

**National City<sup>®</sup>**

***Lehman Brothers Third Annual  
Financial Services Conference***

***September 13, 2005***

**National City<sup>®</sup>**

***David A. Daberko***  
***Chairman and CEO***

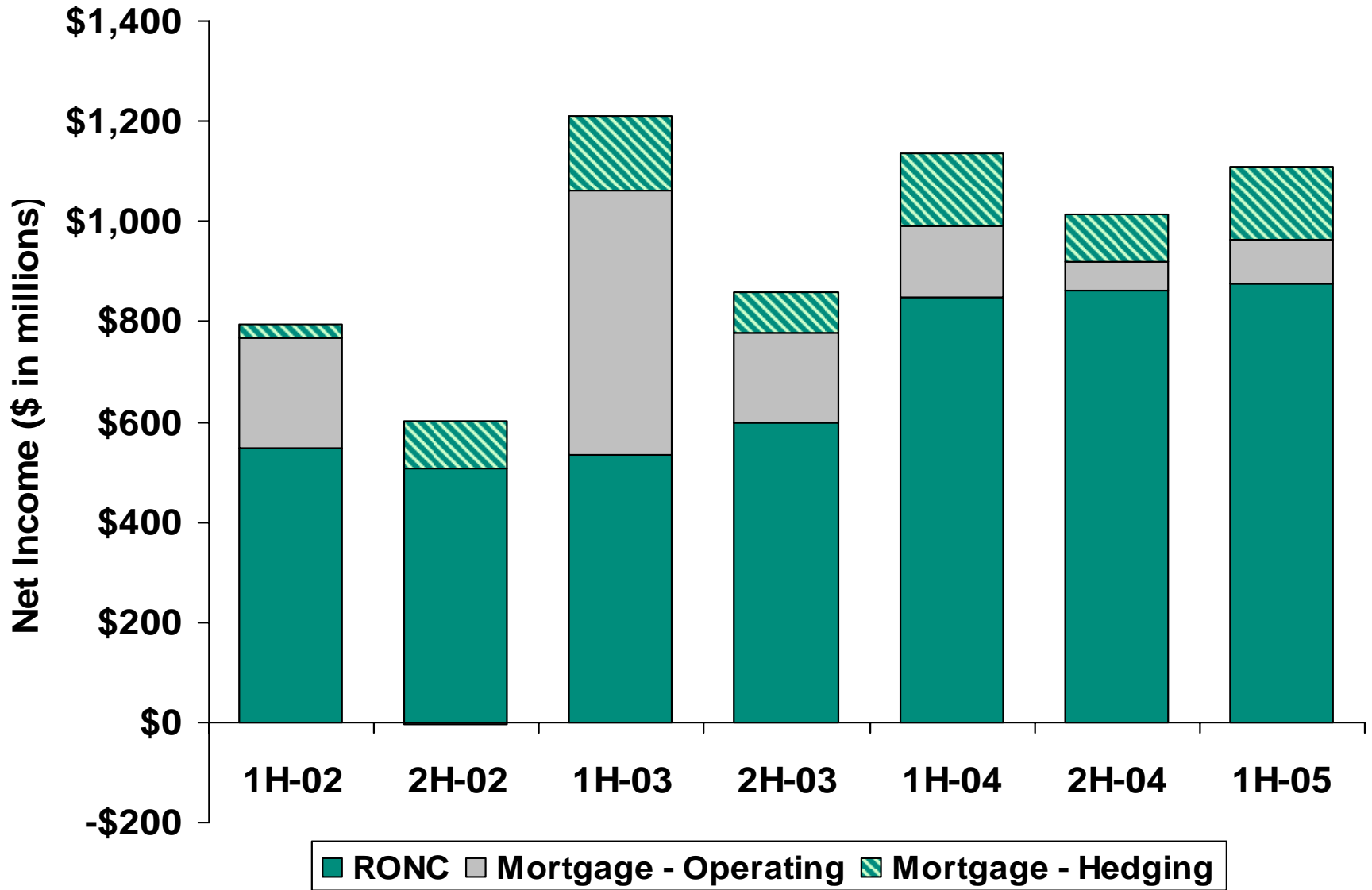
# ***Forward-Looking Statements***

**This presentation and the oral statements relating to it contain certain forward-looking statements (as defined in the Private Securities Litigation Reform Act of 1995), based on the beliefs of National City's management as well as assumptions made by and information currently available to management. Such statements reflect the view of management as of the date of preparation of this presentation. Such forward-looking statements involve significant risks and uncertainties, including changes in general economic and financial market conditions, National City's ability to execute its business plans and other factors as described in National City's periodic filings with the Securities and Exchange Commission. Although management believes the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially.**

# ***Presentation Topics***

- **Momentum in core banking businesses**
- **Overarching business trends**
- **Growth initiatives**
- **Best in Class**
- **Balance sheet initiatives (Jeff Kelly)**

# Earnings Composition



Excludes National Processing which was sold in 2004; 2004 excludes gain on sale of National Processing, Bond Administration business, and deferred tax benefits.

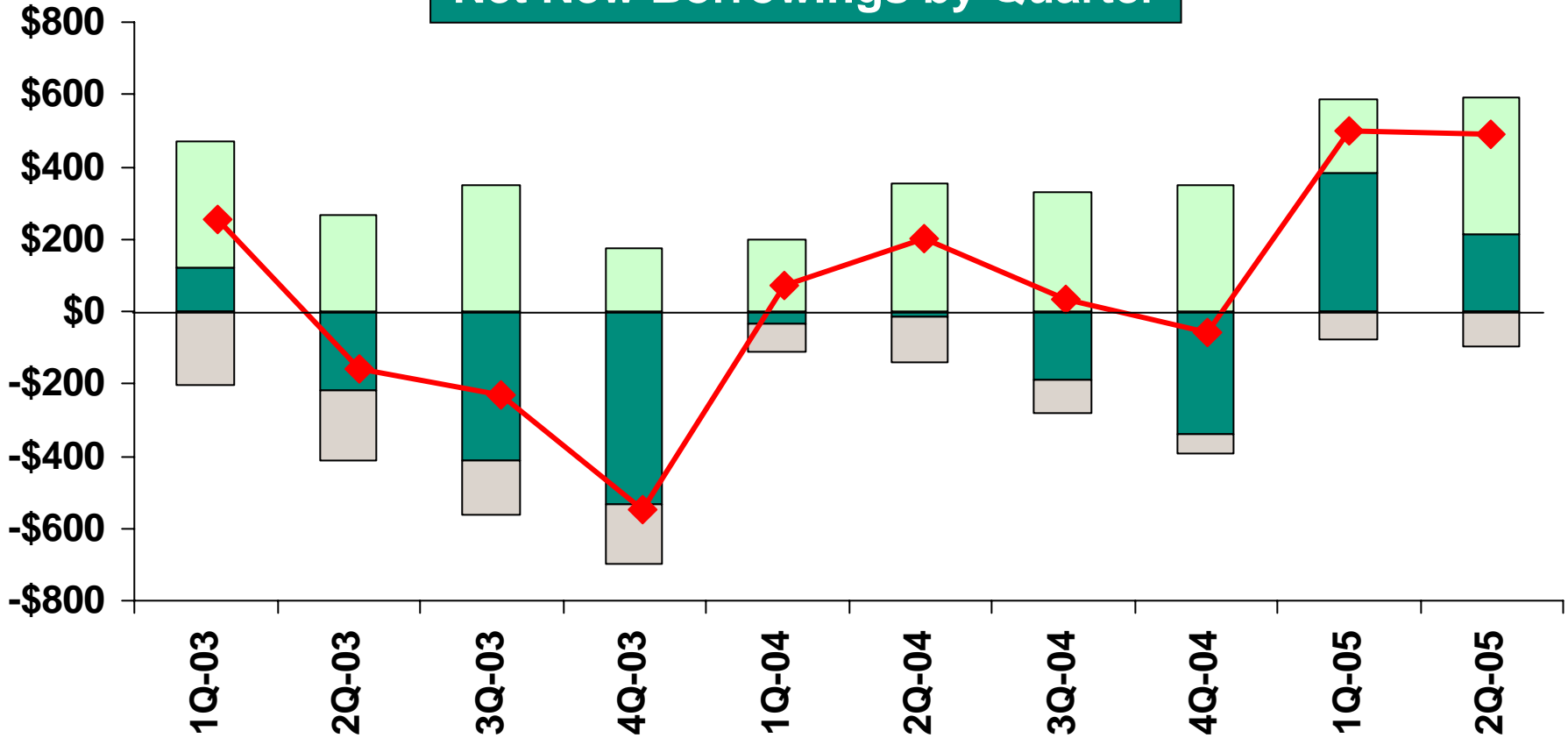
# *Overarching Business Trends*

- **Momentum in retail and corporate banking**
- **Consumer and corporate loan growth**
- **Retail and commercial account growth**
- **Favorable credit environment**
- **Narrowing margin trends**

# Middle Market Loan Dynamics

(\$ in millions)

Net New Borrowings by Quarter



Existing customers net new borrowings

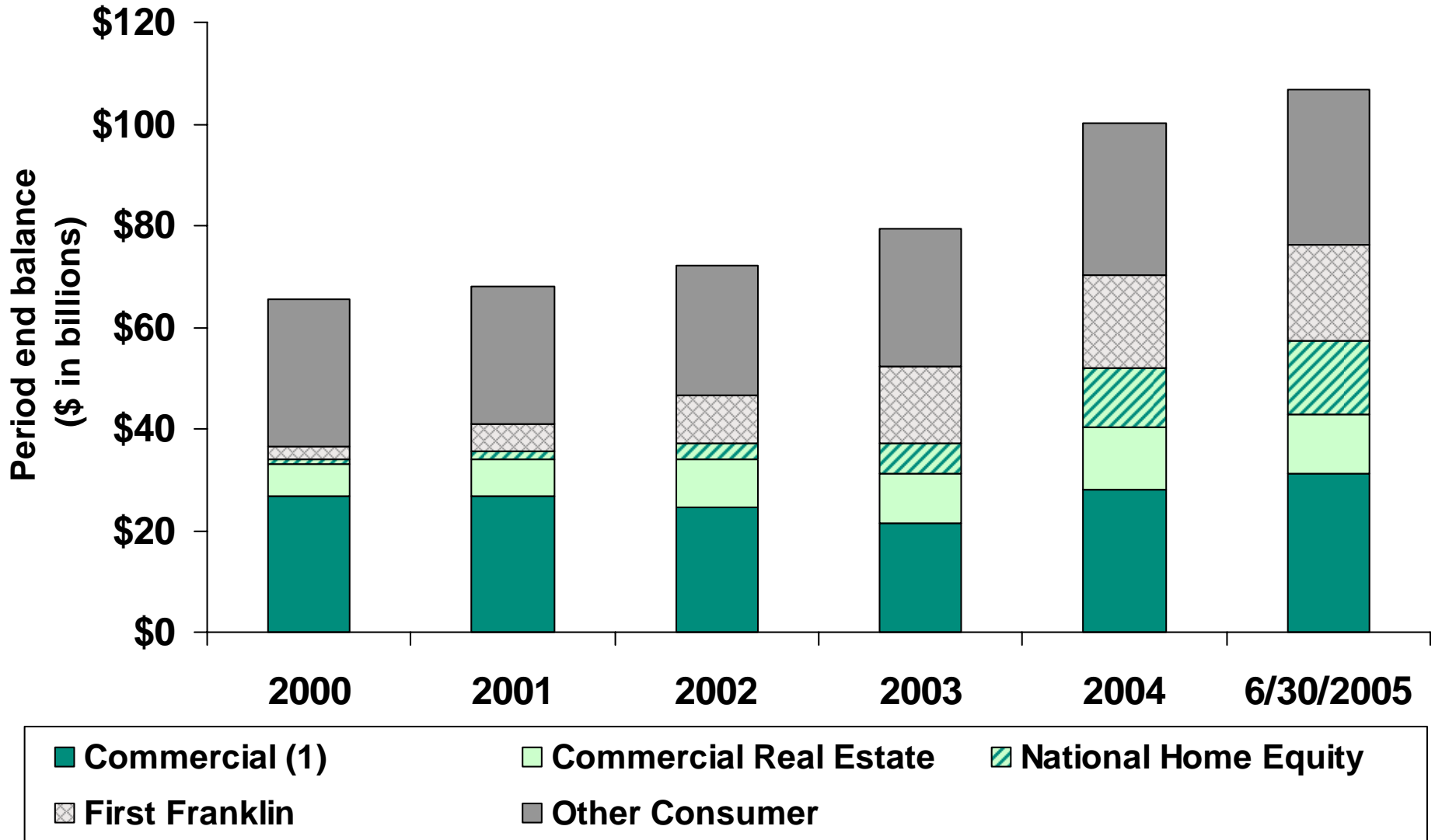
Existing customers charge-offs/exits

Net new customers borrowings

Net new borrowings

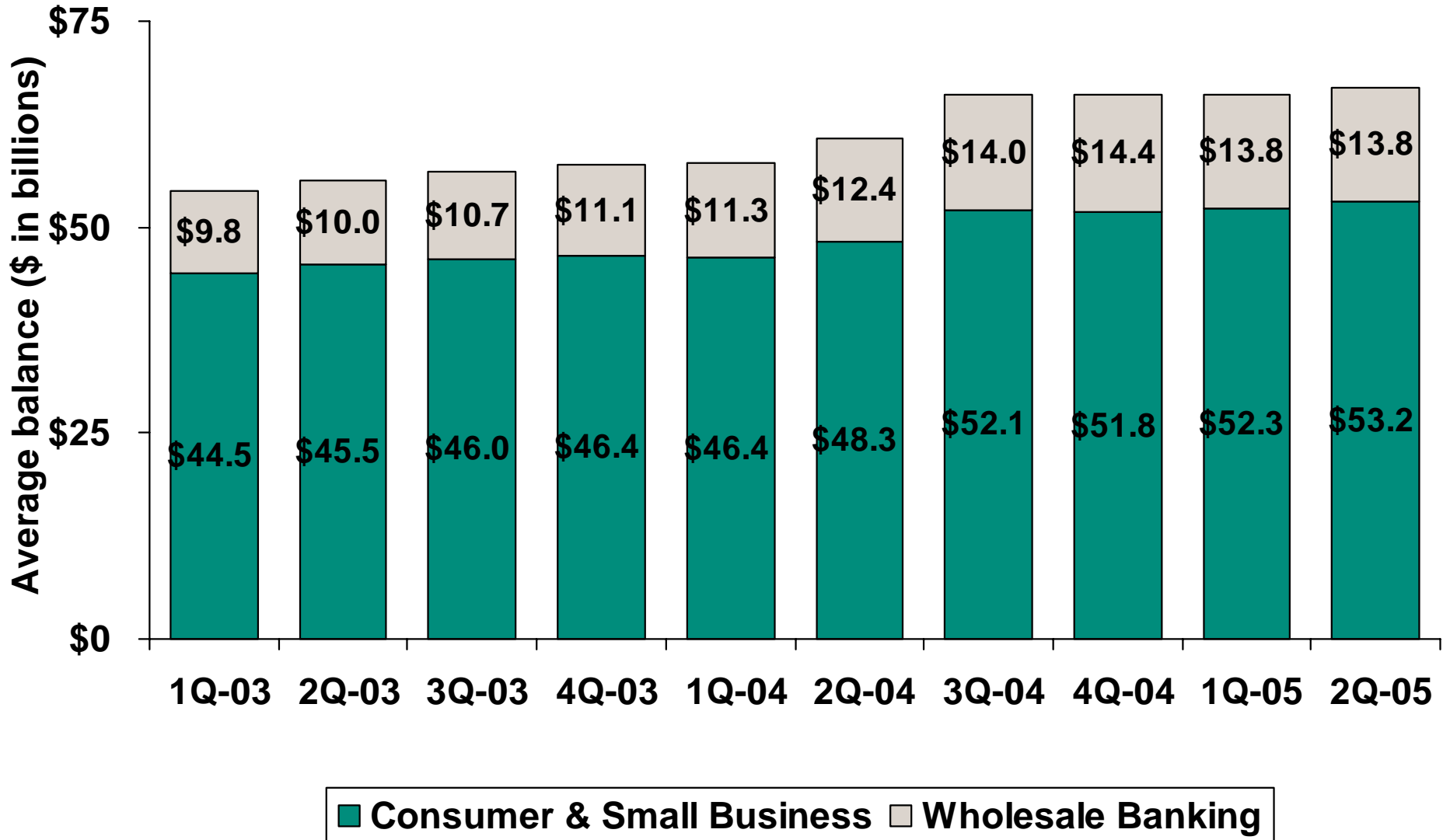
2004 trend excludes acquisition impact; 2005 beginning balance reflects 2004 acquisitions

# Portfolio Loan Growth

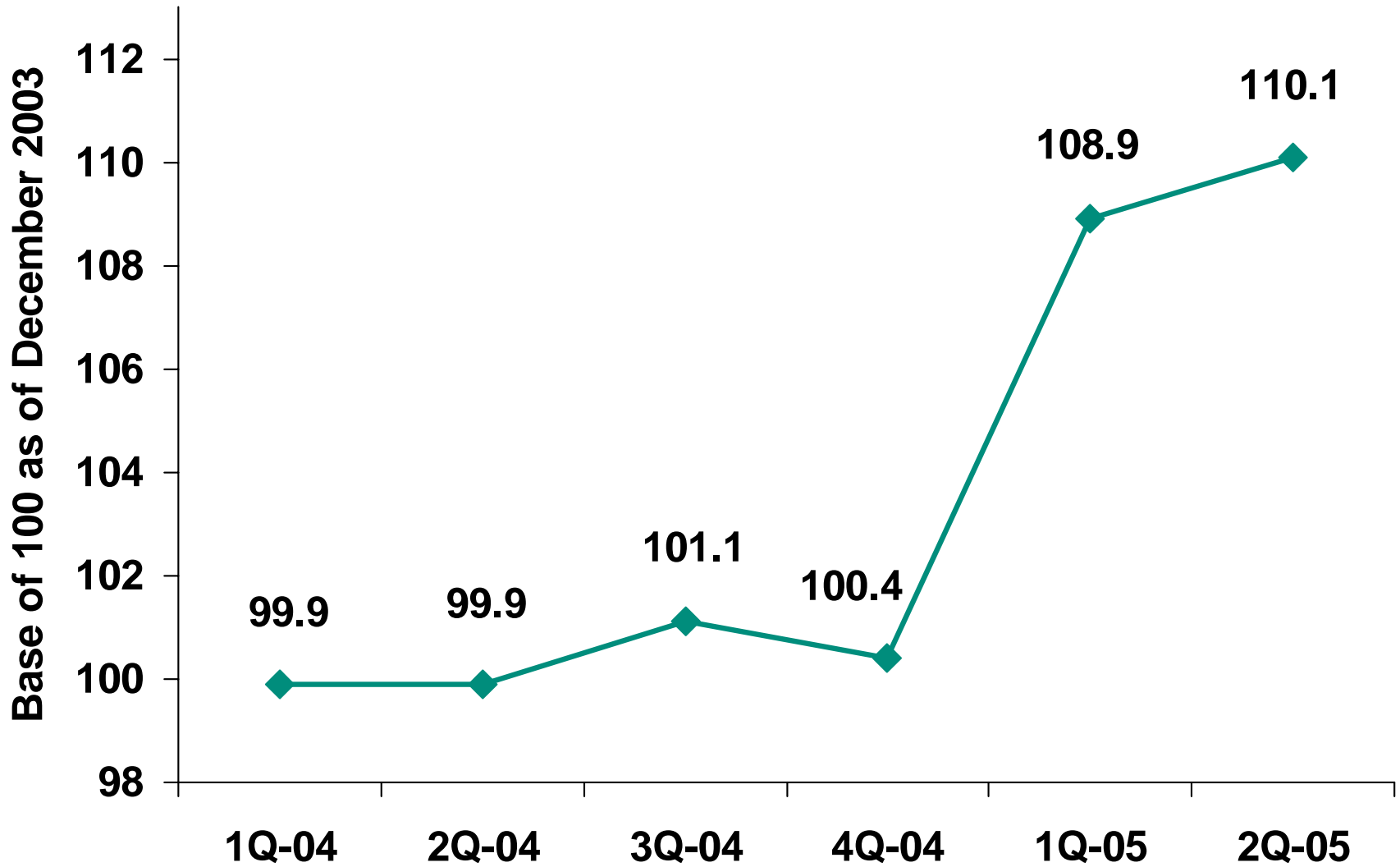


(1) Includes commercial construction

# Corporate and Retail Deposit Trends



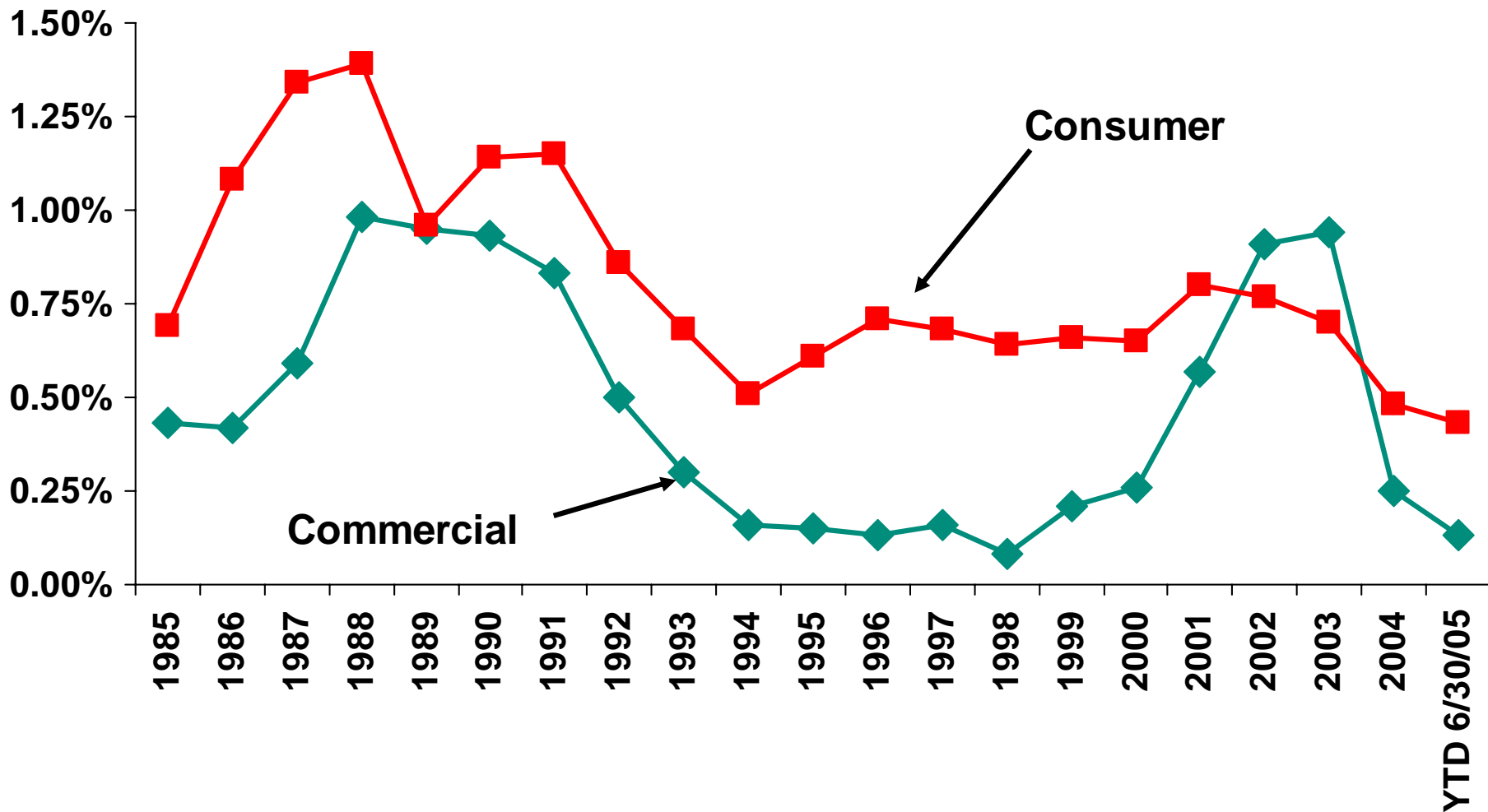
# Core Retail Household Growth



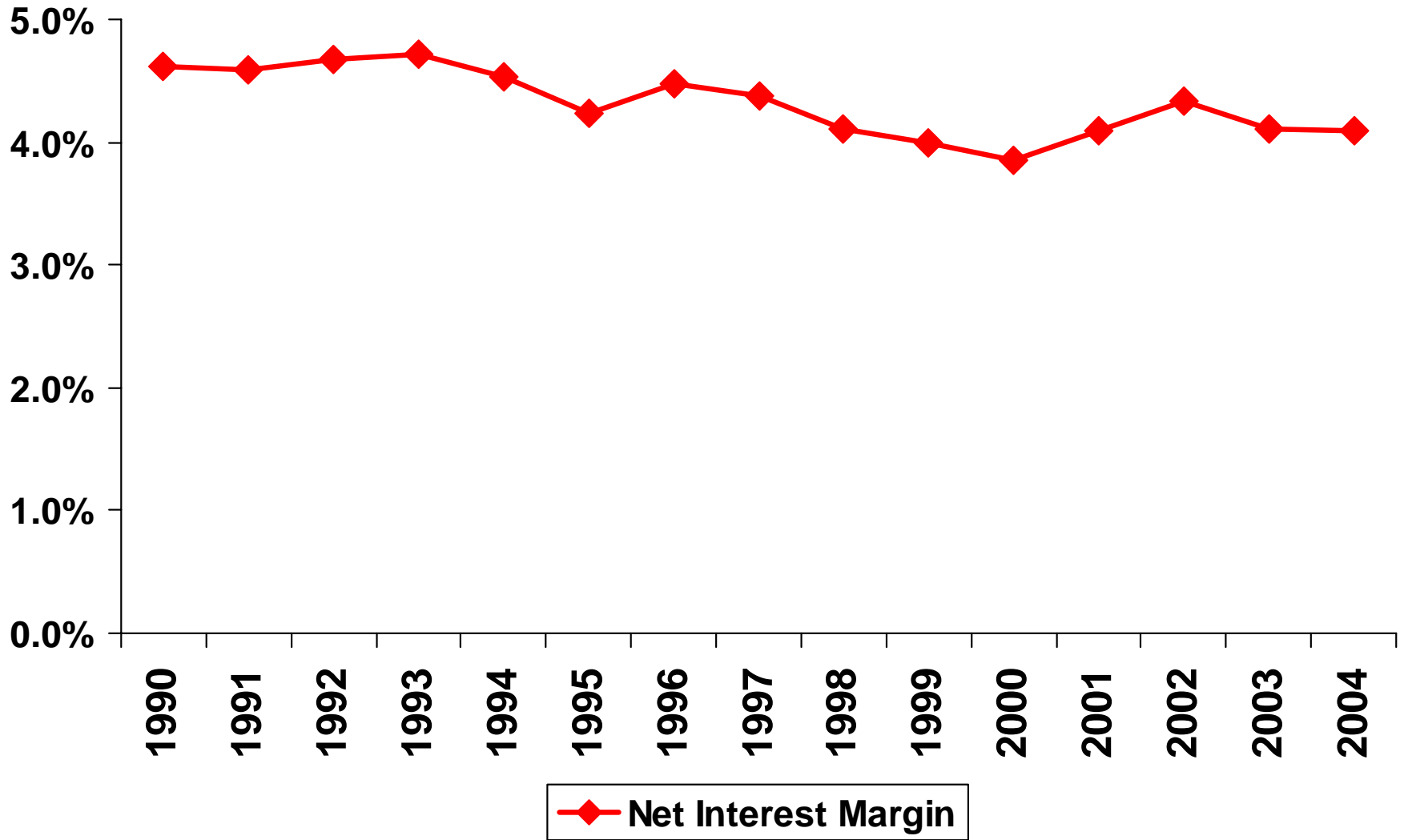
Acquisitions included following systems conversion:  
Allegiant (8/04), Wayne (1/05), Provident (3/05)

# Commercial and Consumer Credit Quality

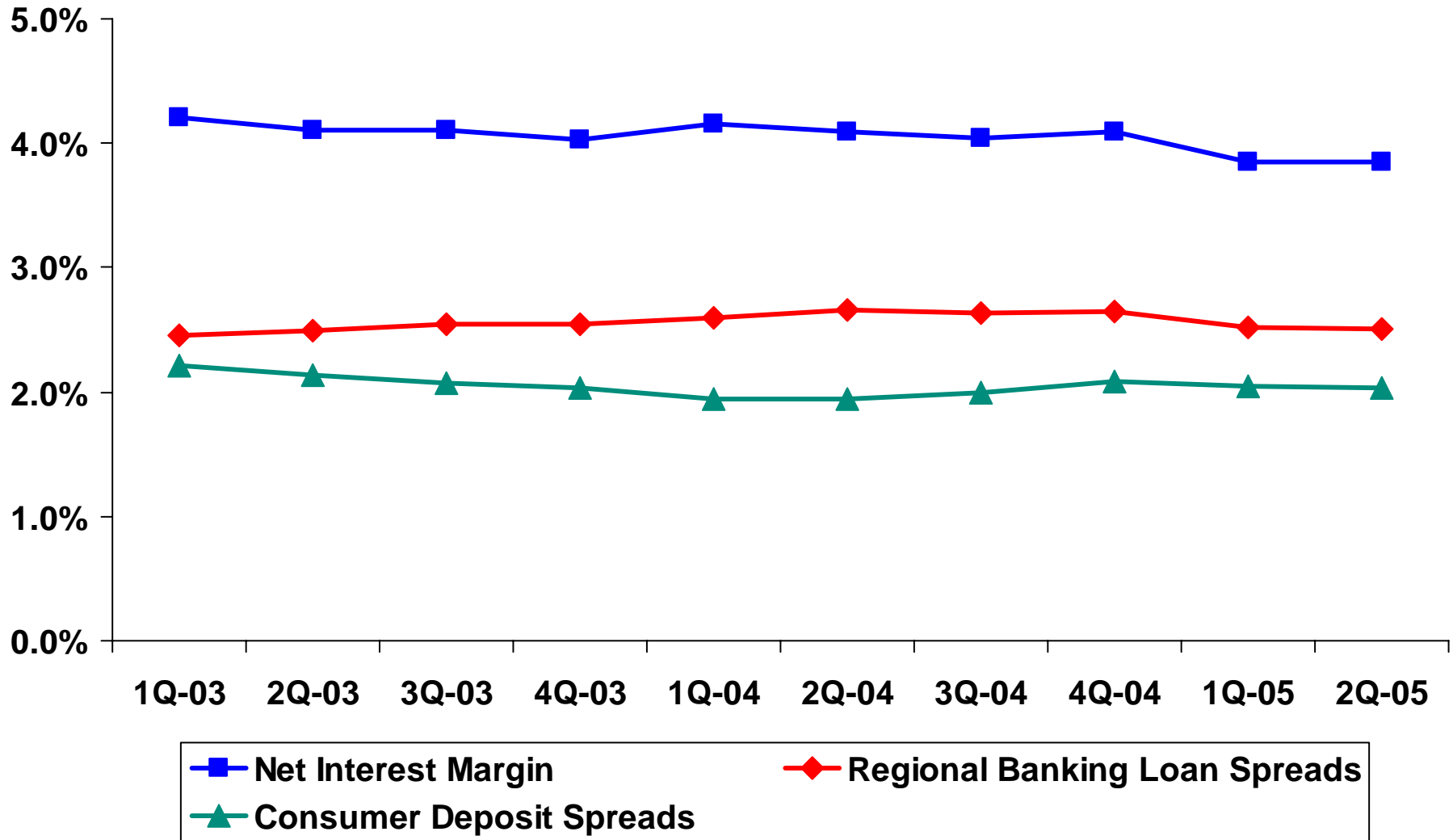
Net Charge-Offs as a Percentage of Average Portfolio Loans



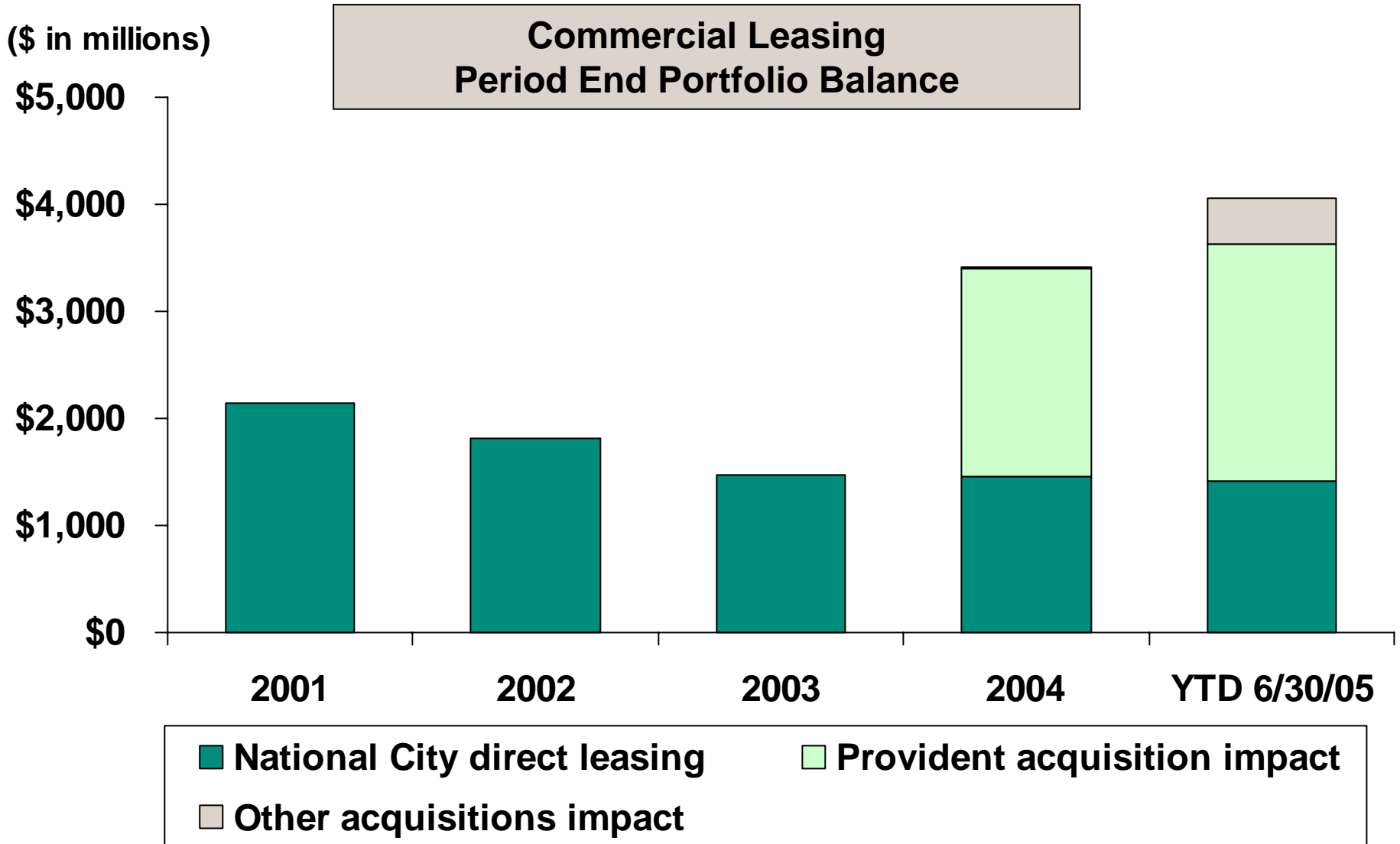
# Margin Trend



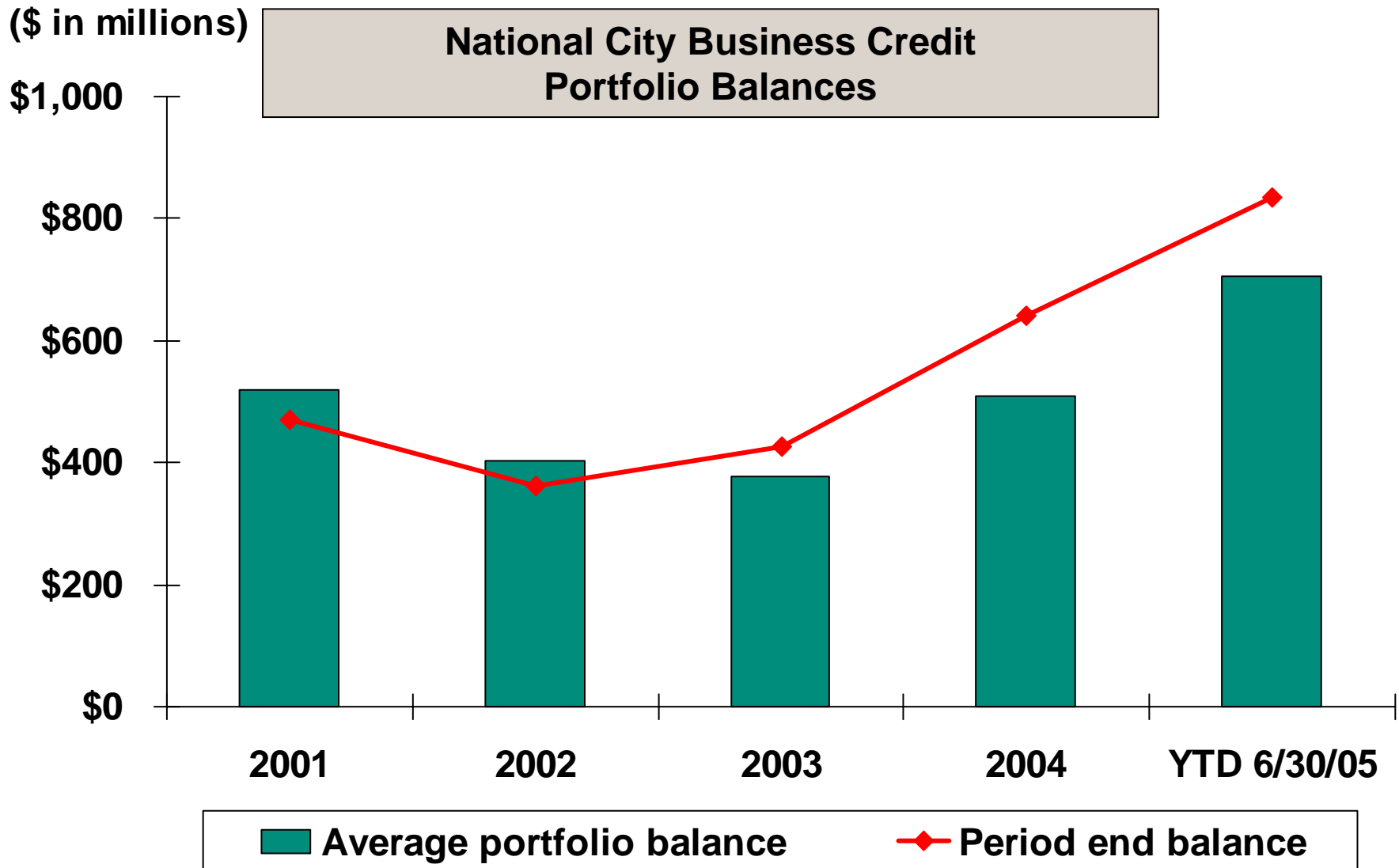
# Margin Trends



# Commercial Leasing Portfolio

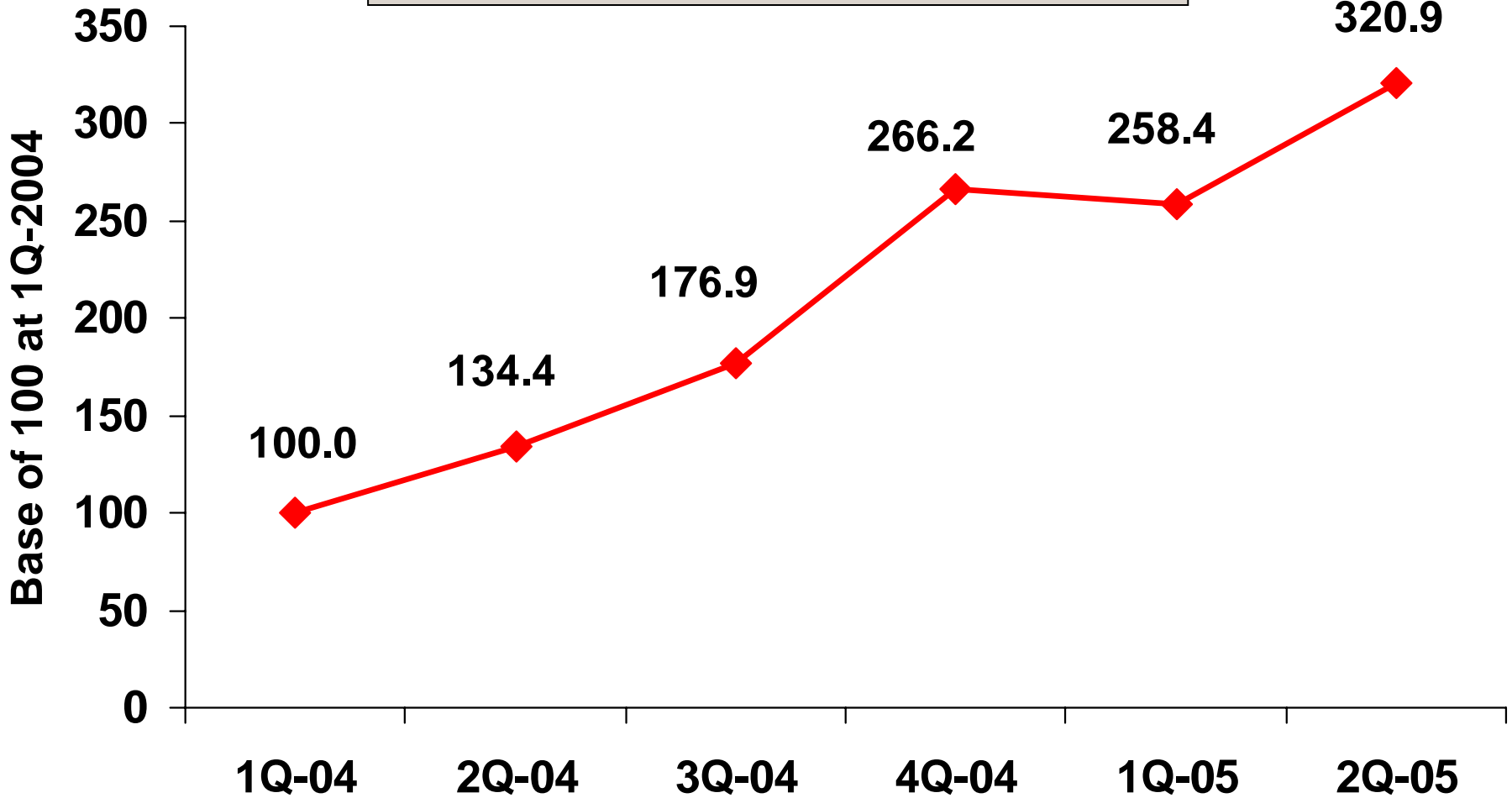


# Asset-Based Lending



# Retail Branch Credit Card Sales

New Credit Card Accounts



# *Best in Class Update*

- **Reduce retail exception pricing**
- **Strategic procurement**
- **Mortgage cross-sell**
- **Management spans of control**
- **Streamline loan process**

# *Conclusion*

- **Successful hand-off occurring from mortgage to core banking businesses**
- **Retail banking focusing on household growth and increasing share of wallet**
- **Corporate banking benefiting from loan growth and business initiatives**
- **Best in Class will enhance growth prospects across business lines**

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***Jeffrey D. Kelly***  
***Vice Chairman and CFO***

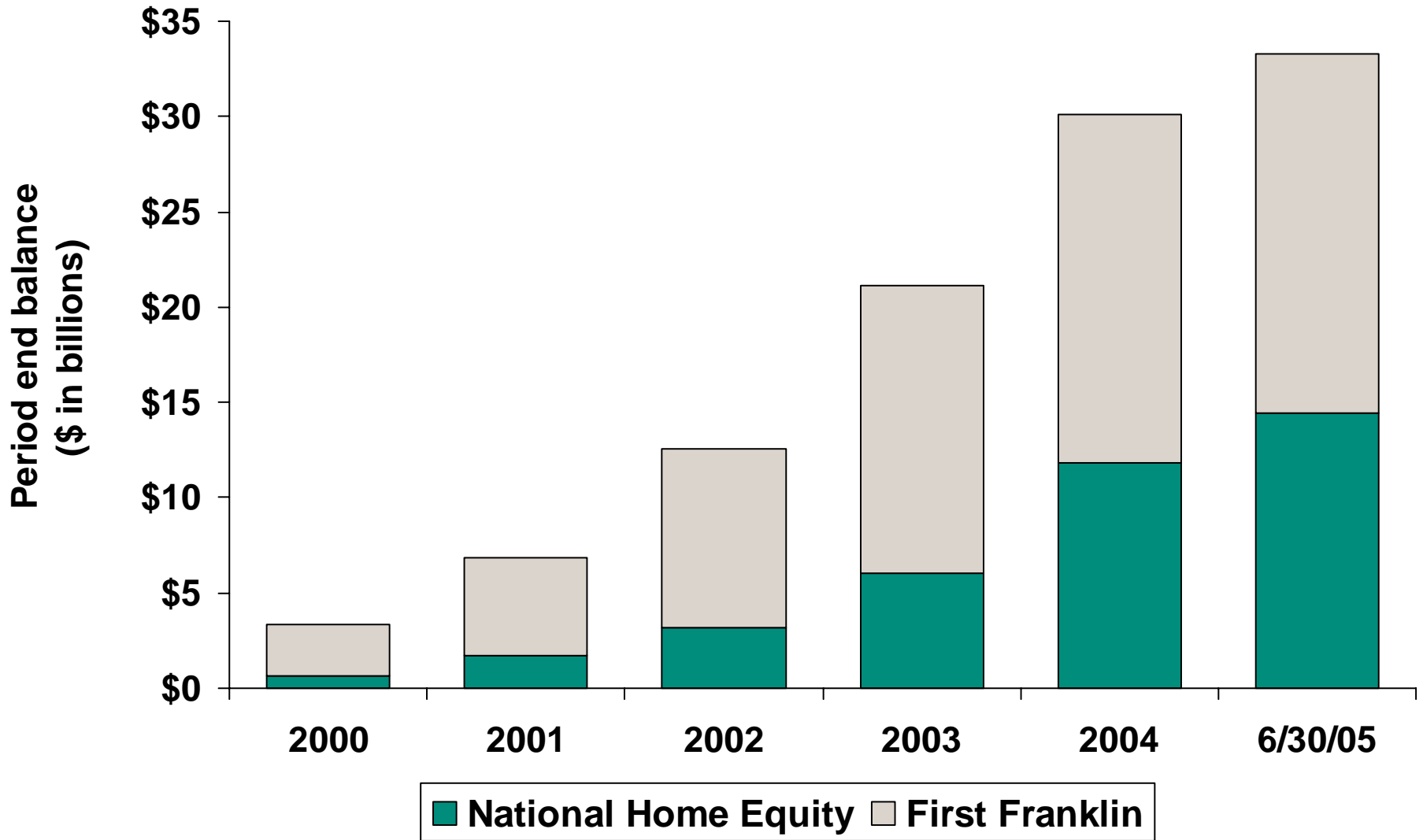
# ***Achieving Sustained Profitable Growth***

- **Efficient processes**
- **Sales productivity**
- **Employee engagement**
- **Productivity of capital**

# *Productivity of Capital: The Year 2000*

- **Significant capacity to expand the balance sheet**
- **Reduced securities portfolio**
- **Home equity and non-prime lending offered attractive returns**
  - **Favorable growth prospects**
  - **Inefficient markets**

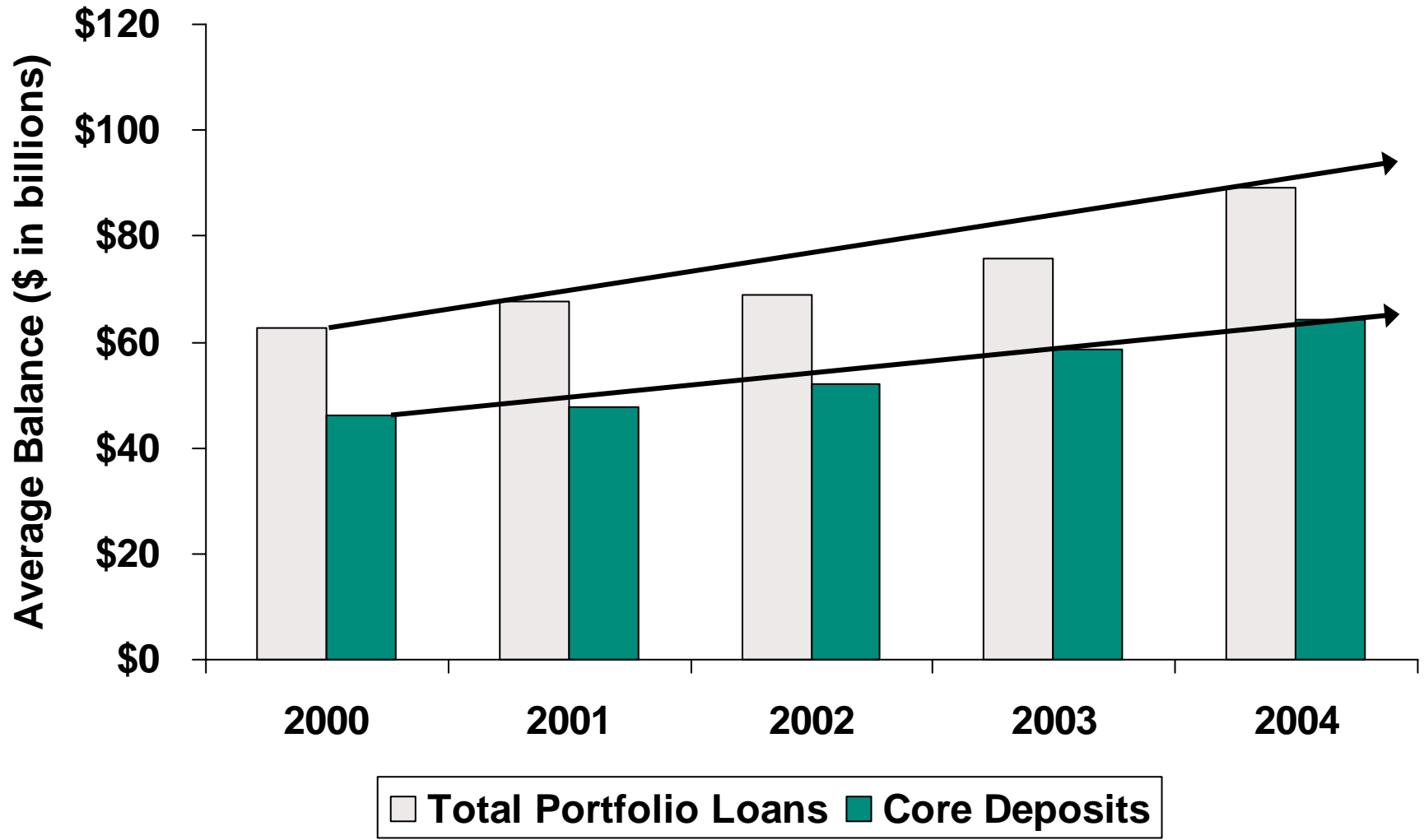
# The Rise of NHE and First Franklin



# *Current Perspective: NHE & First Franklin*

- **Solid business models**
  - Disciplined underwriting
  - Effective servicing operations
- **Market growth prospects remain favorable**
- **More efficient market has eliminated opportunity for excess returns**

# Loan Growth Exceeds Deposit Growth

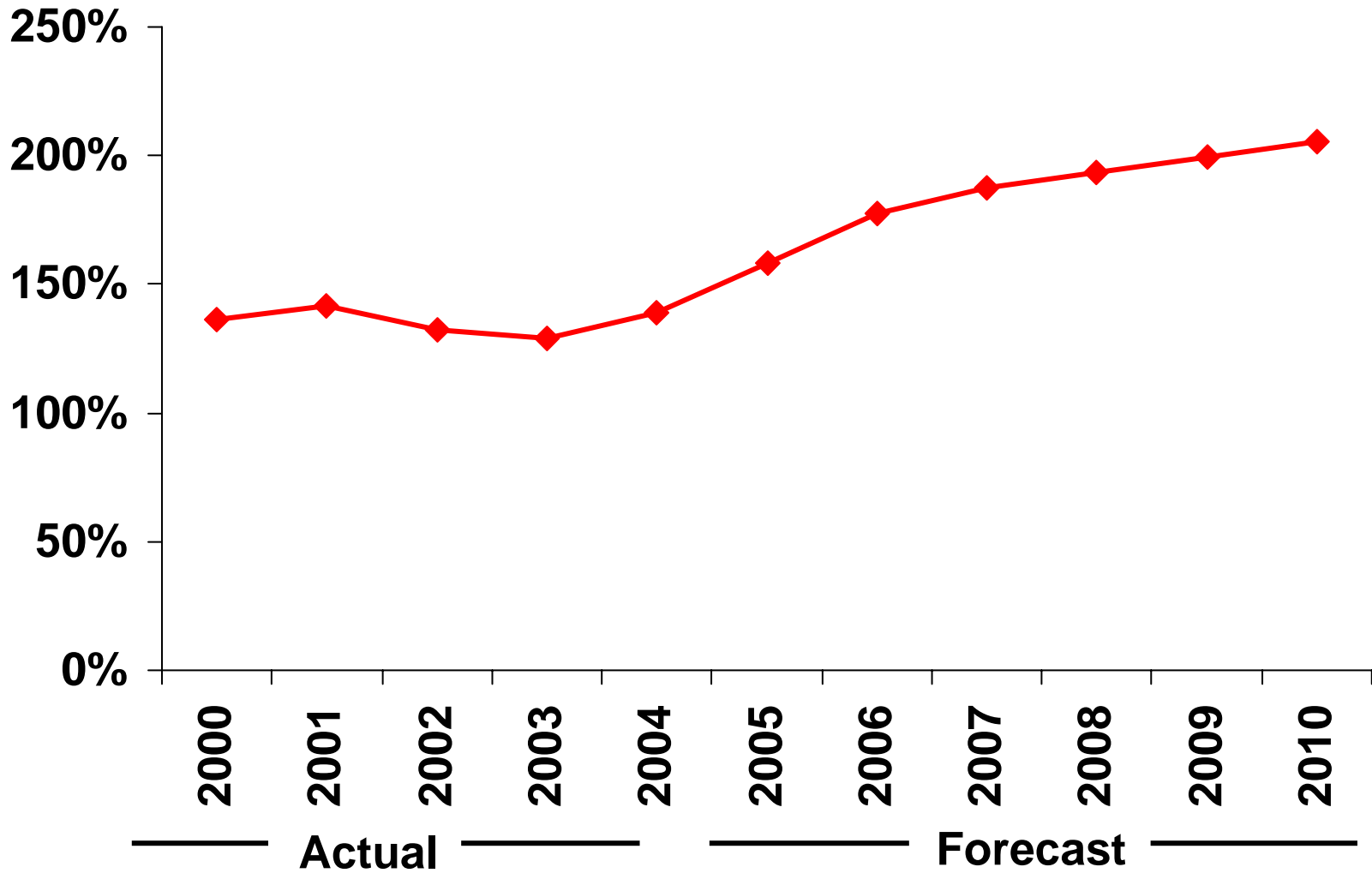


# *Loan to Deposit Ratio Exceeds Peers*

Rank	Company Name	Loans to Core Deposits
1	Golden West Financial Corporation	190.1%
2	National City Corporation	150.7%
3	Huntington Bancshares Incorporated	140.2%
4	M&T Bank Corporation	136.4%
5	KeyCorp	135.1%
6	U.S. Bancorp	128.1%
7	Wells Fargo & Company	126.9%
8	BB&T Corporation	125.6%
9	Regions Financial Corporation	121.8%
10	SunTrust Banks, Inc.	119.7%
11	Washington Mutual, Inc.	116.6%
12	Fifth Third Bancorp	115.5%
13	Sovereign Bancorp, Inc.	111.9%
14	Comerica Incorporated	105.7%
15	Bank of America Corporation	103.9%
16	PNC Financial Services Group, Inc.	92.3%
17	Wachovia Corporation	86.2%

Excludes loans held for sale; data as of 3/31/05 (National City as reported, other company data is latest quarter available from SNL Financial)

# Total Loans to Core Deposits Ratio Trend Line



# ***Current Trend is Not Sustainable***

- **A tangible common equity target above 6.5% would be necessary**
  - **Credit and collateral considerations**
  - **Prepayment risk of residential real estate assets**
  - **Funding issues**
- **Selling loans may have higher net present value than retaining them**

# Potential Candidates for Originate and Sell

<b>Loan Category</b>	<b>Apx. Balance Sheet Growth ('05-'10)</b>	<b>Relationship Value Potential</b>	<b>Volatility of Return</b>	<b>Capital Markets</b>
<b>Commercial</b>	<b>+\$17 billion</b>	<b>High</b>	<b>Medium</b>	<b>Less Established</b>
<b>Installment</b>	<b>+\$3 billion</b>	<b>Medium</b>	<b>Low</b>	<b>Well Established</b>
<b>First Franklin</b>	<b>+\$7 billion</b>	<b>Low</b>	<b>High</b>	<b>Well Established</b>
<b>Home equity loans (HELOAN)</b>	<b>+\$3 billion</b>	<b>Low</b>	<b>Low</b>	<b>Well Established</b>
<b>Home equity lines of credit (HELOC)</b>	<b>+\$23 billion</b>	<b>Low</b>	<b>Low</b>	<b>Well Established</b>

# *Holding Loans Not Always Superior to Selling*

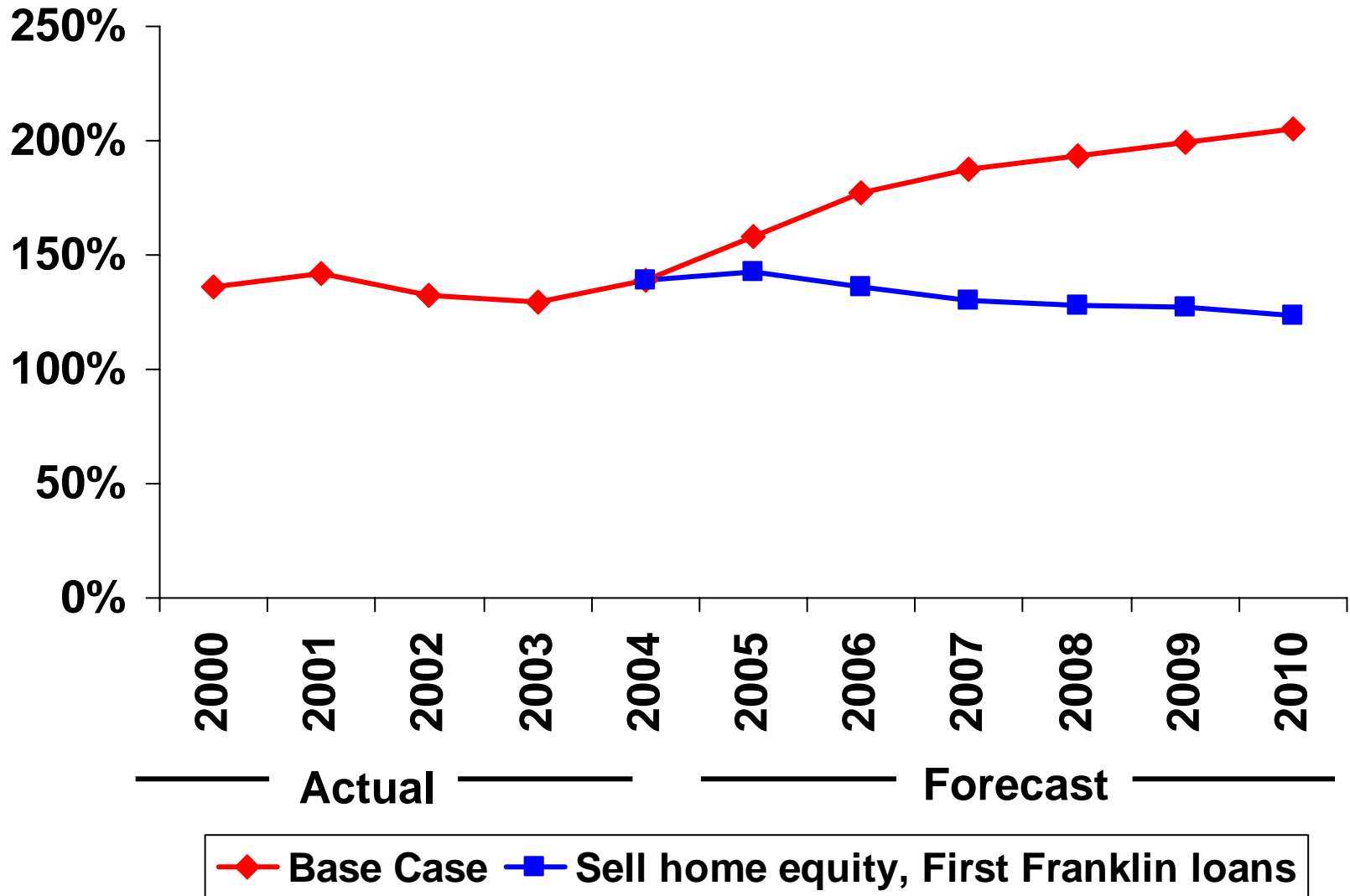
<b>Net present value of pre-tax income (No capital outlay for loans retained on B/S)</b>	<b>First Franklin</b>	<b>HELOAN</b>	<b>HELOC</b>
<b>External bid</b>	<b>102.50</b>	<b>104.50</b>	<b>103.50</b>
<b>On balance sheet value</b>	<b>104.00</b>	<b>106.00</b>	<b>104.50</b>
<b>Value pickup (On balance sheet value less external bid)</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.00%</b>
<b>Cost of funds advantage per year (Fund on B/S with bank notes rather than securitization)</b>	<b>0.50%</b>	<b>0.30%</b>	<b>0.30%</b>

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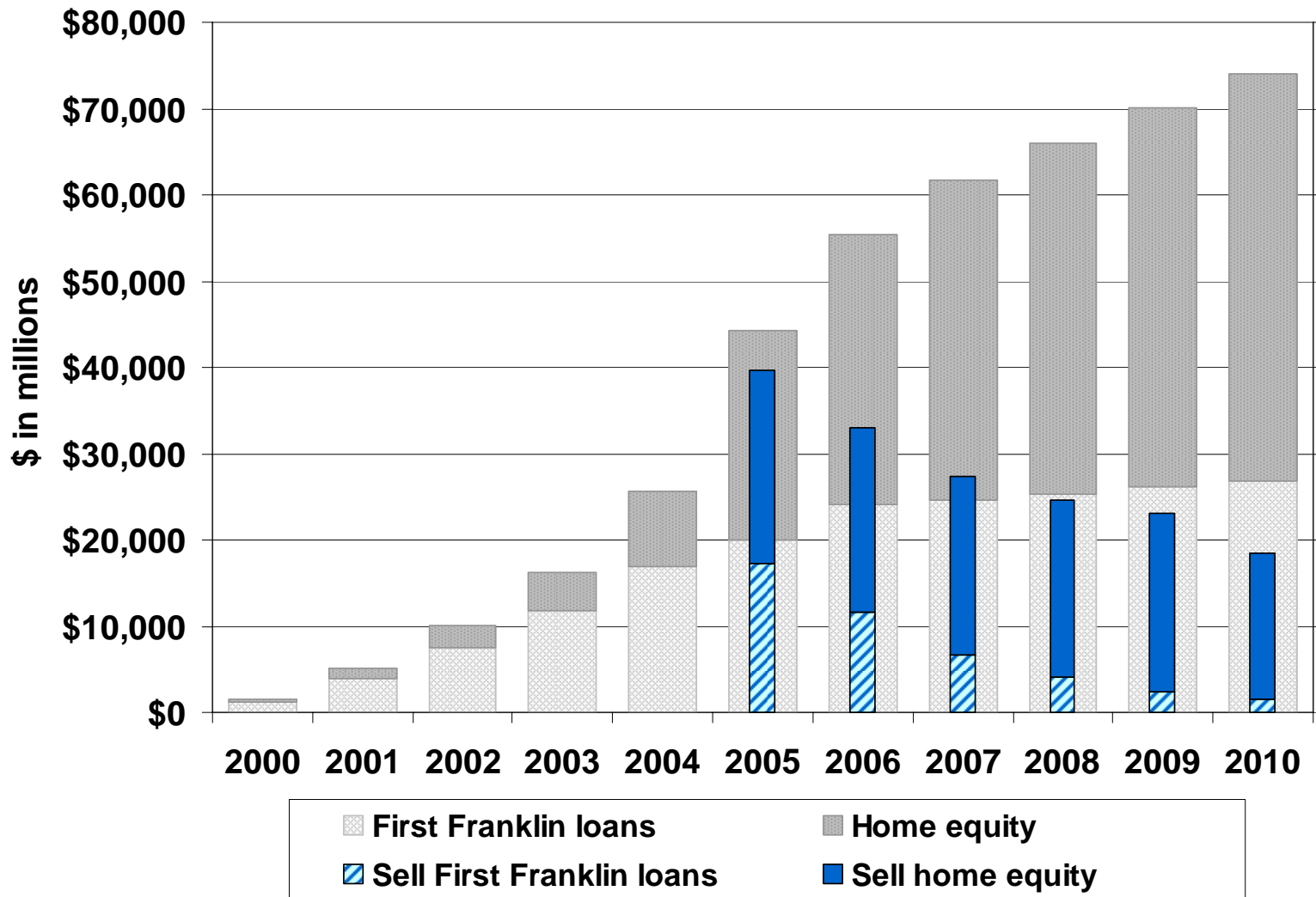
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<b>Net present value of net income (\$ in MM) (6.5% tangible equity for loans retained on B/S)</b>	<b>First Franklin</b>	<b>HELOAN</b>	<b>HELOC</b>
<b>Sell</b>	<b>\$5.5</b>	<b>\$16.5</b>	<b>\$7.7</b>
<b>Hold</b>	<b>\$2.5</b>	<b>\$14.2</b>	<b>\$7.0</b>
<b>Sell Advantage</b>	<b>\$3.0</b>	<b>\$2.3</b>	<b>\$0.7</b>

# Pro Forma Total Loans to Core Deposits Ratio



# Significant Reduction in Loans On Balance Sheet



# *The Power of Excess Capital*

## Assumptions

<b>Excess capital</b>	<b>\$1 billion</b>
<b>After-tax cost of funds</b>	<b>2.75% (\$27.5 million)</b>
<b>Shares repurchased</b>	<b>27 million</b>
<b>Share price (as of 8/31/05)</b>	<b>\$36.63</b>

	<u>Baseline</u>	<u>Pro Forma</u>
<b>Net income</b>	<b>\$2.1 billion</b>	<b>\$2.073 billion</b>
<b>Average shares outstanding</b>	<b>646 million</b>	<b>619 million</b>
<b>Earnings per share</b>	<b>\$3.25</b>	<b>\$3.35</b>
<b>Book equity</b>	<b>\$13 billion</b>	<b>\$12 billion</b>
<b>Return on equity</b>	<b>16.2%</b>	<b>17.3%</b>

# *Conclusion*

- **Retaining current level of loan originations on balance sheet is not sustainable or advisable**
- **Selling more loan production has positive implications for ROE and EPS**
- **Risk reduction could result in lower target tangible equity ratio**
- **Improved capital position will provide flexibility to take actions that increase shareholder value**

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