

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, 2007, 2006, and 2005.

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 cardmember lending finance 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.

AMERICAN EXPRESS CENTURION BANK

Results of Operations

Years Ended December 31, 2007, 2006, and 2005

AECB's results of operations are based on financial information reported in its Call Reports filed with the FDIC.

For the years ended December 31, 2007, 2006, and 2005, AECB reported earnings of \$1.3 billion, \$1.4 billion, and \$994 million, respectively. These earning levels were supported by loans outstanding of \$23.0 billion, \$18.0 billion, and \$13.9 billion at December 31, 2007, 2006, and 2005, respectively. In 2007, 2006, and 2005, average return on assets was 5.72 percent, 8.42 percent, and 7.68 percent, respectively.

Interest income for the years ended December 31, 2007, 2006, and 2005 was \$2.3 billion, \$1.7 billion, and \$1.2 billion respectively. The year-over-year increase in interest income during this three-year period was mainly the result of increased average loan balances and increased average yields on the portfolio during the same period. Interest expense for the years ended December 31, 2007, 2006, and 2005 was \$854 million, \$505 million, and \$376 million respectively. The year-over-year increase in interest expense during this three-year period was mainly a result of increased average deposit balances and higher effective cost of funds during the same period.

Provision for loan losses for the years ended December 31, 2007, 2006, and 2005 was \$940 million, \$464 million, and \$364 million respectively. The year-over-year increase in the provision for loan losses was mainly due to the increase in average loan balances during the same period and negative credit trends among U.S. consumers in the latter part of 2007. The increase in the provision for loan losses between 2005 and 2006 was partially off-set by bankruptcy legislation enacted during 2005 which led to relatively lower bankruptcy-related charge offs during 2006.

At December 31, 2007, 2006, and 2005, AECB's reserves as a percentage of delinquencies were 84 percent, 75 percent, and 96 percent, respectively. AECB's methodology for reserving for losses relating to Cardmember loans is consistent with reserving for losses relating to Cardmember receivables, with the exception that Cardmember loans (other than those in bankruptcy or owed by deceased individuals) are written off when 180 days past due. Accounts are charged off within 180 days or earlier if the account is deemed uncollectible. The net charge-off rates as a percentage of average loans for the years ended December 31, 2007, 2006, and 2005 were 3.35 percent, 3.07, percent and 2.97 percent, respectively.

Non-interest income was \$4.3 billion, \$3.4 billion, and \$2.8 billion, and non-interest expense was \$2.8 billion, \$2.0 billion, and \$1.7 billion, for the years ended 2007, 2006, and 2005, respectively. Non-interest income increased year-over-year during this three-year period mainly as a result of increasing discount revenue during the same period. Non-interest expense increased year over year during this period mainly due to increased marketing, promotion, rewards, and cardmember service expenses during the same period.

Income tax provision was \$750 million or 36.8 percent in 2007, compared to 2006 income tax provision of \$773 million or 36.3 percent and 2005 income tax provision of \$553 million or 35.8 percent.

At December 31, 2007, 2006, and 2005, the AECB's Tier 1 risk-based capital ratio was 9.17 percent, 9.62 percent, and 8.48 percent respectively, AECB's Total risk-based capital ratio was 10.52 percent, 10.95 percent, and 9.80 percent respectively, and AECB's Tier 1 leverage ratio was 10.89 percent, 12.15 percent, and 11.63 percent respectively. As of December 31, 2007, AECB exceeded the FDIC's minimum "well-capitalized" levels for all three ratios. As of December 31, 2007 the FDIC's minimum "well-capitalized" levels for Tier 1 risk-based ratio, Total risk-based capital ratio and Tier 1 leverage ratio, were 6.00 percent, 10.00 percent, and 5.00 percent respectively.

Liquidity and Capital Resources

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 external banks. At December 31, 2007, AECB had \$5.8 billion of certificates of deposit and foreign deposits outstanding, and \$13.9 billion in indebtedness outstanding. AECB periodically securitizes Cardmember loans through the American Express Credit Account Master Trust (the "Lending Trust"). In a securitization structure like the Lending Trust (a revolving master trust), credit card accounts are selected and the rights to the current Cardmember loans, as well as future cash flows related to the corresponding accounts, are transferred to the trust for the life of the accounts. AECB is required to maintain an undivided interest in the transferred Cardmember loans, which is referred to as the "seller's interest" and is generally equal to the balance of all Cardmember loans transferred to the Lending Trust less the investors' portion of those assets. The "investors' interest" is created when the Lending Trust issues a security to a third party. The seller's interest received by AECB in consideration for the transfer of Cardmember loans is reflected in AECB's balance sheet as a component of Cardmember loans. When the Lending Trust issues a security to a third party, a new investor interest is created. AECB removes the corresponding Cardmember loans from its balance sheet, recognizes a gain on sale and release of credit reserves and records an interest-only, or IO, strip. From time to time, AECB may record other retained interests as well. The total investors' interest outstanding will change through new issuances and maturities. The seller's interest will change as a result of new trust issuances or maturities as well as new account additions, new charges on securitized accounts and collections. As seller's interest changes each period, the related allowance for loss will change as well. When a security matures, the Lending Trust uses a portion of the collections to repay the security, and as a result the investors' interest decreases. In the monthly period which contains a maturity, new charges on securitized accounts have historically been greater than the portion of the collections required to repay the maturing security, and therefore, seller's interest has increased in an amount greater than or equal to the decrease in investors' interest.

Under the terms of the Lending Trust, the occurrence of certain events could result in the trust being required to pay down the investor certificates and notes before their expected payment dates over an early amortization period. An example of such an event is the failure of the securitized assets to generate specified yields over a defined period of time. No such events occurred during 2007, 2006, or 2005, and AECB does not expect an early amortization trigger event to occur prospectively. However, if a pay-down of the Lending Trust were to occur, the securitized loans would revert to AECB's balance sheet and AECB would be required to re-establish reserves and to derecognize the retained interests related to those securitizations. These events could have a negative impact on AECB's results of operations.

At December 31, 2007, 2006, and 2005, the total Cardmember loans held by the Lending Trust that had been transferred by AECB were \$24.7 billion, \$23.6 billion, and \$19.4 billion, respectively, of which \$15.9 billion, \$13.6 billion, and \$14.3 billion, respectively, had been sold and \$8.8 billion, \$10.0 billion, and \$5.1 billion, respectively, had been classified as seller's interest. AECB also retains a subordinated interest in the securitized Cardmember loans, an IO strip. At December 31, 2007, 2006, and 2005, the fair value of the IO strip was \$178 million, \$215 million, and \$164 million, respectively. The IO strip is recorded in other assets on AECB's balance sheet.

AECB sells its charge card receivables to TRS and American Express Credit Corporation, a wholly owned subsidiary of TRS.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following unaudited financial information of AECB for each of the years ended December 31, 2007, 2006, and 2005 was derived from AECB's Call Reports and should be read in conjunction therewith and with the detailed information contained elsewhere herein and incorporated by reference.

(in millions)	For the year ended December 31,		
	2007	2006	2005
Operating Data:			
Interest income	\$ 2,320	\$ 1,698	\$ 1,164
Interest expense	854	505	376
Net interest income	1,466	1,193	788
Provision for loan losses	940	464	364
Income after provision for loan losses	526	729	424
Non-interest income	4,276	3,352	2,805
Non-interest expense	2,762	1,952	1,682
Net non-interest income	1,514	1,400	1,123
Pretax income	2,040	2,129	1,547
Income tax provision	750	773	553
Net income	\$ 1,290	\$ 1,356	\$ 994

(in millions)	As of December 31,		
	2007	2006	2005
Balance Sheet Data:			
Assets:			
Cash and cash equivalents	\$ 163	\$ 156	\$ 117
Investments	1,083	1,042	1,022
Federal funds sold	1,100	600	100
Loans	22,989	17,998	13,925
Reserves	(673)	(403)	(356)
Loans, net	22,316	17,595	13,569
Other assets	1,362	1,704	2,005
Total assets	\$ 26,024	\$21,097	\$ 16,813
Liabilities and Shareholder's Equity:			
Deposit liabilities	\$ 7,015	\$ 4,446	\$ 5,587
Federal funds purchased	-	165	373
Other borrowing	13,862	11,535	7,249
Total debt	20,877	16,146	13,209
Other liabilities	2,432	2,638	1,880
Total liabilities	23,309	18,784	15,089
Total shareholder's equity	2,715	2,313	1,724
Total liabilities and shareholder's equity	\$ 26,024	\$21,097	\$ 16,813

SELECTED HISTORICAL FINANCIAL INFORMATION

(in millions)	As of December 31,		
	2007	2006	2005
Key Statistics:			
Average assets	\$ 22,543	\$16,097	\$12,950
Average Shareholder's equity	2,641	2,175	1,637
Average loans	20,037	13,648	10,796
Total risk-weighted assets (net)	29,646	23,521	19,500
Tier 1 capital	2,719	2,262	1,654
Total risk-based capital	3,119	2,576	1,911
Past-due & nonaccrual loans	798	537	369
Net charge-offs	671	419	320

(in millions)	As of December 31,		
	2007	2006	2005
Selected Ratios:			
Return on average assets ⁽¹⁾	5.72%	8.42%	7.68%
Return on average shareholder's equity ⁽²⁾	48.85%	62.35%	60.72%
Tier 1 leverage ratio	10.89%	12.15%	11.63%
Tier 1 risk-based capital ratio	9.17%	9.62%	8.48%
Total risk-based capital ratio	10.52%	10.95%	9.80%
Net charge-offs/average loans ⁽³⁾	3.35%	3.07%	2.97%
Reserves/past due & nonaccrual loans ⁽⁴⁾	84.34%	75.05%	96.48%
Reserves/Period-end-loans ⁽⁵⁾	3.04%	2.65%	2.94%
Past due and nonaccrual loans/ period-end loans ⁽⁶⁾	3.60%	3.53%	3.05%

(1) Return on average assets is calculated by dividing net income by average assets

(2) Return on average shareholder's equity is calculated by dividing net income by average shareholder's equity.

(3) Net charge-offs/average loans is calculated by dividing gross charge-offs less recoveries by full year average loans.

(4) Past due and nonaccrual loans is based on the Call Report definitions, i.e. all balances that are 30 days past due and still accruing interest, plus all nonaccrual loans.

(5) Reserves/Period-end-loans is calculated by dividing the Allowance for loan and lease losses by total loans.

(6) Past due and nonaccrual loans/ period-end loans is calculated by dividing Past due and nonaccrual loans by total loans.

CAPITALIZATION OF AMERICAN EXPRESS CENTURION BANK

The following table sets forth AECB's capitalization at December 31, 2007, 2006 and 2005. The table should be read in conjunction with the Call Reports of AECB incorporated by reference herein.

(in millions)	As of December 31,		
	2007	2006	2005
Deposits liabilities:			
Total	\$ 7,015	\$ 4,446	\$ 5,587
Short, medium and long-term indebtedness:			
Total	13,862	11,700	7,622
Common stock	-	-	-
Capital surplus	422	421	420
Undivided profits and capital reserves	2,293	1,892	1,304
Total shareholder's equity	2,715	2,313	1,724
Total capitalization	<u>\$ 23,592</u>	<u>\$ 18,459</u>	<u>\$ 14,933</u>

There has been no material change in the capitalization of AECB since December 31, 2007.