



# Lehman Brothers Financial Services Conference

**Jerry A. Grundhofer**  
*Chairman and CEO*

*September 13, 2005*



## Forward-looking Statement

This presentation and corresponding material contain forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words “may,” “could,” “would,” “should,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook” or similar expressions. These forward-looking statements cover, among other things, anticipated future revenue and expenses, and the future prospects of the Company. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including the following, in addition to those contained in the Company’s reports on file with the SEC: (i) general economic or industry conditions could be less favorable than expected, resulting in a deterioration in credit quality, a change in the allowance for credit losses, or a reduced demand for credit or fee-based products and services; (ii) changes in the domestic interest rate environment could reduce net interest income and could increase credit losses; (iii) the conditions of the securities markets could change, adversely affecting revenues from capital markets businesses, the value or credit quality of the Company’s assets, or the availability and terms of funding necessary to meet the Company’s liquidity needs; (iv) changes in the extensive laws, regulations and policies governing financial services companies could alter the Company’s business environment or affect operations; (v) the potential need to adapt to industry changes in information technology systems, on which the Company is highly dependent, could present operational issues or require significant capital spending; (vi) competitive pressures could intensify and affect the Company’s profitability, including as a result of continued industry consolidation, the increased availability of financial services from non-banks, technological developments, or bank regulatory reform; (vii) acquisitions may not produce revenue enhancements or cost savings at levels or within time frames originally anticipated, or may result in unforeseen integration difficulties; and (viii) capital investments in the Company’s businesses may not produce expected growth in earnings anticipated at the time of the expenditure. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

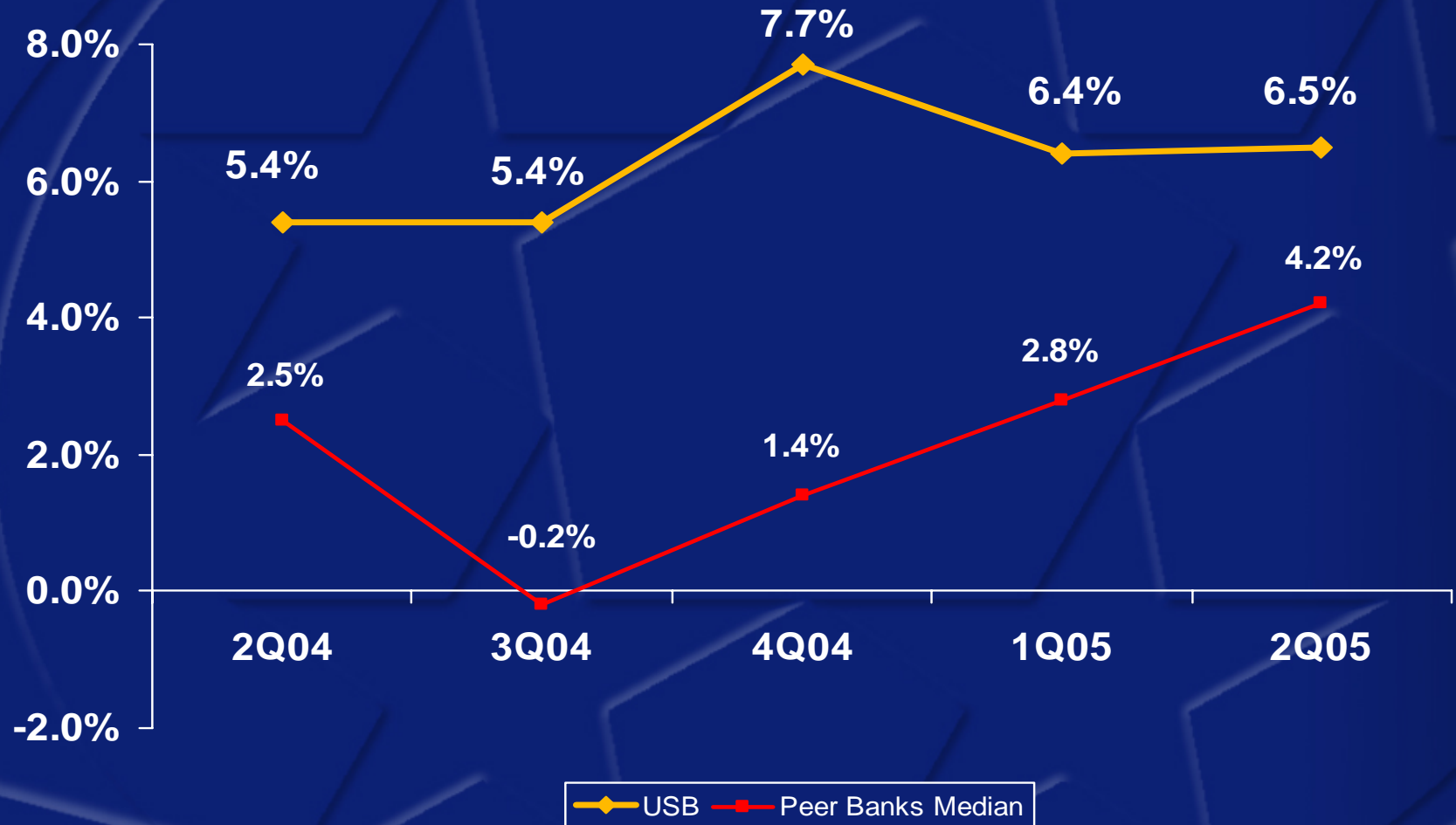


# Earning per Share Growth



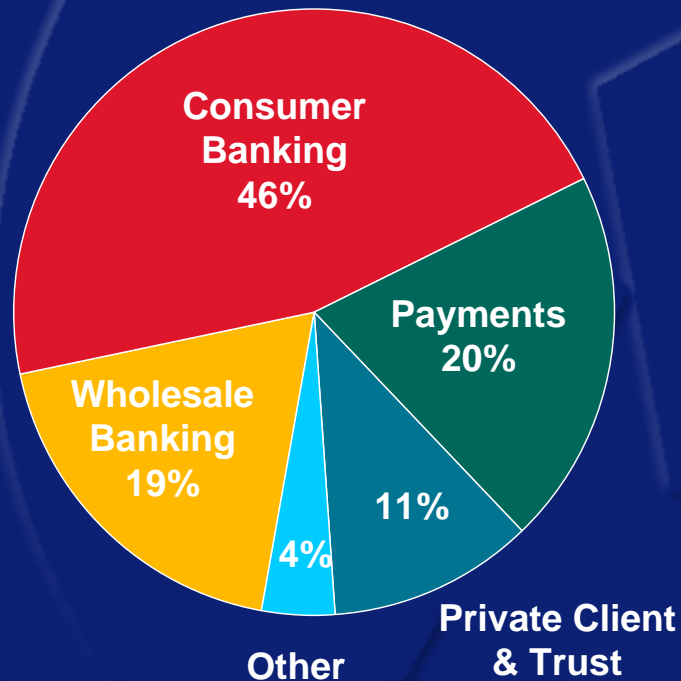
Growth versus prior year quarter

# Revenue per Share Growth

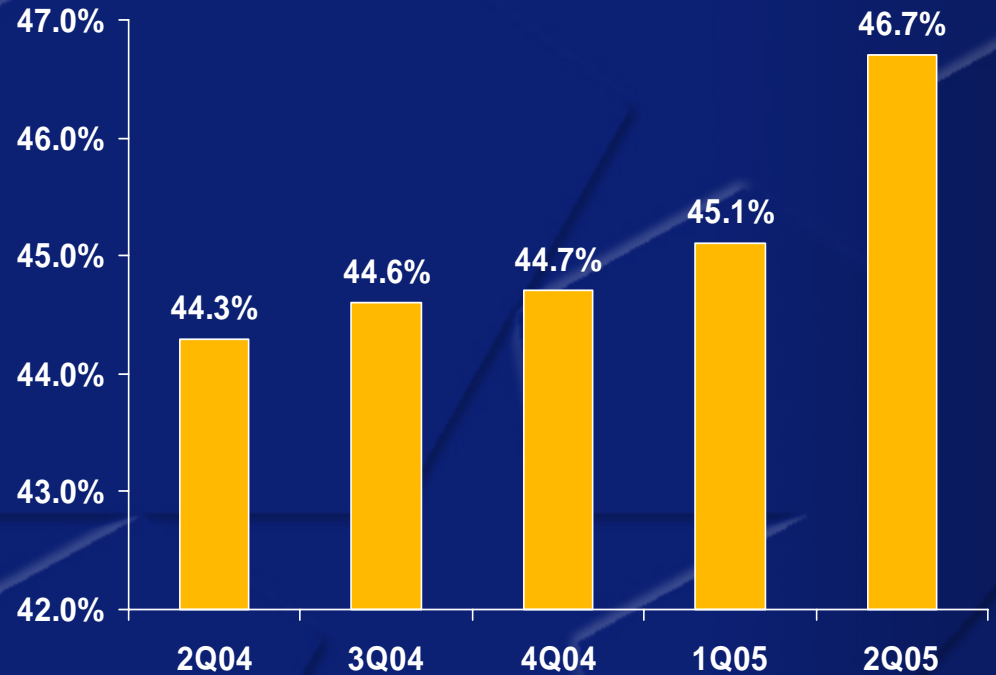


# Revenue Mix

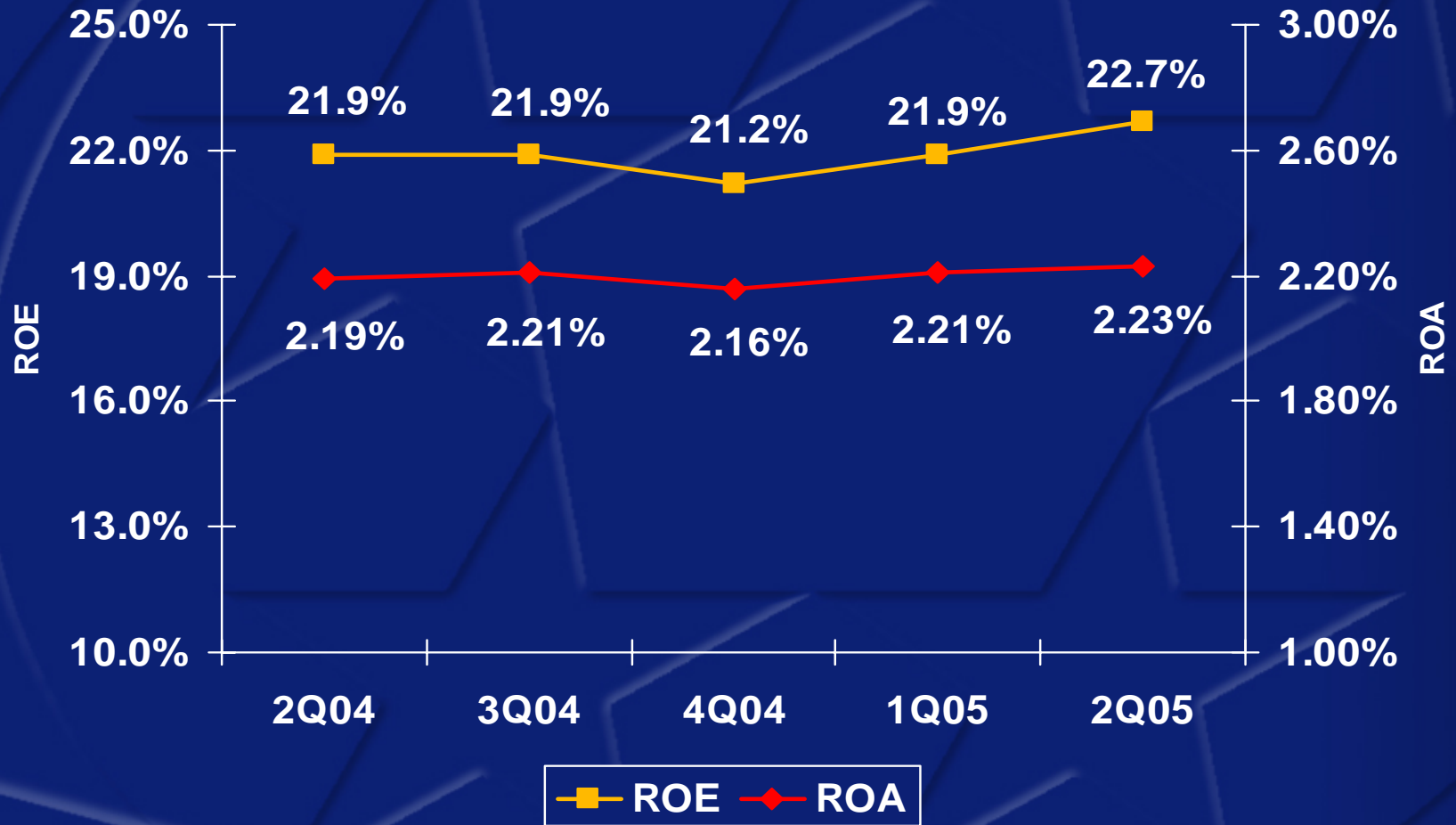
## Revenue Mix By Business Line



## Fee Income / Total Revenue

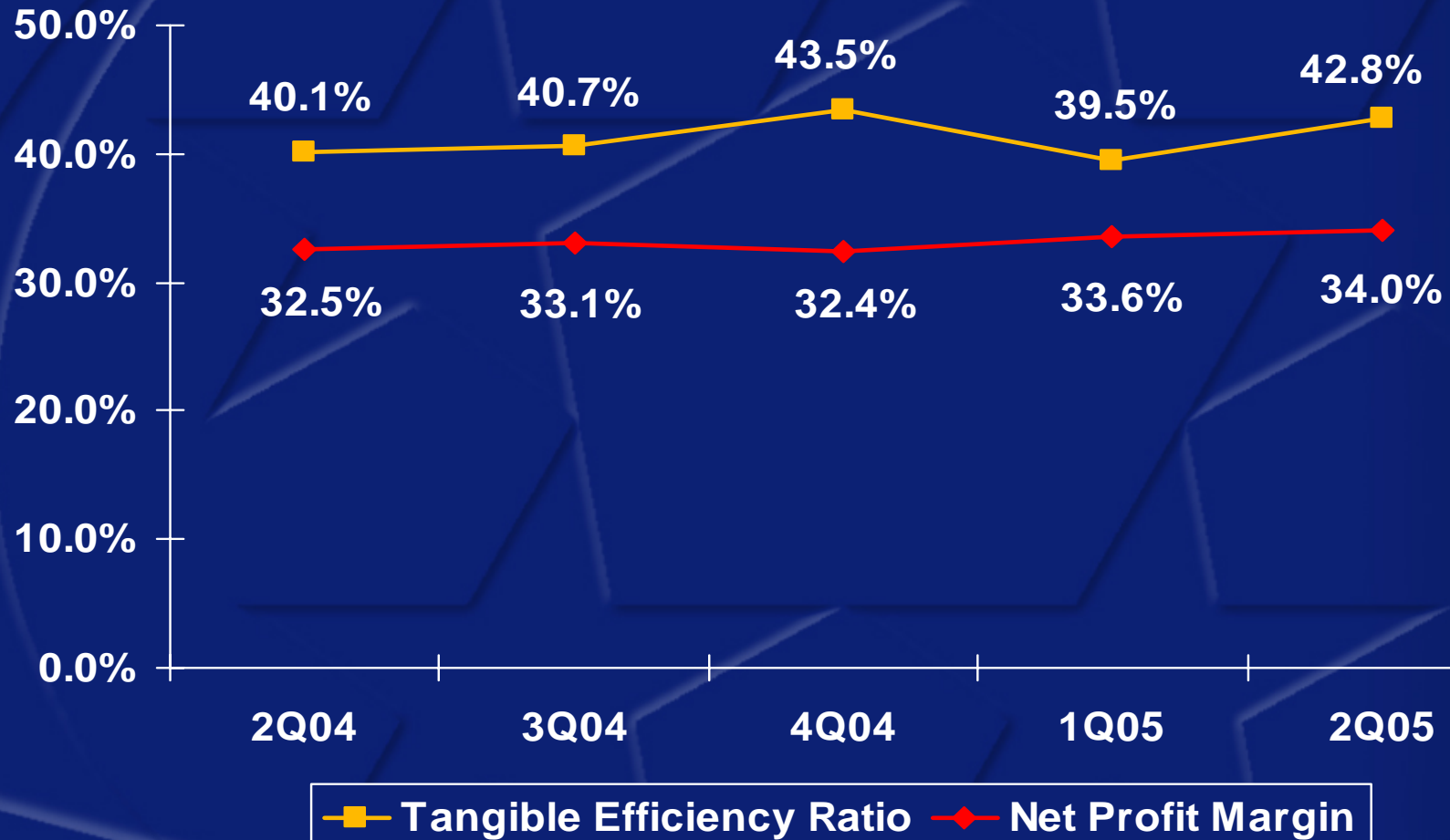


# Profitability



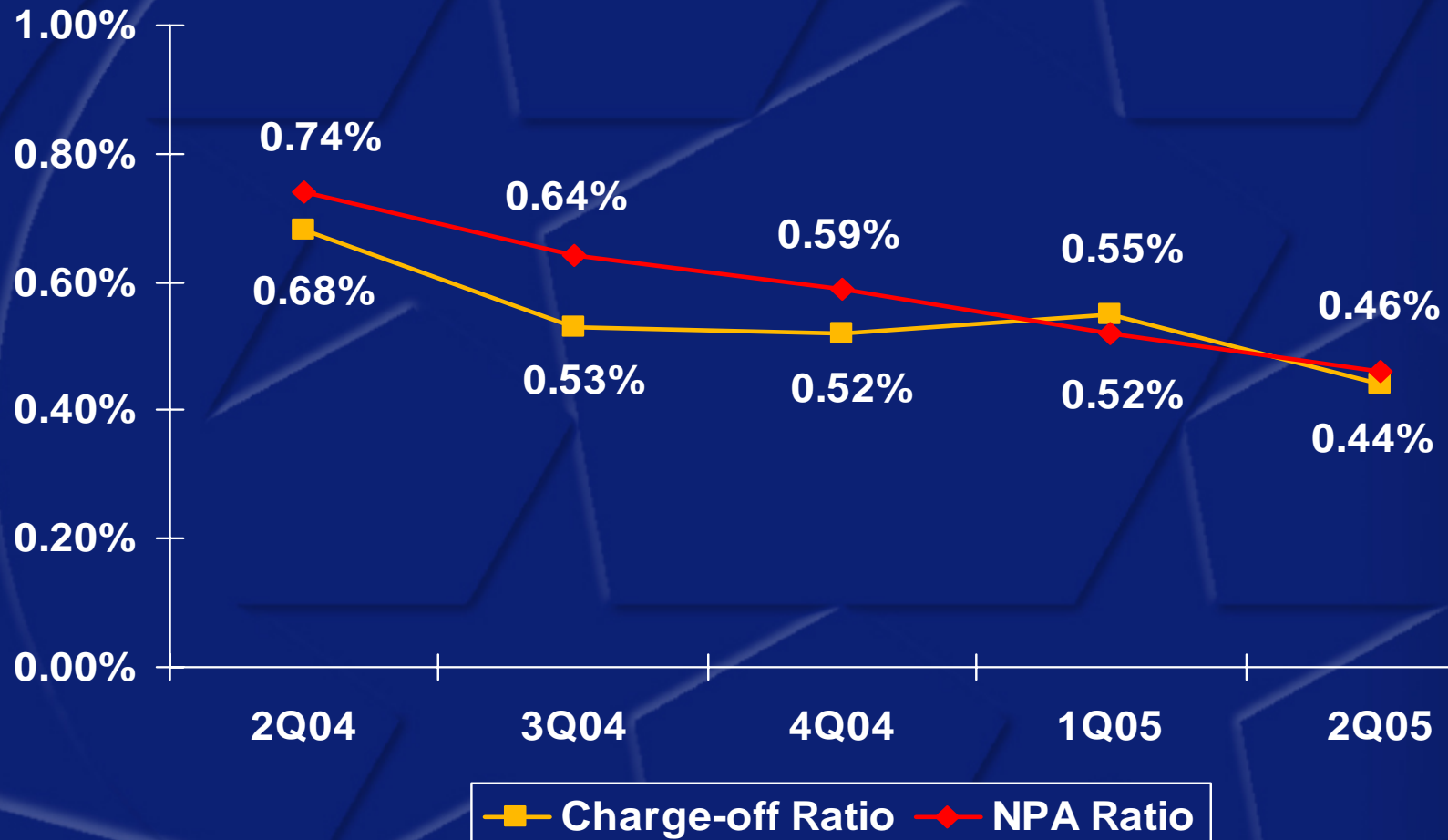
GAAP reported

# Productivity



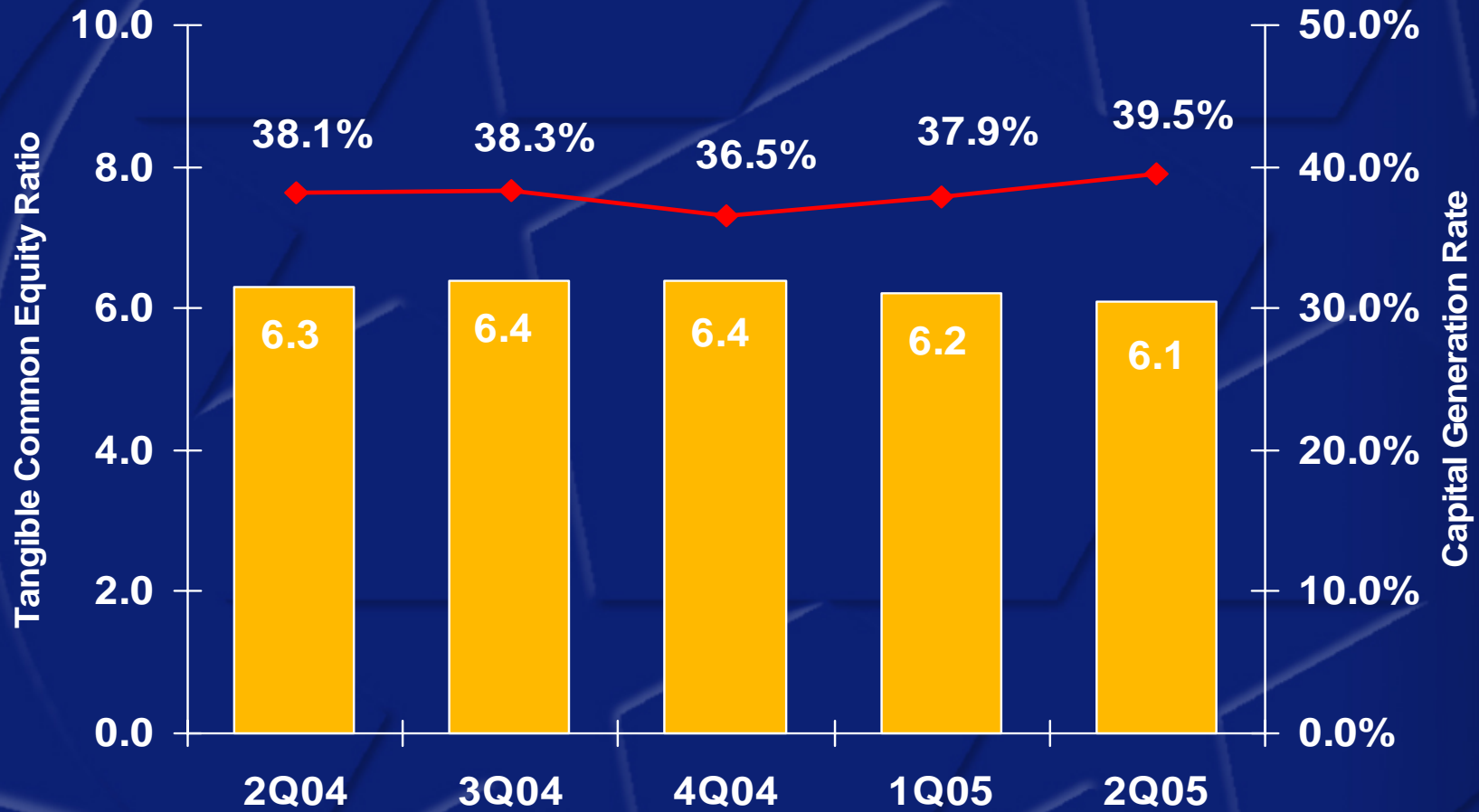
Tangible efficiency excludes the impact of intangible amortization expense

# Credit Quality



Net charge-offs to average loans, Nonperforming assets to loans plus ORE

# Capital

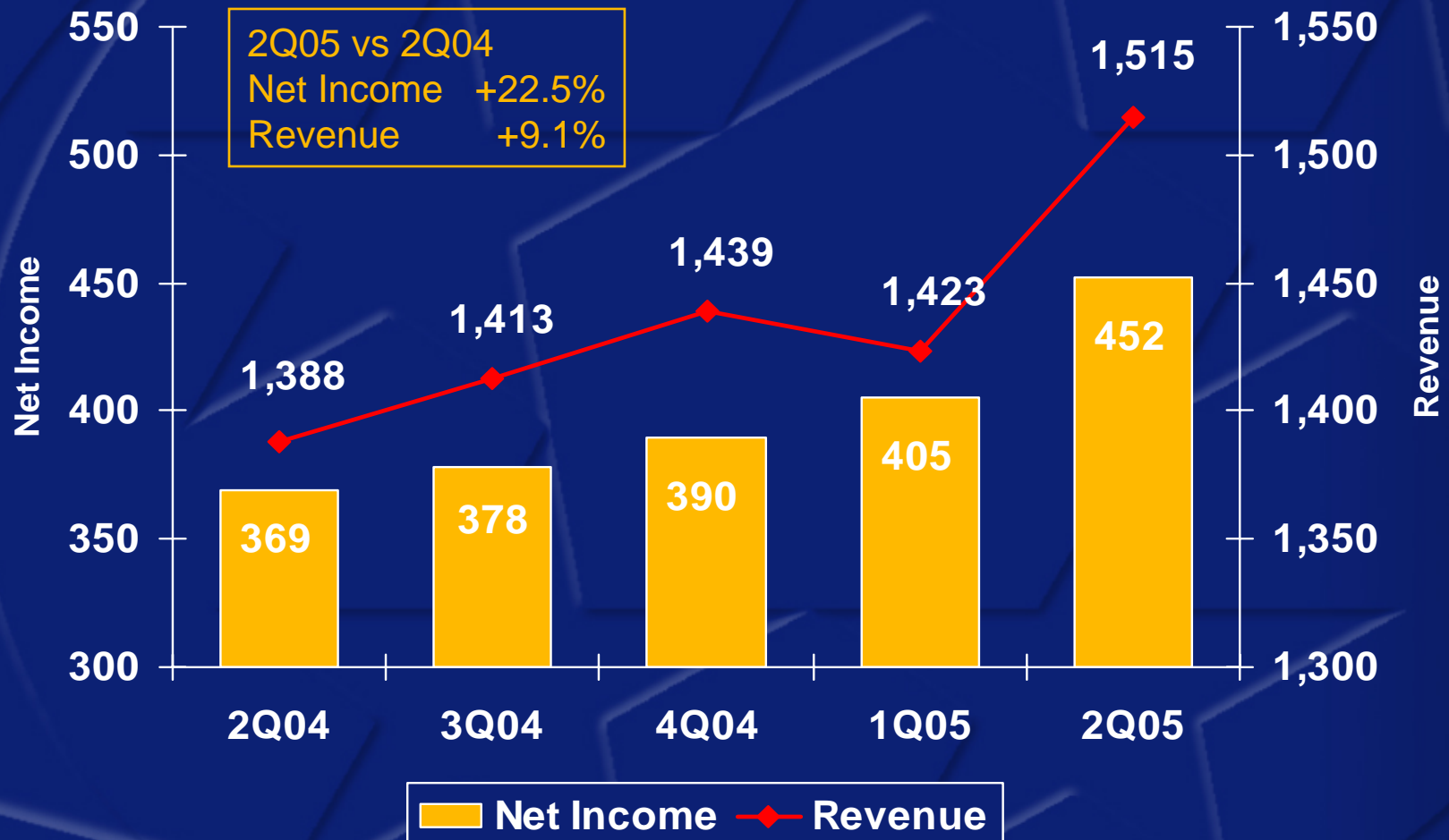


Excludes the impact of intangibles

# Business Unit Results 2Q 2005 Vs 2Q 2004

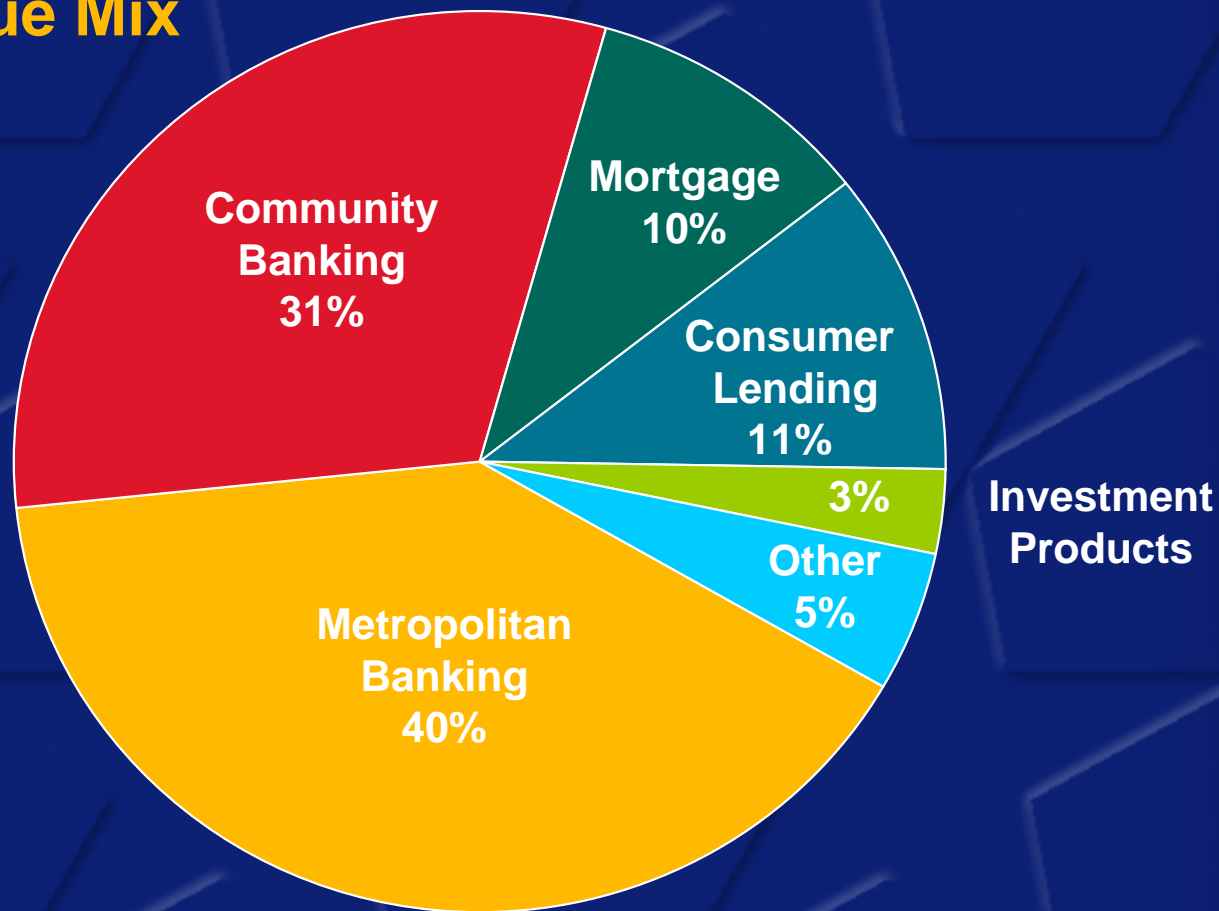
<u>Business Unit</u>	<u>% of Revenue</u>	<u>Earnings Growth</u>	<u>Operating Leverage</u>
<b>Consumer Banking</b>	46%	22.5%	6.2%
<b>Payment Services</b>	20%	10.6%	-5.8%
<b>Wholesale Banking</b>	19%	9.9%	1.4%
<b>Private Client, Trust &amp; Asset Management</b>	11%	22.1%	7.9%

# Consumer Banking Trends



# Consumer Banking Trends

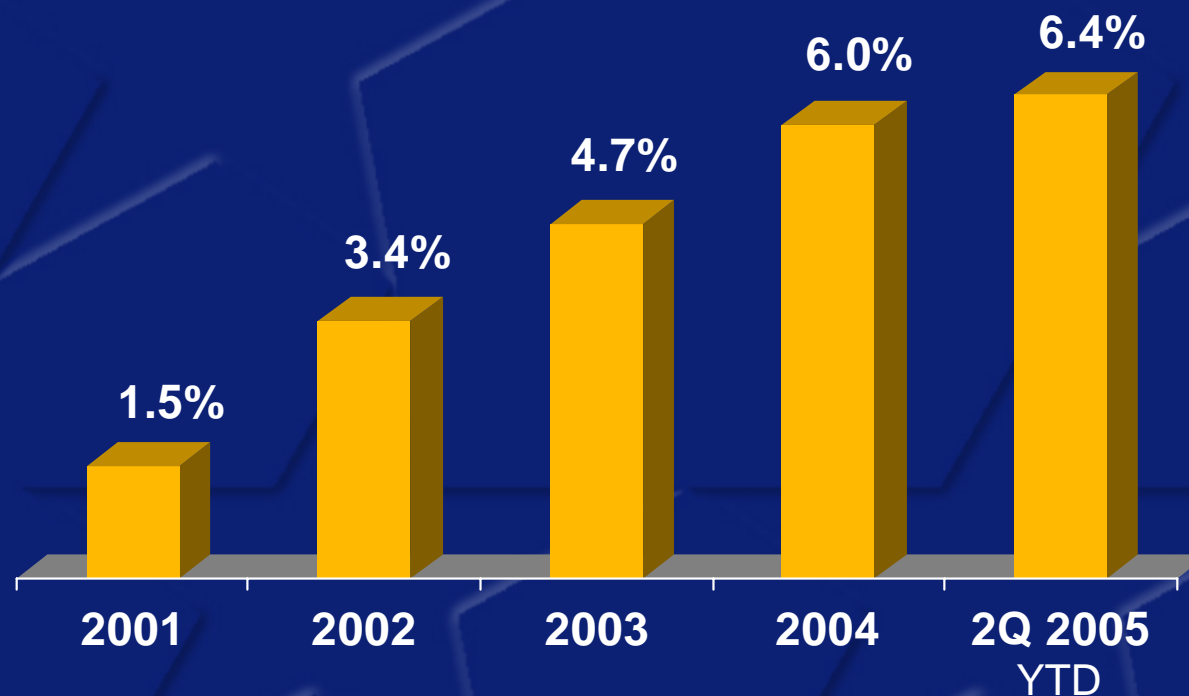
## Revenue Mix



# Consumer Banking Trends

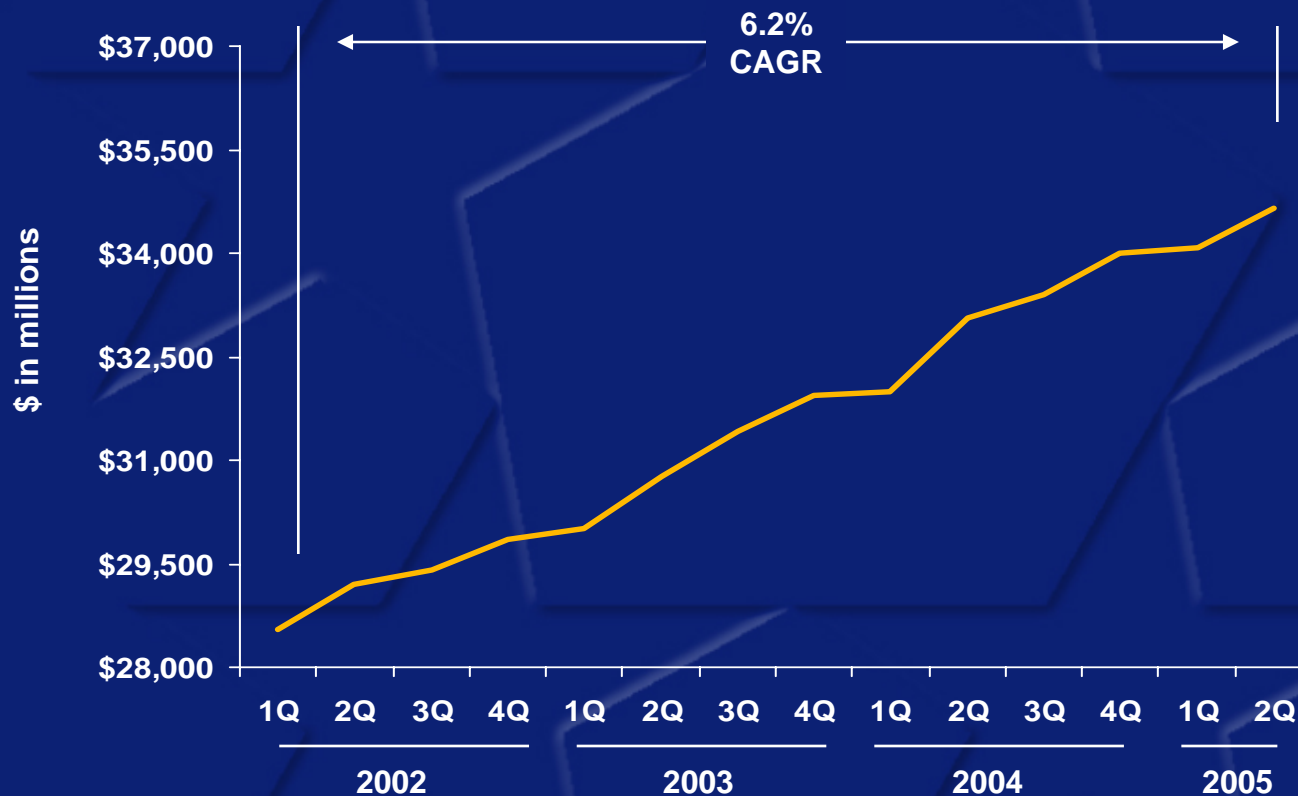
## Growth in Net New Checking Continues To Accelerate

Percent Increase in Net Checking Accounts



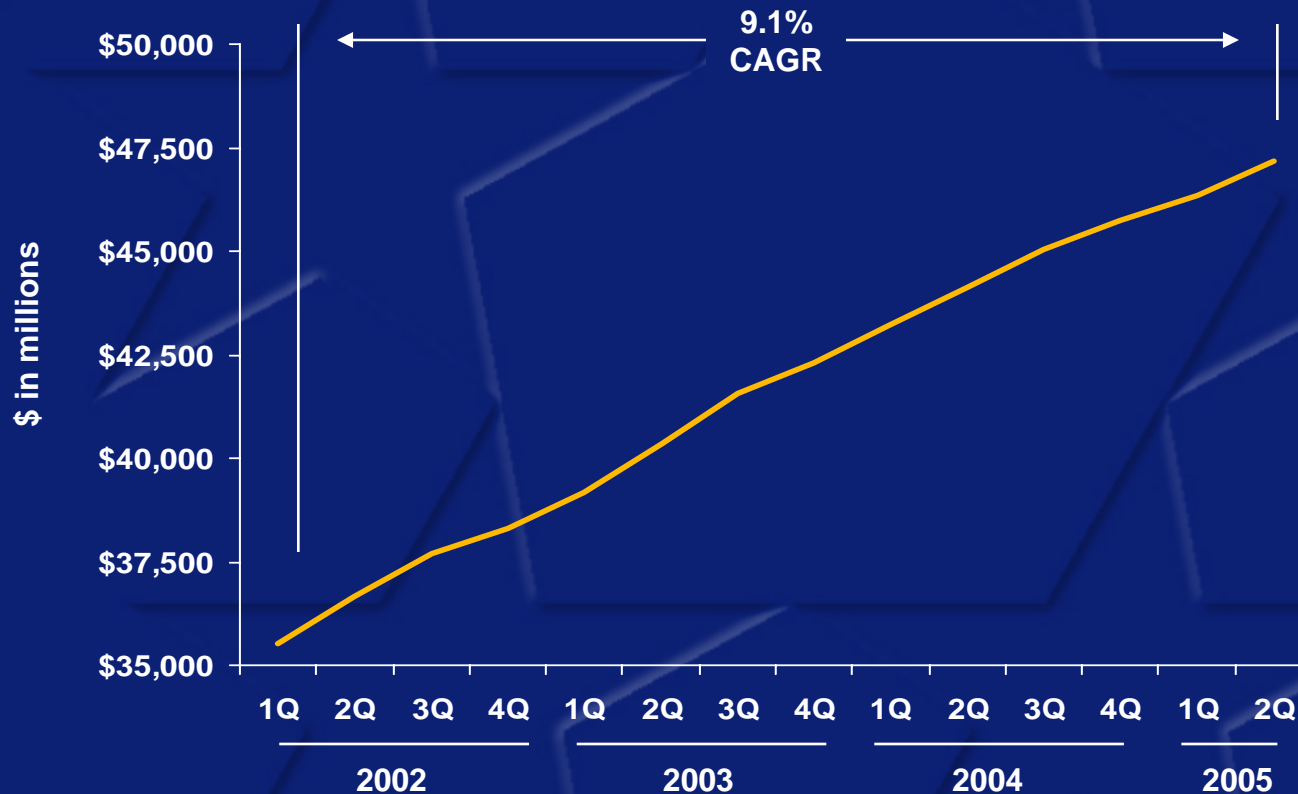
# Consumer Banking Trends

## Checking and Savings Deposits Showing Consistent Growth



# Consumer Banking Trends

## Retail Loans Showing Consistent Growth



# Consumer Banking Trends

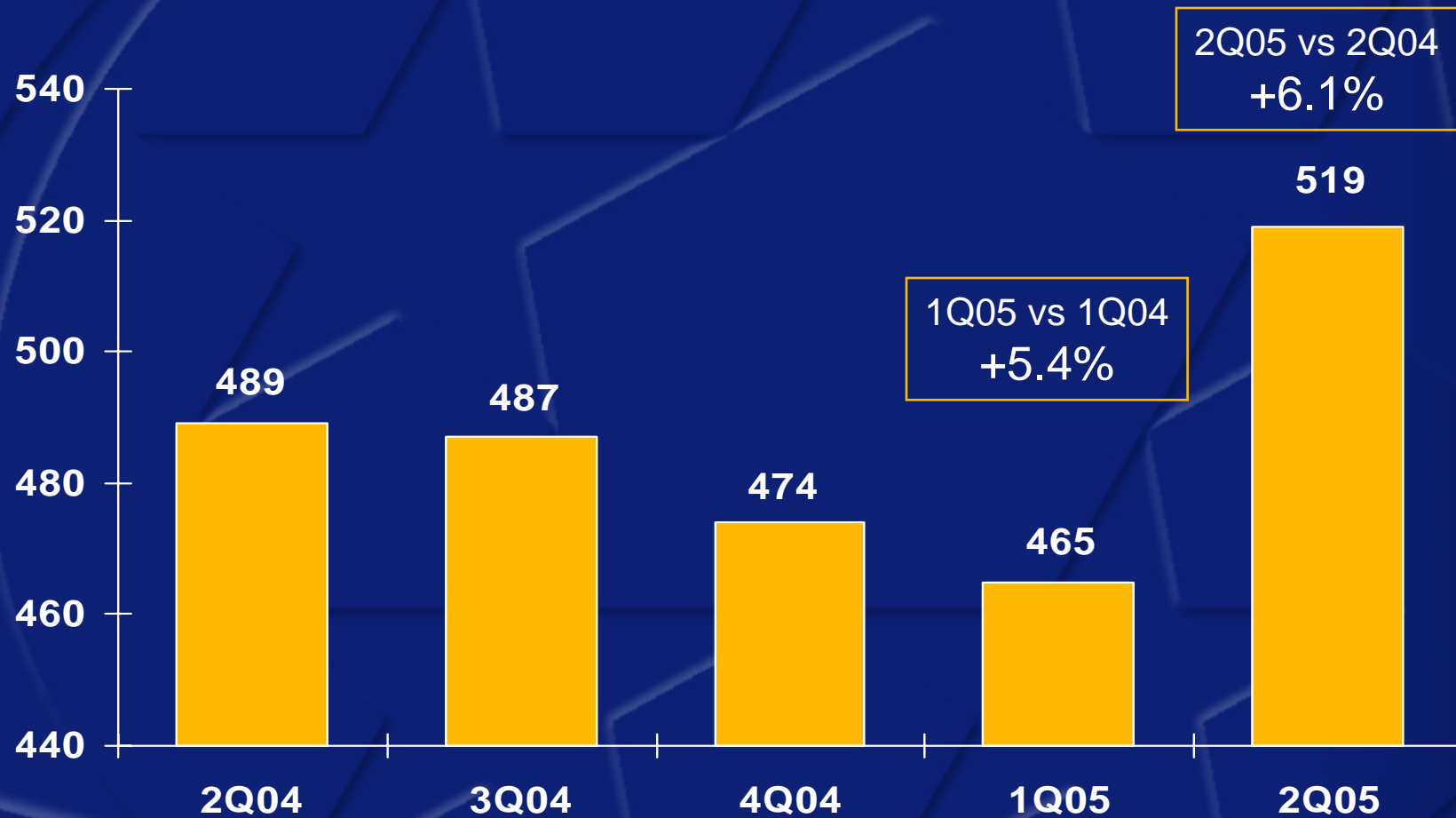
## Commercial Loans



Growth versus prior year quarter

# Consumer Banking Trends

## Fee Income

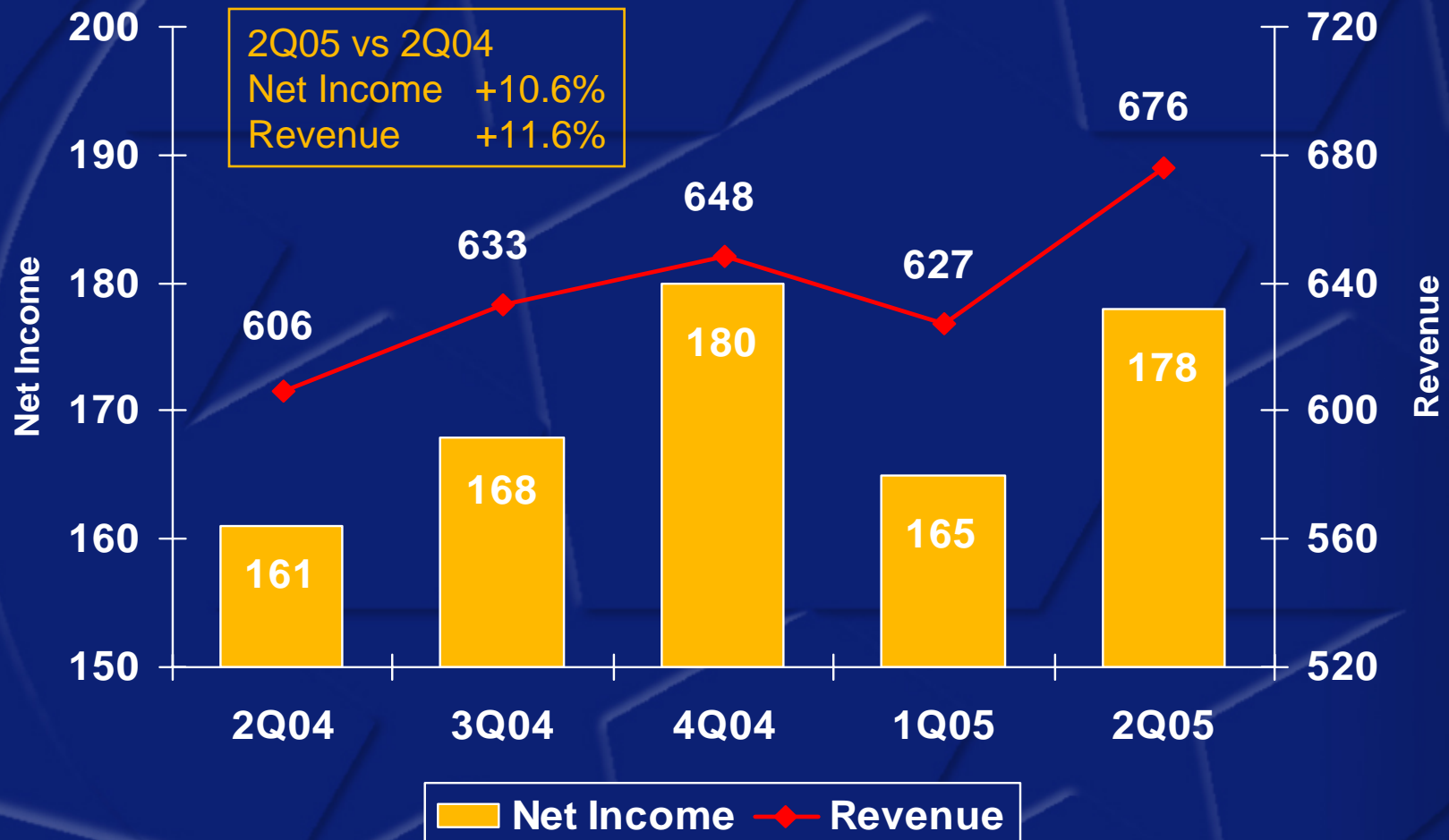


\$ in millions

# Consumer Banking Initiatives

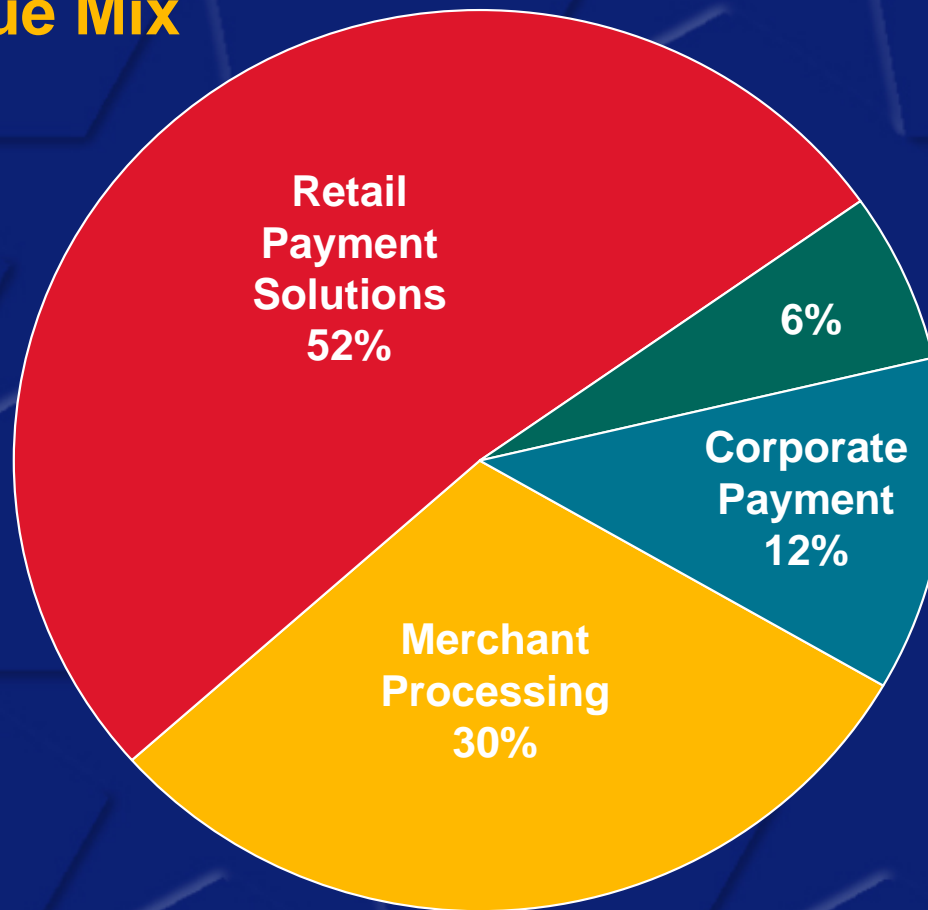
- ★ **Continue to expand branch distribution in high-growth markets**
- ★ **Continue to improve customer loyalty at the branch level**
- ★ **Improve customer retention and deepen relationships through improved customer relationship management technology**
- ★ **Implement disciplined sales management practices and improve customer service and relationship management in small business**

# Payment Services Trends



# Payment Services Trends

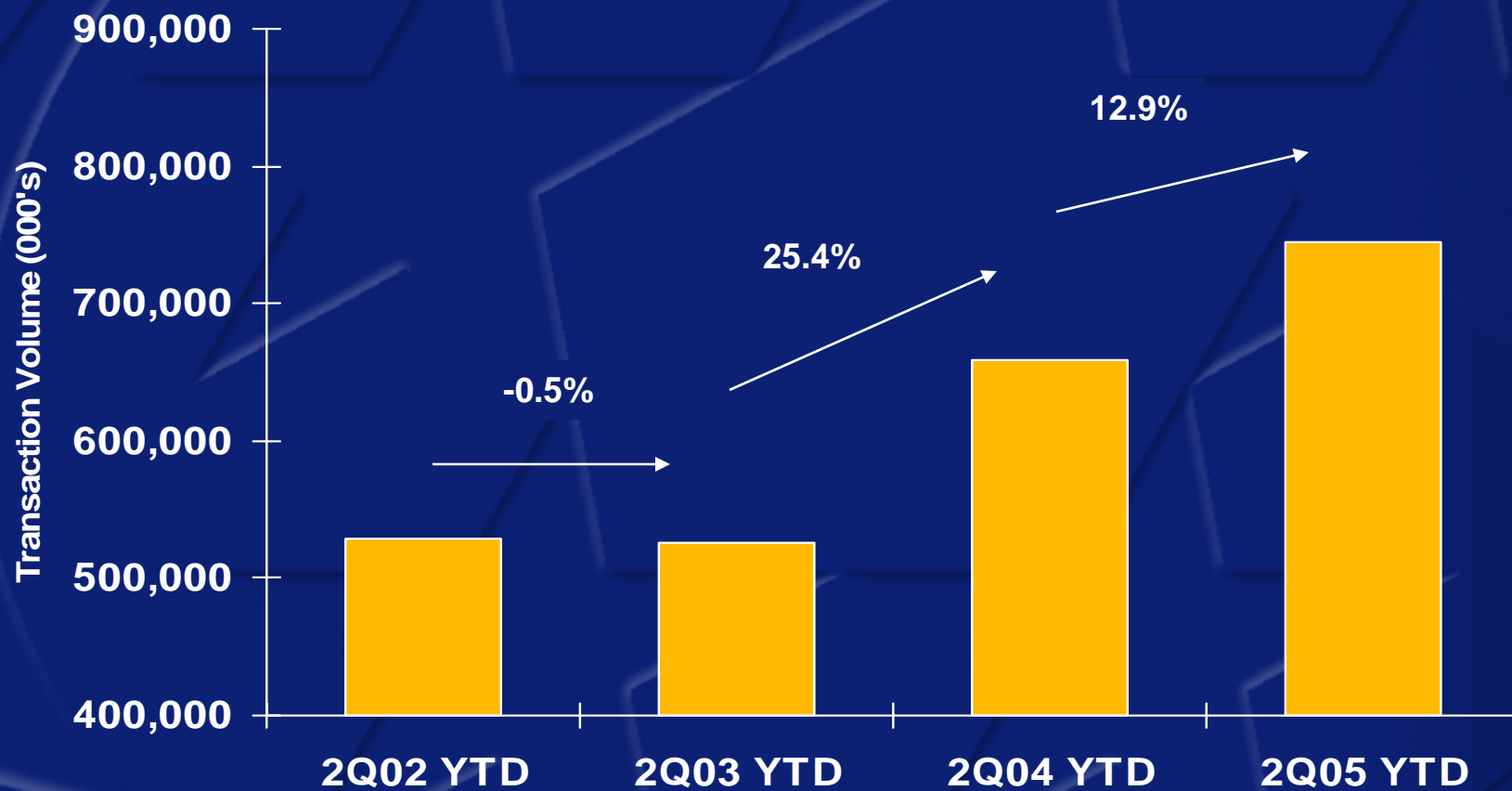
## Revenue Mix



## Transaction Services

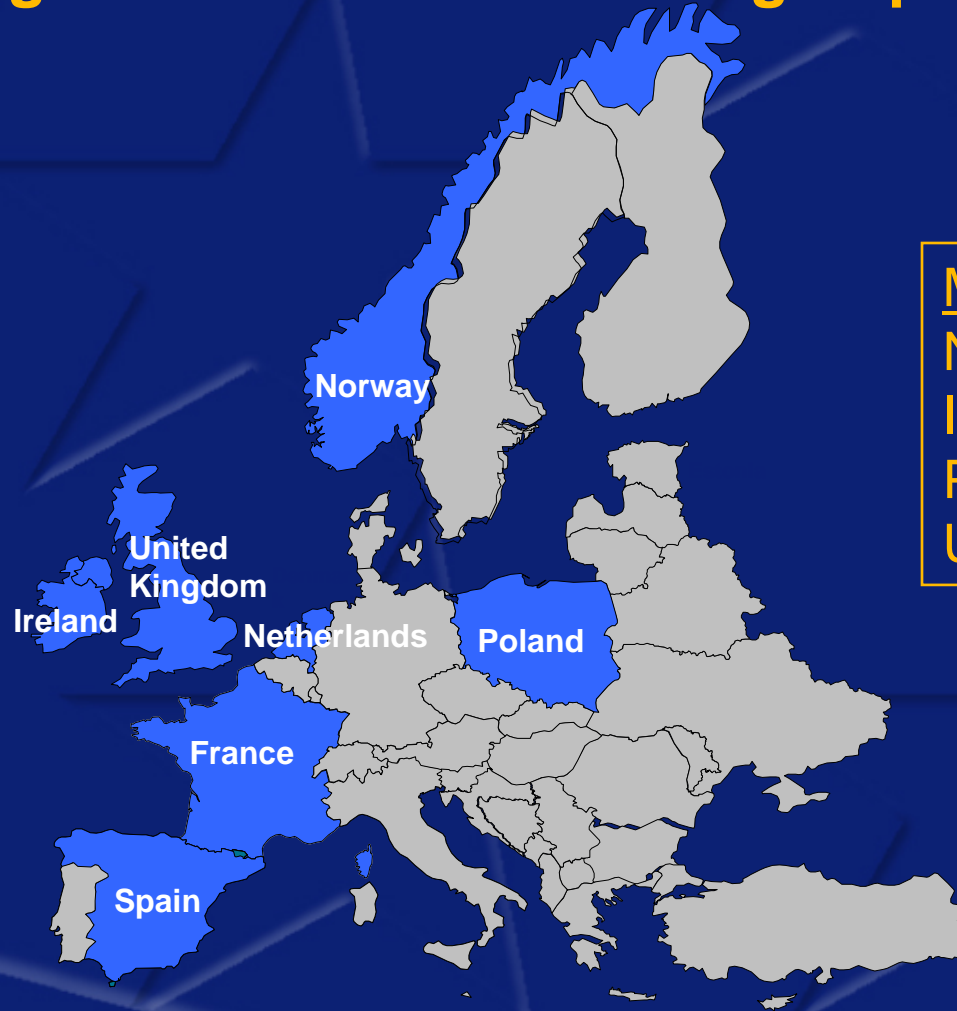
# Merchant Processing Trends

## Transaction Growth Continuing



# Merchant Processing Trends

## Building Transaction Processing Capabilities in Europe



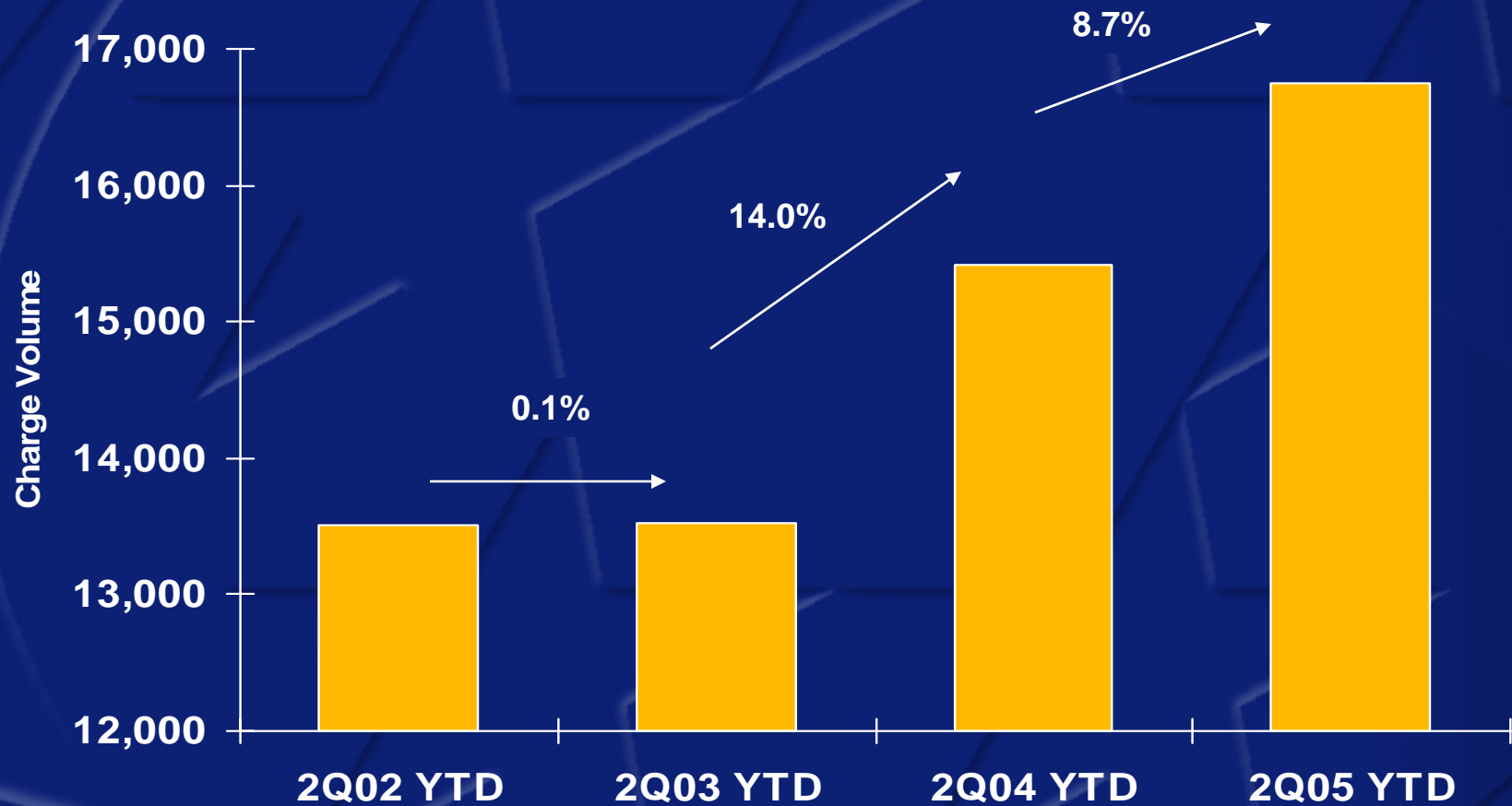
<u>Market Share</u>	
Norway	38%
Ireland	30%
Poland	17%
UK	7%

# Merchant Processing Initiatives

- ★ **Leverage bank partnerships on all levels for cross-sell opportunities**
- ★ **Accelerate scope of merchant retention programs to ensure lowest attrition rates in the industry**
- ★ **Capitalize on select acquisition/alliance opportunities in core markets**
- ★ **Be recognized as “partner of choice” in European market, similar to U.S.**

# Retail Payment Solutions Trends

## Charge Volume Growth Continuing



\$ in millions

# Retail Payment Solutions Trends

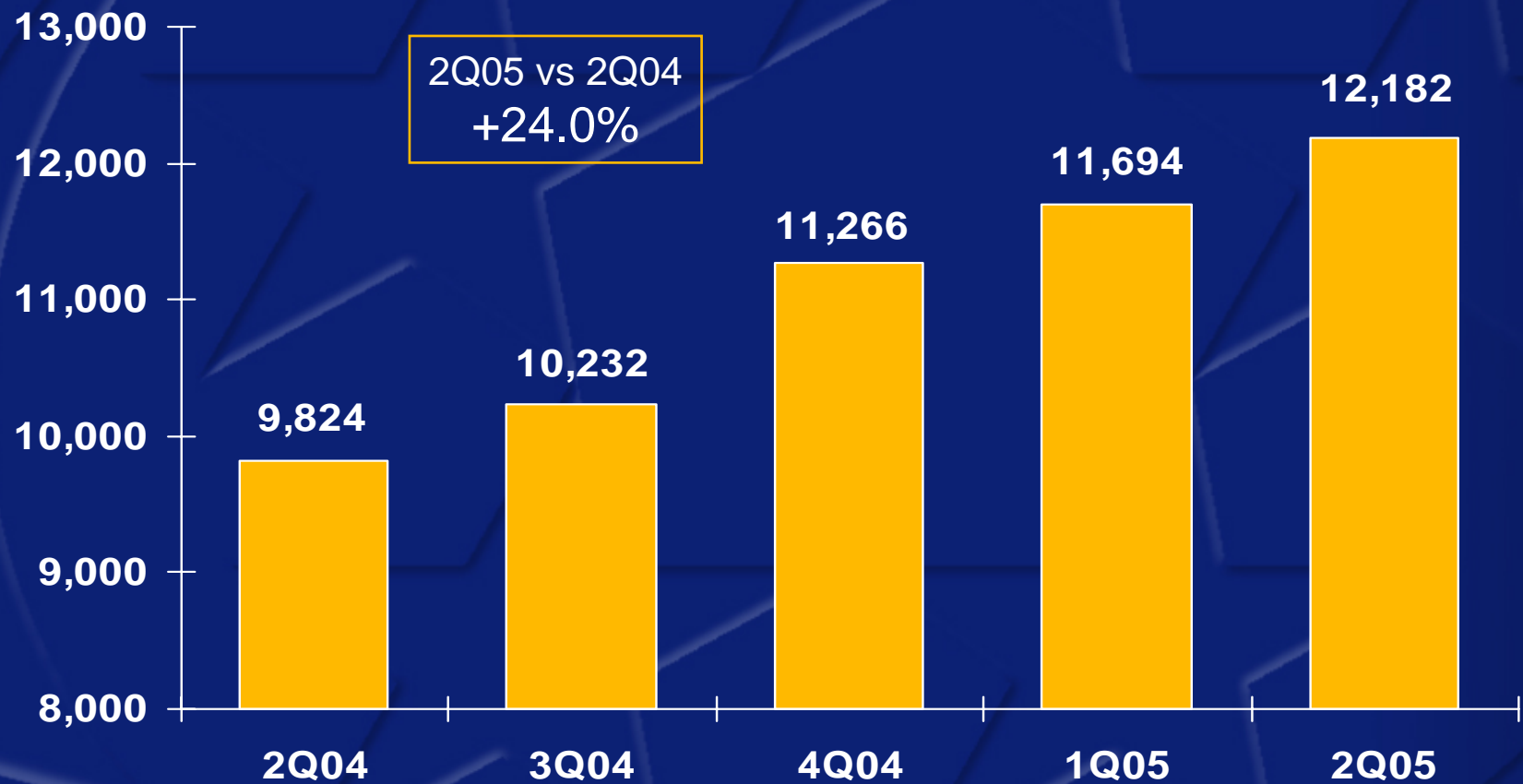
## Credit Card Balances



Growth versus prior year quarter

# Retail Payment Solutions Trends

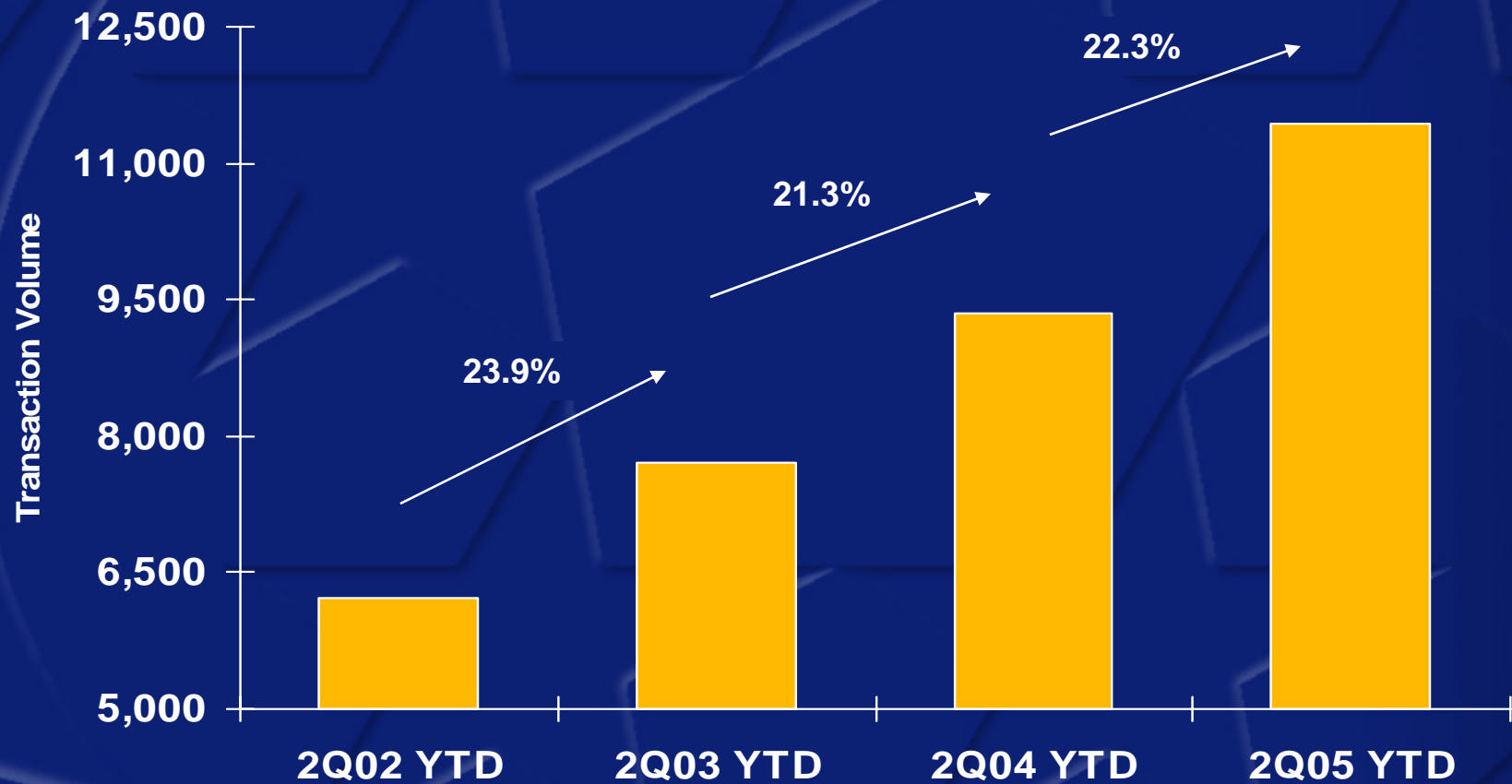
## Total Accounts



In thousands, end of period

# Retail Payment Solutions Trends

## Debt Card Transaction Growth



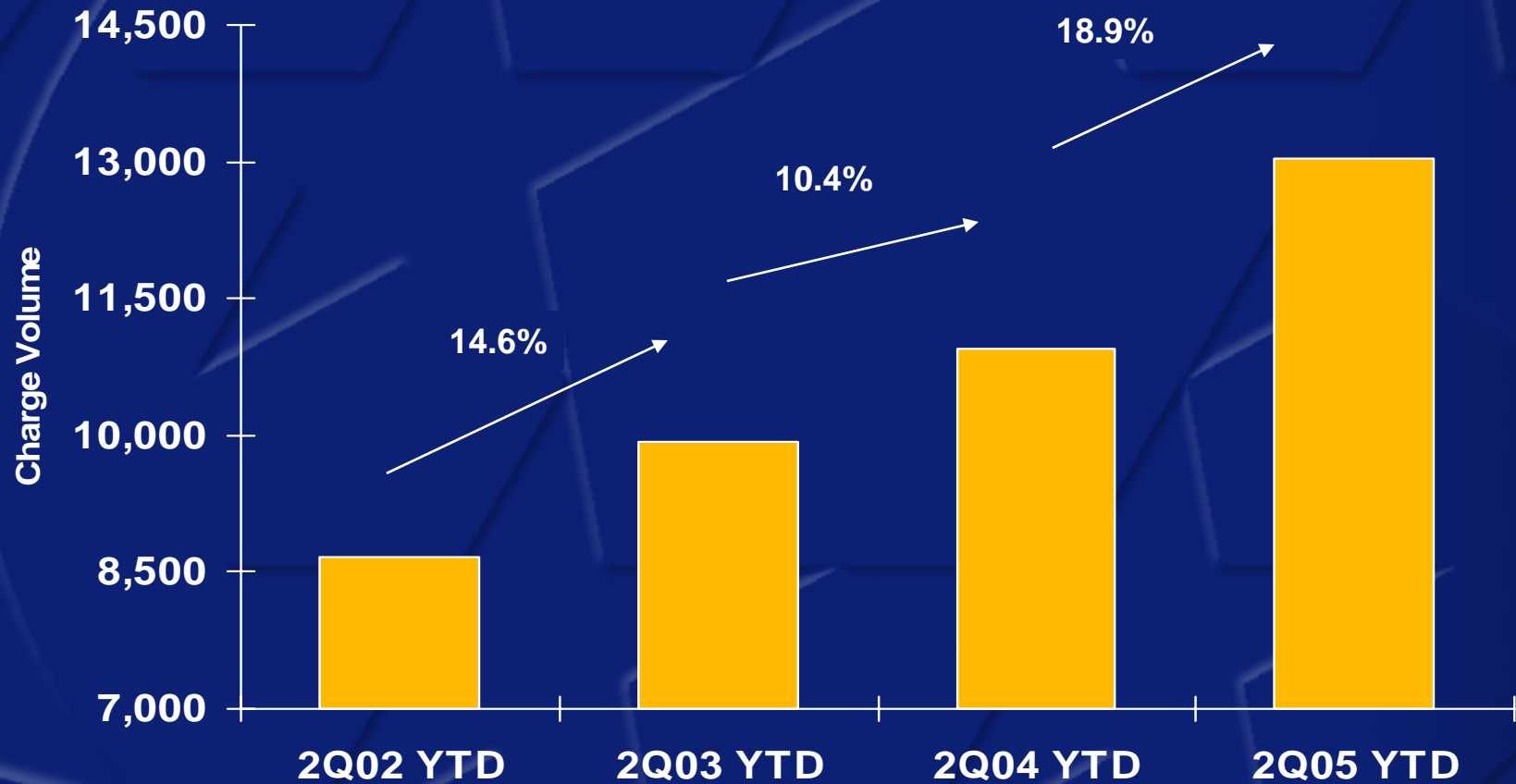
\$ in millions

# Retail Payment Solutions Initiatives

- ★ **Develop best-in-class direct marketing and intelligence capabilities**
- ★ **Develop break-through partner-based account acquisition strategies**
- ★ **Increase U.S. Bank branch credit card product sales**
- ★ **Exploit incremental debit & pre-paid volume opportunities**

# Corporate Payment Trends

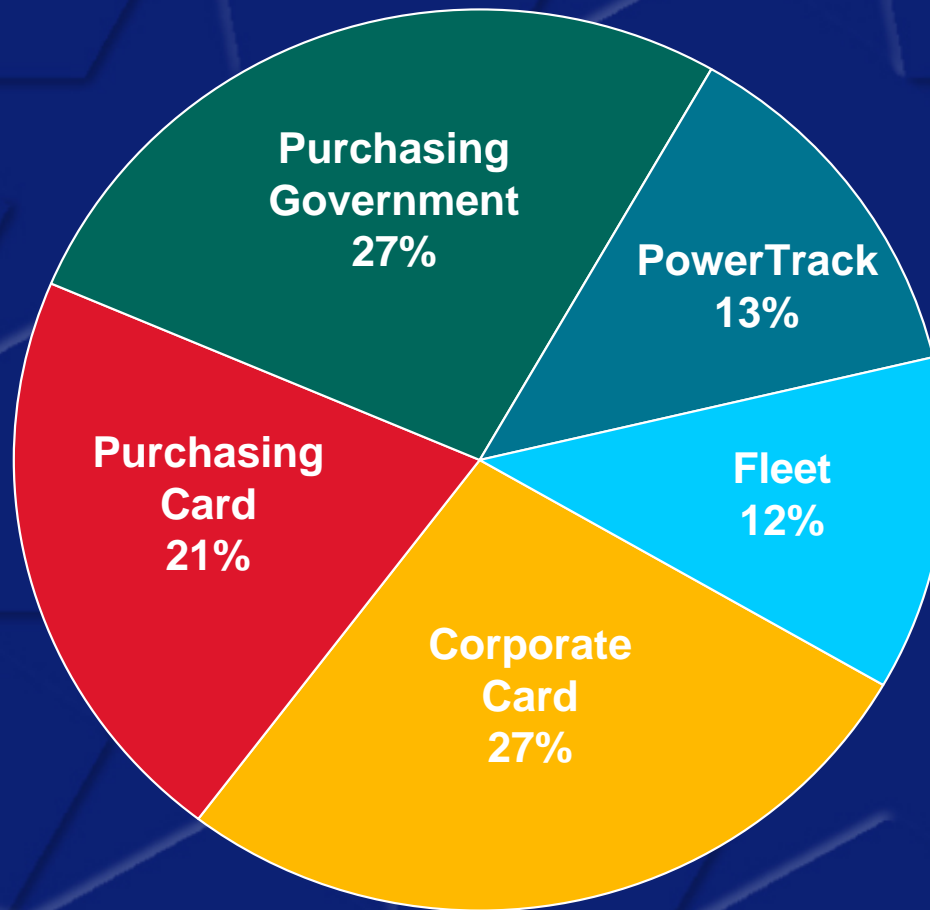
## Charge Volume Growth Continuing



\$ in millions

# Corporate Payment Trends

## Charge Volume by Product

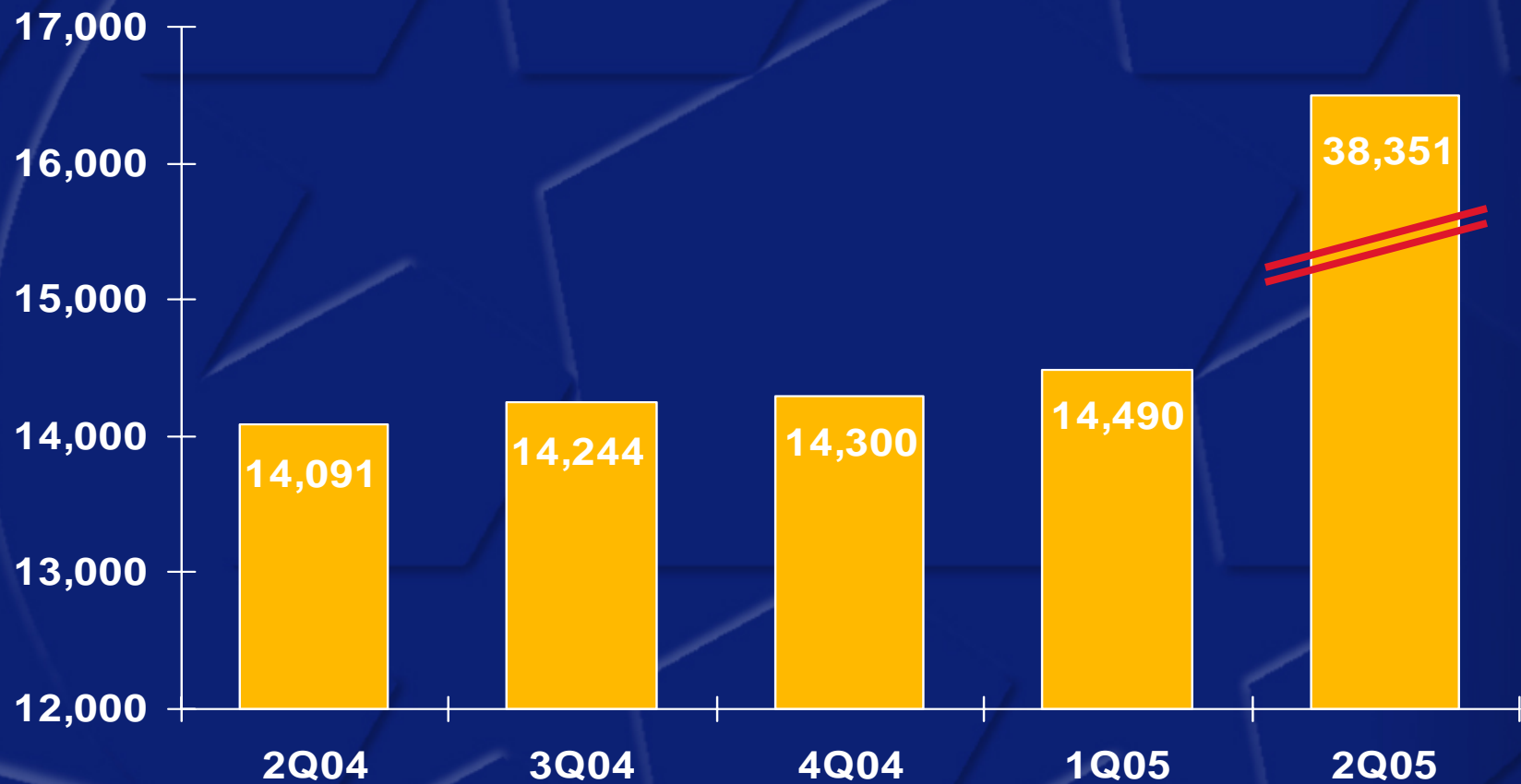


# Corporate Payment Initiatives

- ★ **Continued execution & refinement of middle market strategy**
- ★ **Expand PowerTrack network**
- ★ **Channel partner strategy within Voyager**
- ★ **Potential acquisition/alliances to further grow and augment current product offerings**
- ★ **Continue to build out product/technology offerings and drive greater integration & cross-sell of PowerTrack Payables and P-Card offerings**

# Transaction Services Trends

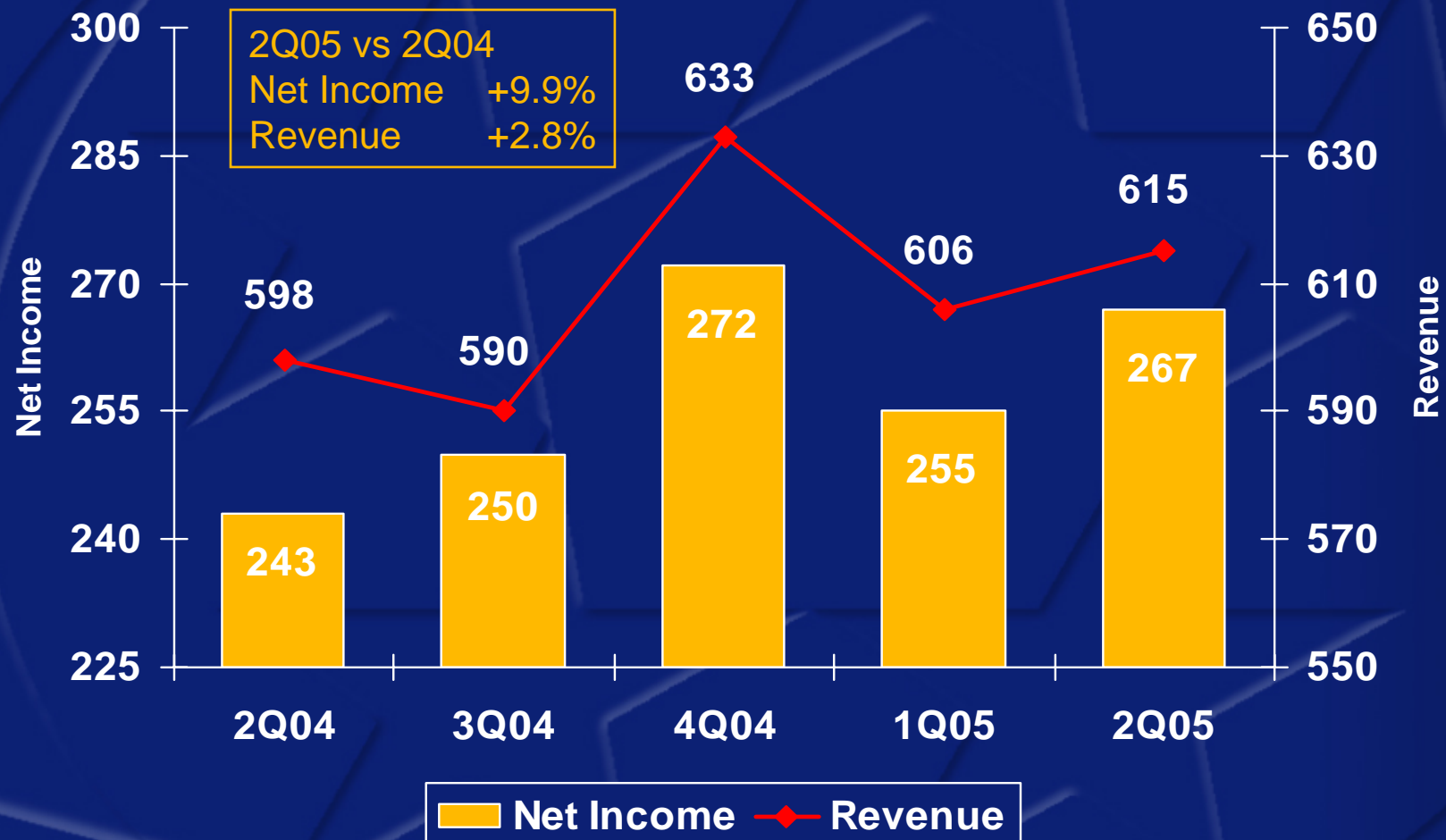
## ATMs Driven



# Transaction Services Initiatives

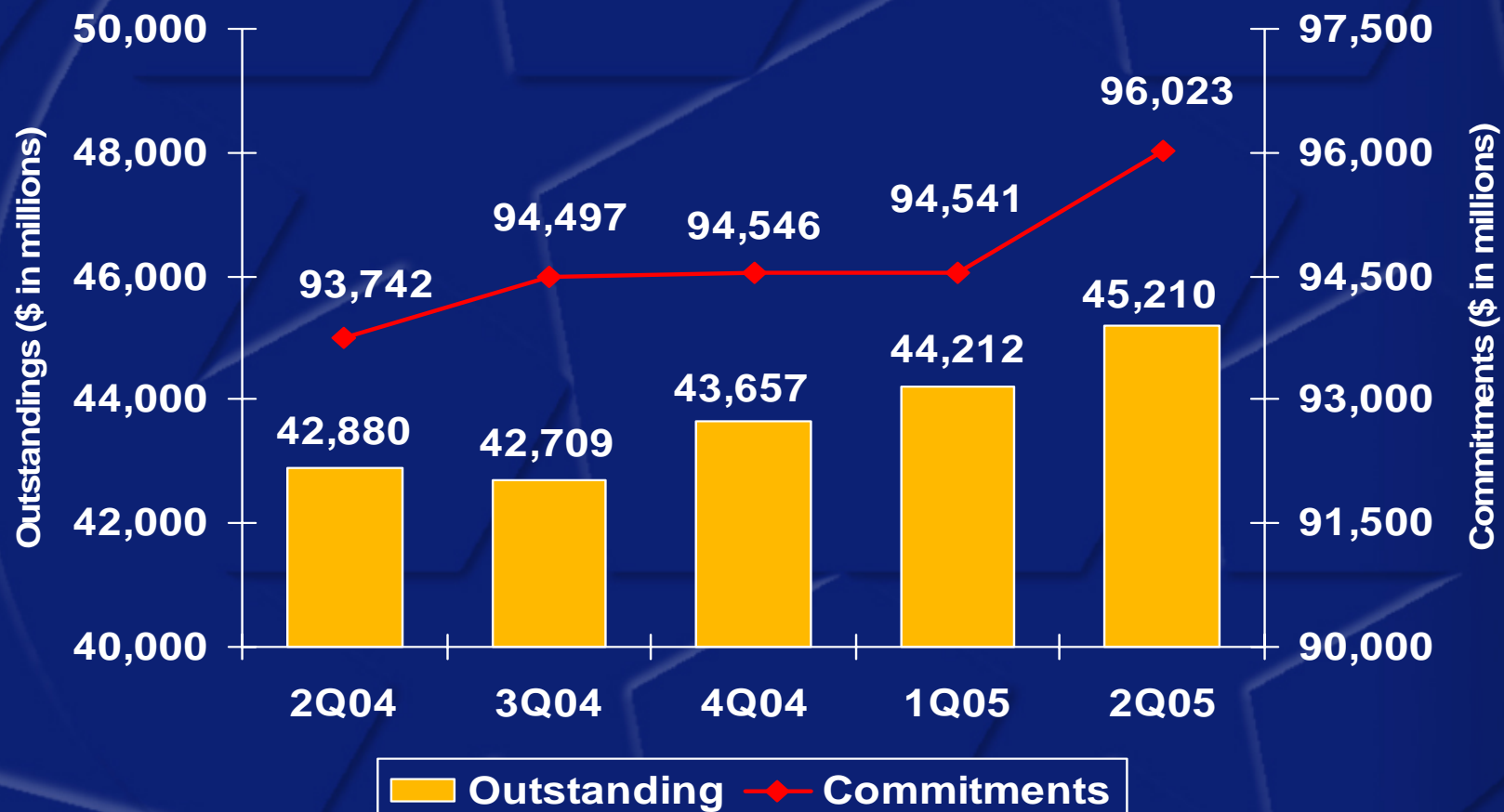
- ★ **Continued expansion beyond basic ATM & Debit card third party processing to provide other services and products to clients**
- ★ **Development of prepaid expertise for many card types/industry segments**
- ★ **Explore international capabilities in ATM and prepaid card**

# Wholesale Banking Trends



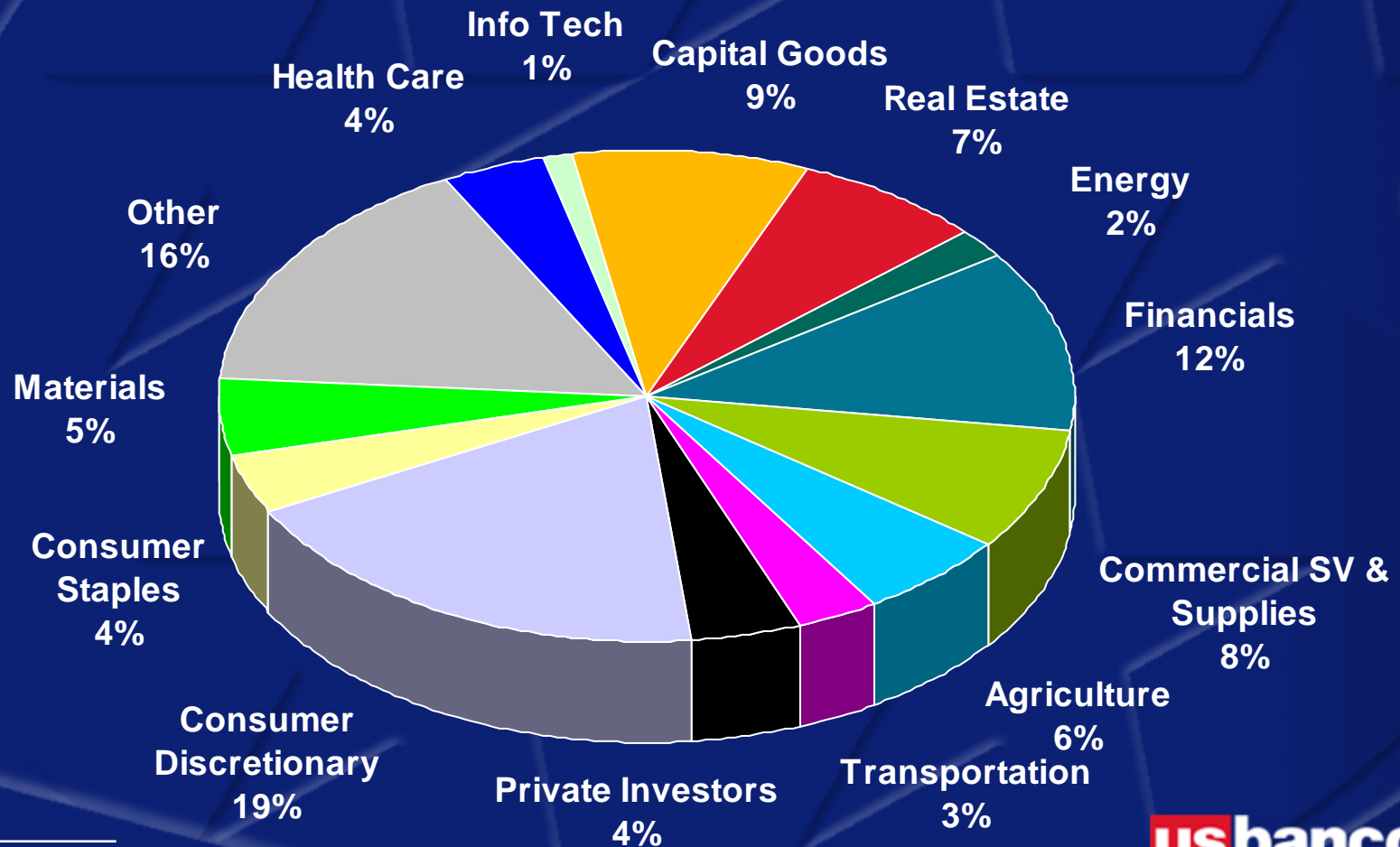
# Wholesale Banking Trends

## Loan Balances



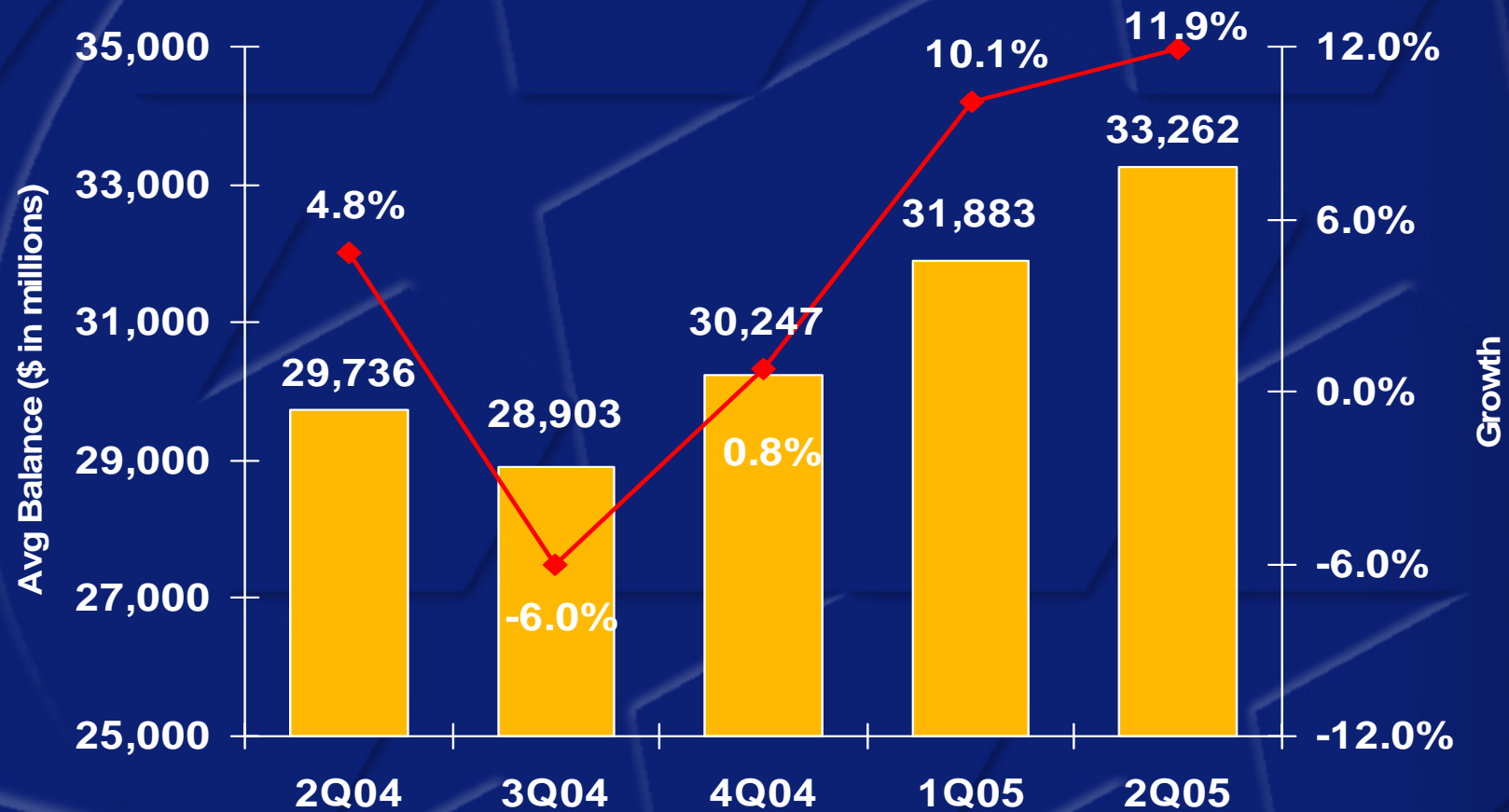
# Wholesale Banking Trends

## Commercial Loans by Sector



# Wholesale Banking Trends

## Deposits

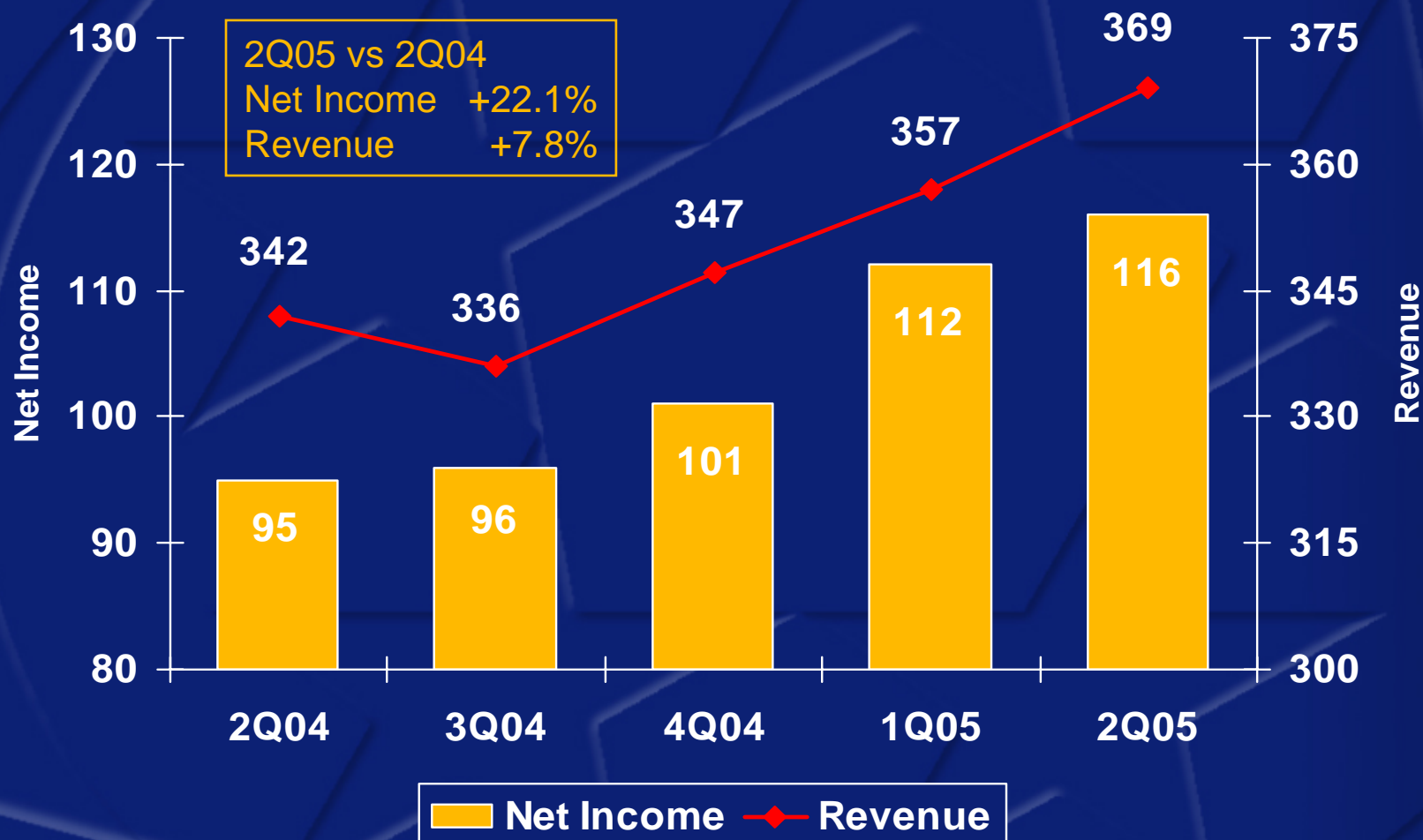


Growth versus prior year quarter

# Wholesale Banking Initiatives

- ★ **Improve new customer acquisition**
- ★ **Implement comprehensive cross-sell program**
- ★ **Standardize staffing models and structures across footprint**
- ★ **Implement deposit and payment solutions relationship management program**

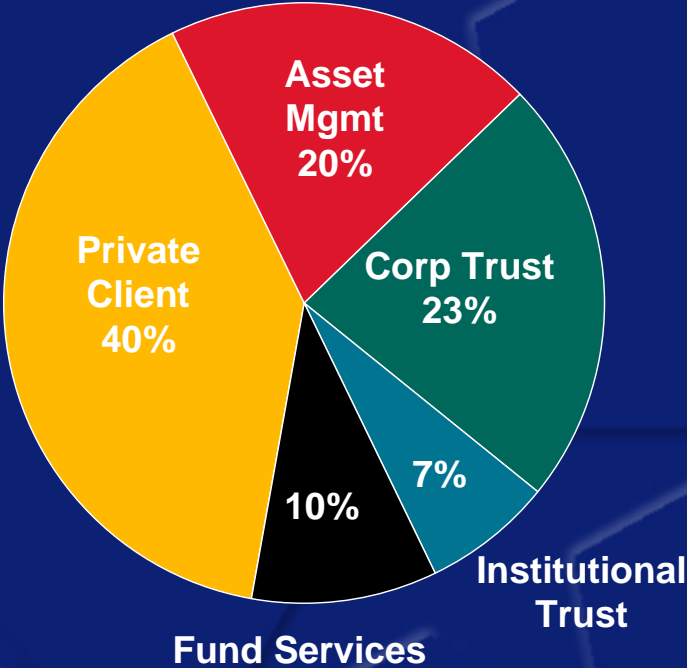
# Private Client, Trust and Asset Management Trends



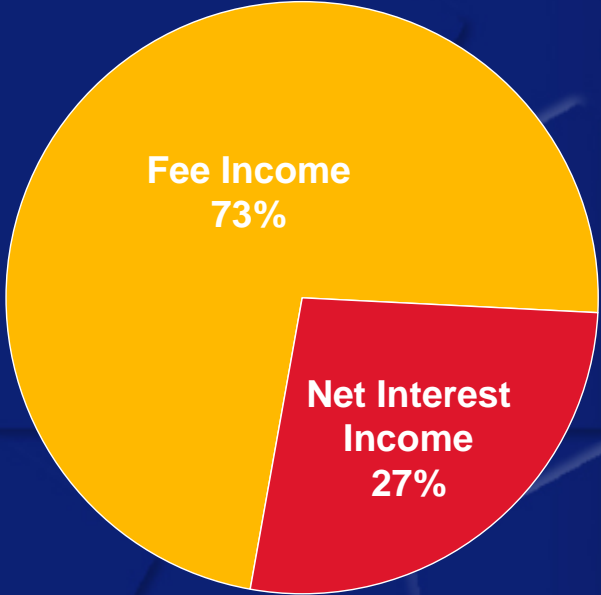
\$ in millions

# Private Client, Trust and Asset Management Trends

### Revenue Mix By Business Unit

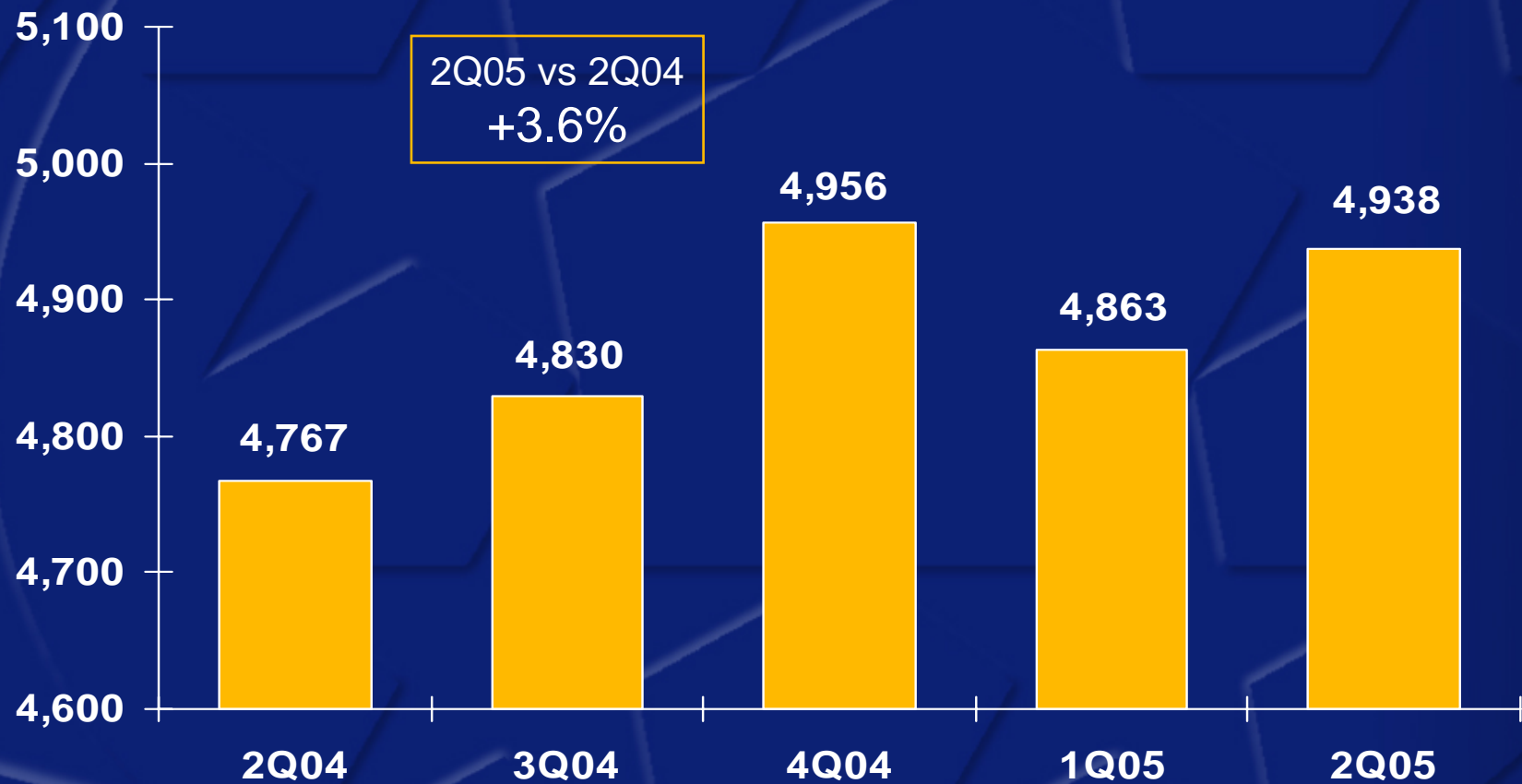


### Fee Income / Total Revenue



# Private Client, Trust and Asset Management Trends

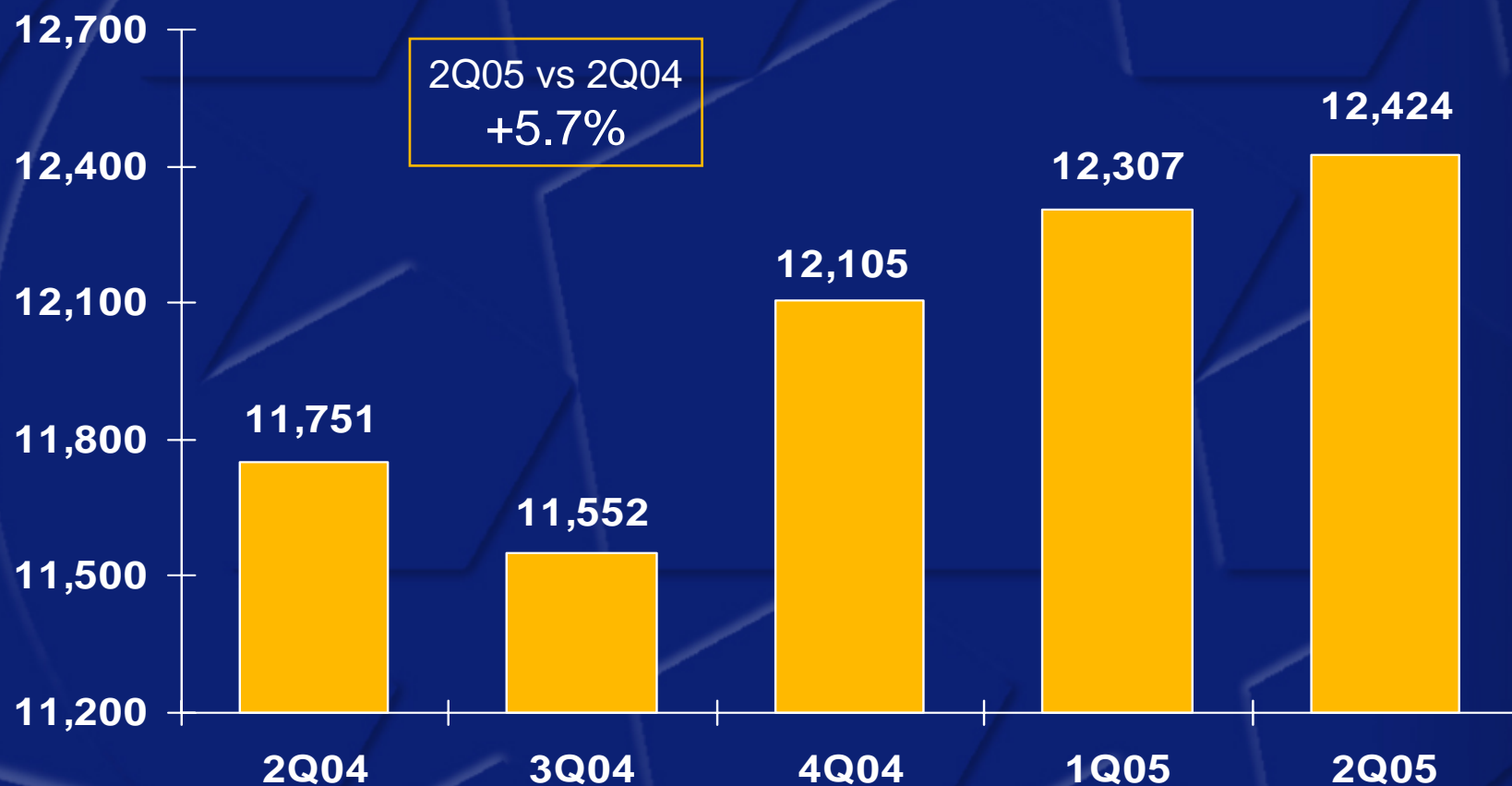
## Loan Growth



Average balance, \$ in millions

# Private Client, Trust and Asset Management Trends

## Deposit Growth



Average balance, \$ in millions

# Private Client, Trust And Asset Management Trends

## LIPPER FUND AWARDS USA 2005

FIRST AMERICAN FUNDS  
Best Fund Group over Three Years  
Overall Group - Large



*Michael*  
MICHAEL PEACE  
Chief Executive Officer



## LIPPER FUND AWARDS USA 2005

FIRST AMERICAN FUNDS  
Best Fund Group over Three Years  
Mixed Asset Group - Large



*Michael Peace*  
MICHAEL PEACE  
Chief Executive Officer



# Private Client, Trust and Asset Management Initiatives

- ★ Leverage existing customer relationships to increase product penetration
- ★ Utilize third party retail and institutional distribution to drive growth in Asset Management
- ★ Increase penetration of alternative investment market in Fund Services
- ★ Expand client choice of investment products in Private Client Group

# Executing For Long-term Success

- ✓ 10% Plus EPS Growth
- ✓ 20% Plus ROE
- ✓ Reducing Credit and Earnings Volatility
- ✓ Providing High-Quality Customer Service
- ✓ Investing For Future Growth
- ✓ Targeting 80% Return of Earnings to Shareholders



# Lehman Brothers Financial Services Conference

**Jerry A. Grundhofer**  
*Chairman and CEO*

*September 13, 2005*