American Express
August 8, 2012 Financial Community Presentation
Ken Chenault

Good afternoon. And welcome to our second Financial Community Meeting of the year.

We'll be covering a number of topics today.

Agenda

I'll begin with an update of our financial and business performance through the second quarter. Despite some weakening in the environment, our businesses performed well on both an absolute and relative basis.

One reason I remain confident in our ability to generate growth over the moderate to long-term is because of the solid business foundation we have in place – a foundation that was substantially strengthened both during and after the 2008/2009 financial crisis. As a result of our actions, across a number of important parameters, we are a stronger company now than we were 5 years ago.

The changes we implemented since 2007 have led to individual outcomes that we've covered with you before, but I want to take a step back today and show you the extent to which our overall position has improved. I believe you'll see that these changes set a strong foundation for future growth opportunities, as well as for our ability to navigate through a weaker economic cycle.

A number of our near-term and moderate-term business opportunities will be covered today by Ed Gilligan. Ed will focus on our unique growth potential across payments and services, along with the assets, capabilities and partnerships that provide advantages to our business model.

We'll then end, as always, with time for Q & A.

So let's get right to our performance.

Financial Performance

Year to date through June, I believe we generated strong results.

Despite a growover challenge against last year and a weaker economy in Europe, we generated another record for revenues in the most recent quarter, with growth rates on an FX adjusted basis[1] of 9% and 7% respectively for the first and second quarters.[2]

We continued to generate strong earnings from our growing businesses and reported record EPS, while also achieving a Return on Average Equity of 27%.

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[1] FX adjusted information assumes a constant exchange rate between the periods being compared for purposes of currency translation into U.S. dollars (i.e., assumes foreign exchange rates used for Q2'12 applies to Q2'11, rate used for Q1'12 applies to Q1'11, etc).

[2] See footnote 1. On a reported basis, revenues grew 8% in Q1'12 and 5% in Q2'12.

Metric Trends

Our financial results were the outcome of our strong business performance, and our metrics remained positive across the board.

Adjusted for FX, billings grew by 9% in the second quarter, down from the double digit levels of earlier quarters but still quite strong considering our 15% growover hurdle from a year ago.[3]

Cards in force grew by 6%. Our franchise now exceeds 100 million global cards, a benchmark that reflects the continued strength of our brand and our increasing relevance in countries around the world.

We also continued to see positive growth in cardmember loans, which were up 4%, in contrast to most of our large card issuer competitors.

Finally, our credit performance continues to be exceptional and the best among our large industry peers for both writeoff and past due rates.

Let me drill down a bit more on our overall performance, starting with billings.

Billed Business Growth by Region

When you look at billings growth on an FX adjusted basis, growth rates did trend down across all regions in the second quarter. Asia and Latin America, however, continued to see double digit growth. As you would expect, Europe saw the weakest growth, up 4% in total,[4] with Spain and Italy slightly down. Germany and the UK continue to drive positive growth performance for Europe overall.

Mexico, Argentina and Brazil have held up very well over the last several quarters, as have Australia, Japan, China and Korea in Asia.

Billings Growth – U.S.

Looking at our relative performance in U.S. billings, we continue to have higher growth rates than Mastercard and Visa combined, whether looking at credit and charge or also including debit. (Debit spending, as you can see, was down significantly in the quarter.) Based on this information we expect to gain U.S. billings share in the first half of 2012, the continuation of a trend we've seen over the last several years.

Billings Growth - Global

Globally our billings growth has slowed a bit more than the credit and charge growth of Visa and Mastercard given their higher proportion of international spend, though the results of Visa Europe are not counted here due to Visa's operating structure.

First Half 2012 Relative Performance

Against large card issuers we continue to do well. On a billings base that is almost 2 and a half times that of our nearest competitor, we continued to grow at one of the highest rates in the industry.

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[3] See footnote 1. On a reported basis, billed business grew 7% in Q2'12 and 18% in Q2'11.

[4] See footnote 1. On a reported basis, billed business in Europe declined 4% in Q2'12.

While these are year-to-date results a split of billings growth by quarter would show that – adjusting for acquisitions – all major issuers saw a trend of slightly slower growth in the second quarter versus the first.

For cardmember balances our peer situation is reversed because of our spend-centric business model. In terms of loans we have one of the smaller portfolios among major issuers (for example, Citi's portfolio is approximately 2 and a half times our size). Through the second quarter, our 4% growth rate, along with that of Discover, stood out from other peers, all of which continued to see a pull back in organic balances.

AXP Revenue Growth vs. Issuing Competitors

This pullback has led to negative revenue growth for most of our large issuer competitors. In times of significant de-levering by consumers and businesses, a reliance on spread revenue is clearly a drag on top-line revenues. And, given the size of the portfolios of these issuers, I don't expect this dynamic to change over the short to moderate-term.

AXP Lending Net Write-off Rates vs. Competitors

Within our lending portfolio our credit performance has been best in class over the last several years and is currently at historically low levels, a situation that's also true for our much larger charge card spending base.

USCS Lending and Charge Credit Metrics

Delinquency and bankruptcy trends across our U.S. lending and charge portfolios also suggests that, all else being equal, we would expect flat or a slight decline in writeoff rates for the remainder of the year. As our objective, however, is not to minimize losses but to sustainably grow our business, we'll continue to balance our risk profile against our overall strategic growth objectives.

Q2'12 Peer Net Income vs. Adjusted Net Income

All major card issuers had substantial bottom line benefit from reserve turns in 2011 and this trend continued into 2012, though at a slower pace for some of us. To me, I'm proud of how we're able to stand out from the pack here. Even without the Visa and Mastercard settlement payments we received last year, and with a relatively smaller takedown of credit reserves, we were able to generate positive earnings growth in the second quarter. This is in stark contrast to lend-centric competitors who, even with sizable help from their balance sheet, were unable to grow card segment earnings year over year.

Marketing and Promotion Expense

Along with positive revenue growth our bottom line was also helped by our control of ongoing expenses. While still at healthy levels, our marketing and promotion expense as a percentage of managed revenue remained below last year's double digit levels and significantly below the levels of 2010.

As I mentioned to you in February, going forward – on average and over time -- we're targeting M&P spending to hold at a rate of approximately 9% of total revenue, net of interest expense.

Marketing and promotion remains one of our largest expense categories and, as we've shown in the past, does provide us with flexibility should we face weaker economic conditions in the future.

Cardmember Rewards Expense

Cardmember rewards is another major cost category for us and is an expense area that continues to receive a great deal of focus.

Rewards expense is driven by a number of factors – for example, volumes, cardmember behavior and the cost of our offerings. As we've mentioned previously, we intend to keep our programs as efficient as we can, while also retaining the high value our cardmembers place on rewards.

Total Operating Expense Growth

As Steve Squeri took you through in February, we're also focused on containing our operating expense growth. Just as a reminder, operating expenses include salaries and benefits, professional services and other opex.

Excluding the contra-effect of our Visa and Mastercard settlement proceeds, operating expenses in the second quarter grew by 2%.[5] This is below our rate of revenue growth, which is our objective over the next 2 to 3 years.

As we've discussed, the sizable credit benefits we generated in the latter half of 2010 and throughout 2011 were reinvested in a number of areas, including our sales forces, our digital capabilities such as Registered Card, and our technology and servicing infrastructure, all of which served to increase our operating expense base.

We believe we're currently at an operating expense level that will enable us to drive our business growth going forward. Of course, as always, we continue to look for greater efficiencies across our base and for ongoing reengineering opportunities, a capability that has served us well in various economic cycles.

Expense to Revenue Ratio

Our adjusted "expenses as a percentage of managed revenue" ratio continues to come down from the historical highs we generated in 2011 when we significantly ramped up our investment spending.[6] Over time, we expect this ratio to migrate back towards historical levels in two ways. First, through top line revenue growth, and second through expense flexibility, which includes our plans to contain our operating expense growth.

Agenda

Also within the first two quarters were several other business achievements. Ed is going to talk to you about his businesses, so let me give you some updates in other key areas.

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[5] Adjusted total operating expenses, a non-GAAP measure, excludes litigation settlement proceeds from total operating expenses. Refer to Annex 5 in the accompanying presentation for a reconciliation of the adjusted growth rate and its components. On a reported basis, total operating expenses grew 10% in Q2'12.

[6] Adjusted total expenses as a % of total managed revenues net of interest expense, a non-GAAP measure. Refer to Annex 3 in the accompanying presentation for total expenses on a GAAP basis as a percent of total revenues net of interest expense.

H1'12 Update

Within Corporate Payments, for example, we saw growth in our B2B billings in excess of 30%; we signed new payment agreements with Barnabas Health and Orbitz; and we launched our new PAYVE payment solution platform, which allows companies to process all of their B2B payments whether paid by card, check or ACH.

Within Enterprise Growth we continue to gain momentum and expand new business opportunities. Serve is substantially increasing its functionality, and we're currently in beta testing for our next release, which will include our deals and offers module. We plan to release this functionality in the near future.

Our customer adoption across Enterprise Growth is ramping up, helped by our strategic partnerships with companies such as Zynga as well as Verizon, where we already have our Serve app preloaded onto our first Verizon phone, with more models to come. And just last week we deployed our Serve platform into China in partnership with Lianlian. We are now processing mobile top-ups on Serve in one province, and will work on rolling out more regions in the future.

As you'll hear from Ed, our reloadable prepaid products are gaining rapid customer adoption, and we are well underway to combining our Serve and prepaid platforms, which gives us the opportunity to create new, differentiated products. We're rapidly expanding our prepaid distribution footprint, which now includes Target, Office Depot, and Barnes & Noble. We're also working closely with Wal-mart on our next steps for our Bluebird product.

It's still relatively early days, but I'm encouraged by our progress. Overall, since the beginning of the year, we've added approximately one million customers across the new products introduced by Enterprise Growth. This brings us to a current total of 1.6 million customers.

You'll recall that our first priority in 2010 was to get our platforms and infrastructure in place. Last year the focus was on lining up appropriate partners.

This year our emphasis is on building scale so that we're in a position to generate volumes and revenues. Here we're seeing signs of progress. Our monthly load volumes across Serve and prepaid have almost doubled since January. Our annualized run rate last month was over $1 billion of load, an initial sign that our new customers are beginning to engage with these recently introduced services.

We also continue to see the results of our service and loyalty investments in a number of metrics and accomplishments related to the health of our franchise.

Voice of the Customer

For example, we've seen it in continued improvement to one of our major customer metrics: Recommend to a Friend, which has improved by almost 30% in the U.S. over the 3 years we've used it as a primary indicator.[7] Recommend to a Friend has a high correlation to customer satisfaction and also to customer engagement, the outcomes of which are generally higher spend and greater loyalty.

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[7] Recommend to a Friend measures a cardmember's satisfaction with the level of servicing provided by American Express customer care professionals. See slide 20 in the accompanying presentation for a detailed explanation of how this metric is calculated.

USCS Cardmember Non-credit Attrition

We've also shown continued improvement to our customer retention metrics. As you can see here, we've improved customer retention by approximately 40% over the last 5 years.[8] This outcome speaks to the high value and quality service we provide to our cardmembers, but it also translates into hard dollar savings of marketing and customer acquisition investment funds.

I know that many U.S. competitors claim to be making inroads into our customer franchise, but across the most meaningful metrics – profitable market share, average spending per cardmember, cards acquired, recommend to a friend, retention – our franchise is stronger than ever.

H1'12 Update

Also in the quarter was the announcement of Visa and Mastercard's proposed class action settlement with retailers, a legal suit that was initiated in 2005. The settlement includes substantial cash payments by the two networks, along with proposed changes to Visa and Mastercard's rules.

Let me say first off that the agreement is quite complex, and there is still some question as to whether it will be approved by a sufficient number of litigants, or the court itself. While I'm not going to comment on the legal aspects of the settlement, one issue that has been highlighted is the potential for surcharging to appear in the U.S. marketplace. We have stated in a number of forums that we believe surcharging is anti-consumer, in that it directly shifts costs from businesses to consumers. In fact ten states, including New York, California, Texas and Florida, prohibit it outright.

Given the fragile state of the economy, it's not surprising that a number of retailers appear to recognize the harmful effects of surcharging on consumers and have already said publicly that they would not impose a surcharge on their customers.

For us, while we will obviously see what happens in the courts and the marketplace over the next few months, our overall strategy in this highly competitive space will remain the same: to provide more value to our merchants and create superior value propositions for our cardmembers. We've worked hard to do this in countries that allow surcharging and in those that don't. And we'll work hard to continue this success within the U.S.

Agenda

Our performance in the first half of the year has been relatively strong, particularly against a backdrop of somewhat slower economic growth. While we would all prefer an environment of robust growth, I believe it will take some time before we return to the levels we saw in the mid-2000's. Consumers, businesses and governments are all more cautious, and that cautiousness is likely to play out in a number of ways.

Our leadership team is realistic about the environment, because we're a team that's been tested. We've faced economic and business challenges before, both in the recent past and over the last decade, and at no time has it stopped us from moving forward with our focus on growth. We may have had to modify

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[8] Non-Credit attrition includes voluntary attrition (cardmember initiated) and involuntary attrition (Amex initiated for non-activity, death, or the supplemental card cancellation by the basic cardmember).

our plans to navigate the challenges, but our commitment to the company's moderate to long-term success ……. our commitment to our shareholders …… remains firm.

The financial crisis of 2008 and 2009 was, as we all know, unprecedented. It was a turning point for many companies, and it was certainly so for our company. The severity of the crisis, and the breadth and depth of its impact, required both immediate action and a longer-term vision. It required us to quickly change certain aspects of our business model, and to reshape some of our strategies for the realities of a very different environment.

We took action as needed, we implemented important changes, and I believe we're now a far stronger company as a result. Now, I've talked to you about some of our outcomes before, primarily on a one-off basis, but today I want to step back and give you a broader view of the extent of the changes we've made over the last 5 years.

I want to share this lookback with you for two reasons:

- First, to show you the stronger foundation we can build upon for our moderate to long-term growth;

- And, second, to show how our changes have strengthened our ability to deal with the volatility and uncertainty of the short to moderate-term environment.

Foundational Changes

In looking at the current position of the company, we've clearly strengthened a number of critical areas since the onset of the financial crisis.

Foundational Changes

One of the most fundamental changes we made was to diversify our funding mix.

No one had ever envisioned that the wholesale funding markets would almost completely freeze up the way they did. The extended reality of that event drove home the need to protect our businesses by broadening our sources of funds.

Improved Funding Mix and Liquidity Position

In 2007, before the crisis, short-term and unsecured term debt made up approximately two thirds of our funding needs.

Improved Funding Mix and Liquidity Position

Today those sources are down to 40%, replaced by a far more stable source of funds – deposits.

At the height of the crisis, when mistrust of financial institutions was pretty widespread, we ramped up our efforts to gather customer deposits and we succeeded, largely due to the core strength of our brand and its attributes of trust and security. We grew from $15 billion in deposits at the end of 2008, to over $26 billion by the end of 2009, to a total today of almost $36 billion.

These deposits, which we've built organically, have added flexibility and stability to our funding program at cost-effective rates. They've served to lower our reliance on wholesale funding and have lowered our overall exposure should the capital markets ever face another major crisis.

Foundational Changes

At the same time that we changed our funding mix we also made another foundational change by improving our liquidity.

Improved Cash Liquidity Position

Prior to the crisis, we had only a modest level of on-balance sheet liquidity in the form of cash and readily-marketable securities. We looked to the asset-backed markets and bank lines as our principle sources of backup liquidity.

Improved Cash Liquidity Position

By the end of last year we had strengthened our position to the point where our cash and marketable securities could sustain our businesses for over 12 months.

We certainly hope we never face a situation where that level of liquidity is required, but having that strength is a critical insurance policy for the sustainability of our businesses.

Foundational Changes

Since 2007 we've also lowered our reliance on spread revenue to generate our growth and profitability.

Reduced Reliance on Lending

Our loan balances[9] have declined by approximately $15 billion since 2007 and net interest income now makes up 15% of our revenues, down from 19% in 2007.[10]

The financial crisis caused businesses and consumers to lower their debt levels, while at the same time we re-shaped our strategy to focus on more premium lending segments, such as those within our co-brand and rewards portfolios.

Now, let me be clear, lending remains a growth opportunity for us. As you'll hear from Ed, we're investing in premium lending, and we believe the economics and potential in this segment are strong. Our focus, however, has been to pursue this opportunity within the context of our successful spend-centric model and by building profitable relationships, not chasing balances.

As I showed you earlier, our lower reliance on spread revenue separates us from other major card issuers. It is the primary reason we've been able to maintain positive revenue growth, even in times of deleveraging. I don't see consumers significantly ramping up their appetite for debt over the

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[9] USCS managed cardmember loans outstanding. See Annex 4 in the accompanying presentation for USCS cardmember loans on a GAAP basis.

[10] Managed net interest income as a % of total managed revenue net of interest expense. See Annex 4 in the accompanying presentation for net interest income as a % of total revenue, net of interest expense on a GAAP basis.

foreseeable future. And I believe we're a far stronger company because we're not reliant on rising debt levels to generate our revenue growth.

Foundational Changes

Tied to our lower reliance on lending are the significant improvements we've made to our risk profile. Across a number of parameters we're in a far better position today than we were before the crisis.

Lending Managed Net Write-off Rate

You've of course seen the improvement in our writeoff rates in both the U.S. and International. We're currently below the rates we reported back in 2007 (significantly so for our International lending) and are currently below our historical averages and U.S. industry averages as well.

The strength of our portfolio is also evident in two other notable metrics.

Improved Risk Profile in US Lending Portfolio

The first relates to loan tenure. In the beginning of 2008, approximately 25% of our loan balances were generated by cardmembers who had been in our franchise less than 2 years.

Today that number has fallen to 10%, with 90% of our balances held by cardmembers who've been with us for two years or more. As a result, we know these cardmembers better; we know their payment and spending practices; and they, in turn, have a stronger relationship with us. All in all, this is a far better position to be in, particularly in times of economic uncertainty.

Improved Risk Profile in US Lending Portfolio

A second metric that shows the improvement in our portfolio is our mix of transactors[11] versus revolvers.
In 2007 84% of our lending balances were comprised of revolvers, while today that number has fallen to 71%. Our spend-centric economics allow transactors to be profitable without requiring us to take on undue levels of risk.

Foundational Changes

Another key improvement since the financial crisis has been the strengthening of our billings base. As you know, we opted to invest a significant portion of our credit benefit over the last few years instead of putting it to the bottom line. This allowed us to make sizable investments in customer and merchant acquisition, both of which have driven positive outcomes across our spend base.

AXP Share of U.S. Purchase Volume

For example, these investments helped us gain over 250 basis points of general purpose charge and credit billings share in the U.S. from 2009 to 2011.[12] Given the year to date numbers I showed you earlier for both our billings and those of Visa and Mastercard, we expect to also gain billings share in the first half of 2012.

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[11] Transactors refer to loans which pay off the prior month's balance in full.
[12] Source: The Nilson Report.

More Diversified Spend Profile

Our investments also allowed us to not just grow share, but to further diversify our billings base. Investments within our Global Network Services and International businesses have lifted their billings contributions over the last 5 years, while investments in merchant acquisition and capabilities, such as Pay With Points at Amazon, have served to expand our base of online billings.

Reduced Dependence on T&E Spend

Our merchant investments, a number of which were focused on the acquisition of everyday spend and smaller merchants, have also raised our proportion of non-T&E billings. T&E spend has dropped from 34% of our billings base in 2007 ……..

……… to 31% in 2011. This serves to increase our relevance to a broader base of cardmembers, while also lowering our exposure to discretionary spend categories, which tend to feel the first negative impacts in times of a weaker economy.

It should also be noted that, even as we shifted the proportion of T&E spend within our base, we've been able to generally maintain our global merchant discount rate. Even as we've materially grown our proportion of lower priced, non-T&E spend, our reported discount rate has declined by only two basis points over the last 4 years. This reflects the substantial investment we've made in improving our value proposition to merchants and in our network capabilities.

Foundational Changes

Another indicator of our stronger position since the crisis has been our capital ratios.

Stronger Capital Position

Our Tier One Common Risk-Based ratio stood at 9.7% at the end of 2008, compared to 12.8% today, an exceptionally strong level.[13]

Capital Ratios – CCAR 2012 Results

Looking at the capital ratios of financial peers under the Fed's stress scenario, the strengths of both our business model and balance sheet become even more evident. We are the only major issuer who remains in double digits under the stress scenario.[14] Our capital position is simply more capable of withstanding a significant downturn, whether looking at our ratios on an absolute or relative basis.

Foundational Changes

[13] The Tier 1 Common Risk-Based Capital Ratio is calculated as Tier 1 Common Equity, a non-GAAP measure, divided by Risk-weighted assets. See Annex 6 in the accompanying presentation for reconciliation between Tier 1 Common Equity and Total Shareholders' Equity.

[14] SOURCE: Federal Reserve estimates in the Supervisory Stress Scenario for the nine-quarter period from Q4'11 to Q4'13, published March 13, 2012.

Our balance sheet is strong. Our businesses generate sufficient capital to meet both our investment needs and the needs of investors. And this strength gives us flexibility and options should opportunities arise in the marketplace, or should economic conditions weaken.

Foundational Changes

The final reason I believe we're a stronger company is because of the increased breadth of our growth opportunities.

Significant Opportunities for Growth

When I considered our potential back in 2007 I was confident that we had several strong areas of growth within payments, including the continued expansion of plastic in replacing cash and checks, and continued opportunities in international and GNS.

Despite the significant progress we've made in these areas since 2007, I continue to believe we have sizable potential in both the penetration of payment products and in international, including emerging markets, ………

Significant Opportunities for Growth

…….along with new opportunities in areas that were not as prominent in '07, such as digital, prepaid and fee services.

Our growth options have expanded over the last 5 years as we deliberately moved from being a pure payments player to a broader services company. Digital capabilities have broadened the types and numbers of customers we can profitably serve, whether it be through our core charge and credit products or with prepaid or digital products. We view assets such as our closed loop or rewards platform as revenue generators, which has opened up a further range of business opportunities.

Ed will be taking you through a number of these opportunities as part of his presentation. I think you'll see why we believe we have core advantages within each area, and why we'll continue to invest in and pursue these growth opportunities for the long-term benefit of our company and shareholders.

Foundational Changes

The financial crisis impacted many companies in different ways. Some failed. Some managed to hang on, hoping for better times. And some took deliberate actions to adapt, to invest, to re-shape strategies and tactics, and to learn.

Those are the companies that ultimately came out of the crisis stronger than they went in, and I certainly count American Express among them. We have a stronger capital position, a lower risk profile, a more stable funding base, greater liquidity and a more diversified billings base, while at the same time having even more growth options than we did just 5 years ago. This is a very strong foundation to build upon.

Blue Box

While this foundation is important for our future growth it is also, as I said earlier, an advantage in dealing with the volatility and uncertainty of the short-term environment.

We came out of the financial crisis stronger, as I said, but we also came out of it with a very cautious view of the global economy. Our operating assumption was that we would likely face a slow, shallow recovery and that it would take some time for the economic environment to get back onto a steady, upward growth track.

We built our plans and chose our actions accordingly – we focused on credit quality; we focused on our core affluent, spend-centric segment of the market; we strengthened our loyalty and rewards programs; we continued to reengineer our expense base and improve our efficiency; and we built a strong, liquid balance sheet.

Because we came back from the recession a step ahead of many competitors, and because our business model provided some unique advantages, we identified competitive opportunities and moved to capitalize on them by upping our level of investment. As we've shared with you in earlier meetings, we've seen good returns on those investments, while at the same time building a leadership position with a new generation of digital, online and mobile capabilities.

We remained focused on growth and made these investments even as we faced both an uneven economic environment and a much more complicated regulatory structure. Consumer confidence has remained fragile over this time, and economic challenges have continued, both here and abroad.

Against this backdrop, we've shown the strength, flexibility and potential of our franchise. We've grown our revenues, generated quality earnings, strengthened our competitive position, upped the value we provide to cardmembers, merchants and partners, and made these relationships even stronger.

Our billings continue to grow, but at a somewhat slower pace than in the second quarter. In July global billings were up 6% on an FX adjusted basis.[15] When you also adjust for "days mix", the growth rate was 7%. As we've talked about before, the exact days of the week falling in any given month can distort our rates – positively or negatively. Looking at the "days mix" numbers for a specific month adjusts for this distortion. And, as you know, the strong recent performance of the dollar suggests that the FX-adjusted growth for the quarter will come in above the reported levels.

There's no one specific driver of the recent trend. It appears to reflect a weak overall economic environment, which shows up in a number of areas, including small business and corporate spending. The July numbers also seem to be part of the broader pattern you've been seeing elsewhere in the industry, and we'll obviously keep a close watch to make sure that we're reacting appropriately.

I'm not going to offer a forecast today, but I continue to believe that cautious assumptions about the economy are correct. As I just took you through, we've strengthened our ability to navigate in times of economic challenge, and I believe we have the flexibility to manage successfully through the current cycle.

I say this because of the flexibility of our core business model and the levers available to us should economic conditions change. These levers include:

- Our ability to prioritize our marketing and promotion expenses as needed;

[15] See footnote 1.

- Our exceptional risk capabilities, credit performance and customer profile;
- Our reengineering experience and overall focus on operating expense control;
- Our strong capital position, which has allowed us to generate value to our shareholders through share buybacks and dividends as appropriate;
- A management team that has led through challenging economic cycles.

And finally, profitable growth potential that is real, sustainable, and which leverages the unique advantages of our business model.

To take you through some of these growth opportunities and share our views of their potential, let me now turn things over to Ed Gilligan.