

2Q 2004 EARNINGS CONFERENCE CALL
RON STOVALL OPENING REMARKS

- Welcome, we appreciate all of you joining us for today's discussion.
- Safe Harbor Reminder – Discussion today contains certain forward-looking statements about the Company's future financial performance and business prospects, which are subject to risks and uncertainties and speak only as of today. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "should," "could," "likely," and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements, including the Company's financial and other goals, are set forth within today's earnings press release, which was filed in an 8-K report, and in the Company's 2003 10-K report, already on file with the Securities and Exchange Commission.
- In the Second Quarter 2004 Earnings Release and Supplement, which are now posted on our website at ir.americanexpress.com and on file with the SEC in an 8K Report, we have provided information that compares and reconciles the managed basis financial measures to be discussed today with the TRS GAAP financial information, as well as AEFA's GAAP and net revenues, and explains why these presentations are useful to management and to investors. We urge you to review that information in conjunction with today's discussion.
- Gary Crittenden, Executive Vice President and Chief Financial Officer of American Express, will provide some introductory remarks highlighting the key points related to today's announcement.
- Once he completes his remarks we will turn to the moderator who will announce your opportunity to get into the queue for the Q&A period. Up until then, no one has actually registered to ask questions.
- While we will attempt to respond to as many of your questions as possible before we end the call, we do have a limited amount of time. Based on this, we ask that you limit yourself to one question at a time during the Q&A.
- With that, let me turn the discussion over to Gary.

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- Welcome. Thanks for joining us today.
- As you have already seen, our second quarter diluted EPS of \$0.68 increased 15% versus \$0.59 last year.
- The quarter reflected strong results within each segment of our card business and continued to validate the benefits of the higher business-building expenditures over the last few years, in addition to demonstrating the success of our efforts to create a more flexible business model and a better-balanced risk profile.
- Importantly, revenue growth remained well in excess of our 8% long-term target, rising 14% versus last year.
- We generated particularly strong second quarter results that met or exceeded all of our long-term financial targets, while continuing to invest in our future competitive strength at a very high level.
- The benefit of our investment spending is evident within the strong momentum in all of our card-related metrics, which performed well on an absolute basis and versus the competition.
 - Billed business growth of 19% was robust on continued strength within U.S. consumer, small business and Corporate Services spending growth. In addition, FX-adjusted spending growth outside the U.S. strengthened during the quarter, and we exceeded quarterly worldwide billed business volume of \$100B for the first time ever.
 - Cards in force growth of 7% reflected the addition of 900K cards during the quarter and 4.2MM cards since last year.
 - Worldwide average spending per basic card in force increased 14% as we successfully leveraged the advantages of our spend-centric payments model.
 - Worldwide lending balance growth versus last year was solid, rising 7% to \$45B, despite an industry environment that has proved to be a challenge to organic receivables growth.

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- At AEFA, we continue to generate traction against aspects of our strategy as our actions to better position AEFA for growth helped us generate solid metrics on a number of fronts despite a relatively lackluster market environment during the quarter. For instance:
 - Assets owned, managed and administered rose 55%, or 21% excluding the Threadneedle assets acquired as of September 30th last year.
 - Total cash sales increased 16% and branded advisor-generated sales, as measured on the internally used “gross dealer concession basis”, grew 10% reflecting improved advisor productivity.
- While company-wide expense growth reflects the relatively high level of investment spending and the impact of higher compensation-related costs resulting from our decision to expense stock options beginning in 1Q ‘03, underlying human resource expenses continue to be well controlled.
- We are also on track to deliver the \$1B of additional reengineering benefits targeted for this year.
- Our consolidated balance sheet remains strong:
 - Card credit quality improved further during the quarter and reserve coverage of past due accounts remained at the high end of historical ranges.
 - The repositioning of AEFA’s investment portfolio and AEB’s loan portfolio yielded a more well-balanced and diversified risk profile.
- Once again, the results underscore our balanced approach to managing the business, as well as our substantial organic growth opportunities.
- Additionally, as evidenced by the Threadneedle and Rosenbluth combined 2% contribution to consolidated revenue growth, targeted acquisitions can further supplement and strengthen these organic growth opportunities. The integration of both of these acquisitions continues to go well.

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- With that, let me now review the details.

At TRS:

- Managed net revenues increased 13% and net income rose 16%.
- On the revenue side, our ongoing expansion into everyday spend categories and our investments in growth initiatives over the past two years continued to drive strong cardmember spending, cards in force and lending balance growth.
 - Worldwide billed business volumes rose 19% versus last year, or 17% on an FX-adjusted basis. Strong double-digit growth continued in the U.S. consumer, small business and Corporate Services sectors. Outside the U.S., each major region around the world also generated double-digit growth.
 - In the U.S., consumer spending grew 17%, small business spending rose 22%, and Corporate Services volumes improved 15%.
 - In total, U.S. non-T&E related volumes grew 20%, while T&E related spending rose 13%.
 - Outside the U.S., reported billed business was up 24%, which equated to 18% growth on a FX-adjusted basis. Within our proprietary business, FX-adjusted consumer and small business volumes grew 15% and Corporate Services spending increased 20%. Network partner-related volumes also remained strong, rising almost 30%.
 - The discount rate decreased 3BP's from the first quarter of 2004 and the second quarter of last year. The declines reflect seasonal influences and the ongoing shift in the mix of spending between various merchant segments due to the cumulative impact of the stronger than average growth in the everyday spend categories.

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- We have effectively managed the gradual decline of our average discount rate over recent years as a greater portion of our billings evolved to the everyday spend and retail sectors. We have a number of levers, including reengineering, that we can utilize to mitigate discount rate pressure that may result going forward.

- Our pricing is based on the value we deliver to the merchant, through higher-spending Cardmembers, and value-added marketing programs, relative to the price we charge for card acceptance. We believe we are well positioned to continue to deliver this value.

- Worldwide cards in force rose 7% versus last year, as a result of our continued focus on acquisition within the consumer and small business segments, continued strong network partner-related card growth, and an improved average cardmember retention level.

- Managed net finance charge revenue increased 4%, as 9% growth in average worldwide lending balances was partially offset by a lower portfolio yield.

- Quarter end balances were up 7% worldwide, reflecting 7% growth in the U.S. and 6% growth outside the U.S.

- Spreads declined versus last year and last quarter, as pay down rates increased and credit improvement resulted in fewer customers at higher interest rates. Additionally, the proportion of the portfolio on promotional rates was higher and the rates on those balances were lower. Funding costs decreased, partially offsetting these trends. Consistent with prior quarters, both the net interest yield and intro-rate percent for the portfolio remain within the historical range over the past five years.

- Travel revenues rose 26% on the benefits of the Rosenbluth acquisition and an improved sales environment.

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- Marketing, promotion, rewards and cardmember services expenses increased 40%, as rewards costs rose -- reflecting the strong volume growth, a higher redemption rate and the increase in cardmember loyalty program participation. The increase also reflects our activities to leverage current business strength through our continued focus on business building investments.
 - As we have previously discussed, our rewards programs provide us a competitive advantage through the higher spend, better loyalty and credit, and the faster speed of pay that accompany program participation.
 - In particular, within U.S. consumer and small business:
 - Spending is 33% higher than Q2 2002, while provisions are 23% better versus the same period;
 - Spending per basic charge card in force has increased 18% versus last year's second quarter; and
 - Transaction growth has been in double digits for 19 consecutive months.
- Total managed provisions for losses declined 9%, as credit quality improved further during the quarter.
 - Within both our charge card and lending businesses, the worldwide loss rate and past due rates improved versus last quarter and last year.
 - In light of the strong credit indicators, the combined reserves declined somewhat, however, coverage of past due receivables was maintained at the higher end of historical levels.
- Interest expense declined on a lower cost of funds that was partially offset by the additional borrowing needed to fund higher receivables.
- Human resources expense rose 12% due to merit increases, greater management incentive and employee benefit costs, and the impact of the employees added through the Rosenbluth acquisition.

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- Other operating expenses rose 10% versus last year reflecting higher business and service volume-related costs and the Rosenbluth acquisition.
- The effective tax rate of 32% was flat versus last year.

At AEFA:

- Net income increased 11% on 27% growth in net revenues and 27% higher pre-tax income.
 - The Threadneedle acquisition contributed approximately 8% to revenue growth and modestly to net income growth during the quarter.
 - In addition:
 - Net investment gains of \$30MM were realized this year versus losses of \$16MM last year;
 - We absorbed higher expenses related to the various regulatory and legal matters that we and the industry are facing; and
 - We recorded a \$16MM tax expense, primarily as a result of required amendments to prior-year tax returns, which elevated AEFA's effective tax rate for the quarter.
- Management and distribution fees rose 32% on a 42% increase in management fees and 20% growth in distribution fees.
 - The management fee increase resulted from higher average assets under management, reflecting the impact of Threadneedle, improvement in equity market valuations versus last year, and net asset inflows.
 - During the quarter, we saw inflows at Threadneedle and within our retail and institutional activities.

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- Assets managed, including separate accounts, increased 72%; excluding the Threadneedle assets acquired on 9/30/03, assets managed grew 18%.
- Distribution fees increased on greater mutual fund fees and increased brokerage related activities.
 - Total cash sales were up 16% on strong growth in retail-related mutual fund, institutional and insurance product sales.
 - Branded advisor-generated sales increased 6% on a cash basis and 10% as measured on the internally used “gross dealer concession” basis. During the quarter sales growth continued strong in April, however, weakened in May, but improved somewhat in June.
 - Total mutual fund cash sales increased 19% as proprietary fund sales were flat and non-proprietary sales increased substantially.
 - Institutional sales were particularly strong in the quarter due to the benefit of the Threadneedle contribution and the private placement offering of a structured investment managed by AEFA.
- Net investment income rose 6% on the net investment gains this year versus the losses in 2Q '03.
 - Average invested assets rose 1%, while the portfolio yield was flat.
 - The overall credit quality of the portfolio continued to improve as corporate default rates have declined throughout the past year.
- Other revenues rose on strong property-casualty and higher life insurance revenue. Planning and advice services fees rose 17%.

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- The provision for losses and benefits increased 1% reflecting higher in-force levels of insurance, annuities and certificates. This was partially offset by lower crediting rates and the impact of lower appreciation in the S&P 500 versus last year on equity indexed annuities and the stock market certificate product.
- Human resources expenses increased 27% on the effect of the Threadneedle acquisition and higher field force compensation-related costs.
 - The advisor base rose 2% versus last year, but declined by 127 advisors from last quarter. This decline resulted from a shift in focus toward tighter controls over new hires and appointments, as well as a process change that resulted in a longer time to appointment. A positive result of these changes was stronger first-year advisor retention in the quarter.
 - The home office employee count continued to be well controlled as the average number of employees was down 2%, excluding Threadneedle.
- Other operating expenses rose 27% versus last year due in part to the Threadneedle acquisition and costs related to the various industry regulatory and legal matters.
- The effective tax rate was 34% versus 25% last year.

At AEB:

- Earnings grew 4% on 2% growth in revenues and a lower provision.
- The Bank's results reflect the positive impact of growth within Private Banking and the Financial Institutions Group, which was almost fully offset by reductions in loan and other activity within Corporate Banking and the Personal Financial Services lending business, particularly in Hong Kong.
 - Private banking client holdings and loans increased 10% and 23%, respectively;
 - Loans within the Financial Institutions Group grew 20%;

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- Personal Financial Services loans declined 9%; and
- Corporate banking loans continued to decrease, and now represent 2% of the total loan portfolio, or approximately \$120MM.
- Results also benefited from a provision decline of 57% versus last year due to an improvement in bankruptcy-related write-offs in Hong Kong and the reduced activity within the PFS lending portfolio.

Summary/Outlook

- In conclusion, we view this as another outstanding quarter as our results illustrate the benefits of the business momentum resulting from our investments over the last few years, as well as the improved economic and market environment versus last year.
- We delivered record results during the quarter and met or exceeded all three of our long-term financial targets, while significantly increasing business building expenditures and maintaining substantial balance sheet strength.
- Over the last few years, when the environment required, we demonstrated the ability to cut costs. Recent quarters show that we can use the flexibility built into our business model to invest in strong revenue growth when we see the opportunity to do so.
- While investors are focused on the potential for interest rate increases, as we discussed last quarter our current funding strategy has largely mitigated the near-term risk.

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- Although year-over-year business comparisons will become more difficult as the year progresses, and varying opinions exist about the future strength of certain elements of the macroeconomic environment, such as retail spending and equity markets, we entered the second half of the year in an excellent competitive position with strong momentum.

- In addition, while aspects of the economic environment may have recently moderated to some degree, on a relative basis the environment continues to be a positive one.
 - Corporations are spending on T&E again after three years of containing these expenditures; and

 - Even the more pessimistic forecasts are still anticipating healthy growth around the globe.

- We are confident that we are in a strong position to leverage these opportunities for growth. Our recent successes support this confidence.

- Thanks for listening. We are now ready to take your questions.

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INFORMATION RELATING TO FORWARD LOOKING STATEMENTS

This presentation includes forward-looking statements, which are subject to risks and uncertainties. The words "believe," "expect," "anticipate," "optimistic," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. The Company undertakes no obligation to update or revise any forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to: the Company's ability to successfully implement a business model that allows for significant earnings growth based on revenue growth that is lower than historical levels, including the ability to improve its operating expense to revenue ratio both in the short-term and over time, which will depend in part on the effectiveness of reengineering and other cost-control initiatives, as well as factors impacting the Company's revenues; the Company's ability to cost effectively manage and expand cardmember benefits, including containing the growth of its marketing, promotion, rewards and cardmember services expenses; the Company's ability to accurately estimate the provision for the cost of the Membership Rewards program; the Company's ability to grow its business and meet or exceed its return on shareholders' equity target by reinvesting approximately 35% of annually-generated capital, and returning approximately 65% of such capital to shareholders, over time, which will depend on the Company's ability to manage its capital needs and the effect of business mix, acquisitions and rating agency requirements; the ability of the Company to generate sufficient revenues for expanded investment spending and to actually spend such funds to the extent available, and the ability to capitalize on such investments to improve business metrics; credit risk related to consumer debt, business loans, merchant bankruptcies and other credit exposures both in the U.S. and internationally; volatility in the valuation assumptions for the interest-only (I/O) strip relating to TRS' lending securitizations; fluctuation in the equity and fixed income markets, which can affect the amount and types of investment products sold by AEFA, the market value of its managed assets, and management, distribution and other fees received based on the value of those assets; AEFA's ability to recover Deferred Acquisition Costs (DAC), as well as the timing of such DAC amortization, in connection with the sale of annuity, insurance and certain mutual fund products; changes in assumptions relating to DAC, which could impact the amount of DAC amortization; the ability to improve investment performance in AEFA's businesses, including attracting and retaining high-quality personnel; the success, timeliness and financial impact, including costs, cost savings and other benefits including increased revenues, of reengineering initiatives being implemented or considered by the Company, including cost management, structural and strategic measures such as vendor, process, facilities and operations consolidation, outsourcing (including, among others, technologies operations), relocating certain functions to lower-cost overseas locations, moving internal and external functions to the Internet to save costs, and planned staff reductions relating to certain of such reengineering actions; the ability to control and manage operating, infrastructure, advertising and promotion and other expenses as business expands or changes, including balancing the need for longer-term investment spending; the potential negative effect on the Company's businesses and infrastructure, including information technology, of terrorist attacks, disasters or other catastrophic events in the future; the impact on the Company's businesses resulting from continuing geopolitical uncertainty; the overall level of consumer confidence; consumer and business spending on the Company's travel related services products, particularly credit and charge cards and growth in card lending balances, which depend in part on the ability to issue new and enhanced card products and increase revenues from such products, attract new cardholders, capture a greater share of existing cardholders' spending, sustain premium discount rates on its card products in light of market pressures, increase merchant coverage, retain cardmembers after low introductory lending rates have expired, and expand the global network services business; the triggering of obligations to make payments to certain co-brand partners, merchants, vendors and customers under contractual arrangements with such parties under certain circumstances; AEFA's ability to develop and roll out new and attractive products to clients in a timely manner and effectively manage the economics in selling a growing volume of non-proprietary mutual funds and other retail financial products to clients; successfully cross-selling financial, travel, card and other products and services to the Company's customer base, both in the United States and internationally; a downturn in the Company's businesses and/or negative changes in the Company's and its subsidiaries' credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs; fluctuations in interest rates, which impact the Company's borrowing costs, return on lending products and spreads in the investment and insurance businesses; credit trends and the rate of bankruptcies, which can affect spending on card products, debt payments by individual and corporate customers and businesses that accept the Company's card products and returns on the Company's investment portfolios; bankruptcies, restructurings or similar events affecting the airline or any other industry representing a significant portion of TRS's billed business, including any potential negative effect on particular card products and services and billed business generally that could result from the actual or perceived weakness of key business partners in such industries; fluctuations in foreign currency exchange rates; political or economic instability in certain regions or countries, which could affect lending and other commercial activities, among other businesses, or restrictions on convertibility of certain currencies; changes in laws or government regulations; the costs and integration of acquisitions; and outcomes and costs associated with litigation and compliance and regulatory matters. A further description of these and other risks and uncertainties can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and its other reports filed with the SEC.