773	553	597
Net income	\$ 1,356	\$ 994	\$ 1,054

(in millions)

	As of December 31,		
	2006	2005	2004
<b>Key Statistics:</b>			
Average assets	\$16,097	\$12,950	\$14,753
Average equity	2,175	1,637	1,670
Average loans	13,648	10,796	12,573
Risk-based assets (net)	23,521	19,500	15,377
Tier 1 capital	2,262	1,654	1,410
Total capital	2,576	1,911	1,618
Past-due & nonaccrual loans	537	369	273
Net charge-offs	419	320	440