



# Lehman Brothers 2004 Financial Services Conference

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*Chairman, President and CEO*

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## 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.

# Financial Performance Summary

(\$ in Millions)

	<u>6 Months 2004</u>	<u>6 Months 2003</u>	<u>Percent Change</u>
Net Income	\$2,045.3	\$1,804.7	13.3%
Diluted EPS	\$1.06	\$0.94	12.8%
Net Interest Margin	4.28%	4.56%	
Net Charge-off Ratio	0.73%	1.13%	
Return on Equity	21.3%	19.0%	
Return on Assets	2.16%	1.96%	

# Industry Leading Performance Metrics

## Second Quarter 2004

	USB	Top 11 Median	USB Rank <sup>(1)</sup>
Return on Assets	2.19%	1.50%	1
Return on Equity	21.9%	16.1%	1
Efficiency Ratio <sup>(2)</sup>	44.0%	57.6%	1
Net Interest Margin	4.28%	3.54%	2
Tangible Return on Equity <sup>(3)</sup>	39.9%	27.7%	1
Tangible Return on Assets <sup>(3)</sup>	2.45%	1.67%	1
Tangible Efficiency Ratio <sup>(2)(3)</sup>	40.1%	57.3%	1

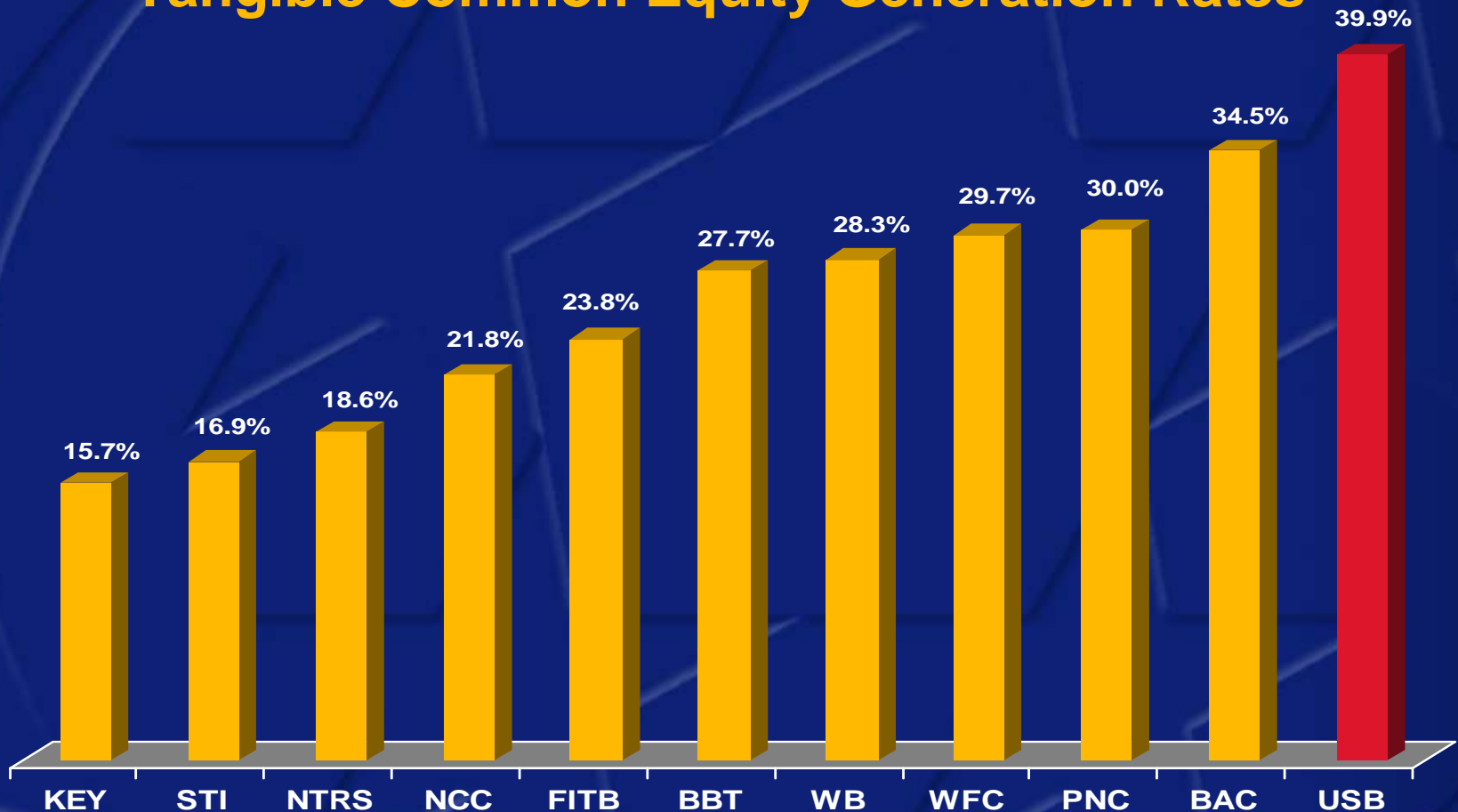
(1) Rank among Top 11 Peer Group which includes BAC, BBT, FITB, KEY, NCC, NTRS, PNC, STI, USB, WB and WFC.

(2) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net. Excludes nonrecurring items.

(3) Tangible ratios exclude the impact of intangible amortization expense.

# Industry Leading Capital Generation

## Tangible Common Equity Generation Rates



# Business Unit Results

## 6 Months 2004 Vs 6 Months 2003

<u>Business Unit</u>	<u>% of Revenue</u>	<u>Earnings Growth</u>	<u>Operating Leverage</u>
<b>Consumer Banking <sup>(1)</sup></b>	<b>42%</b>	<b>14.0%</b>	<b>5.3%</b>
<b>Wholesale Banking</b>	<b>19%</b>	<b>21.8%</b>	<b>0.7%</b>
<b>Payment Services</b>	<b>19%</b>	<b>22.2%</b>	<b>4.8%</b>
<b>Private Client, Trust &amp; Asset Management</b>	<b>11%</b>	<b>18.2%</b>	<b>10.7%</b>

(1) Excludes securities gains/losses and mortgage servicing rights impairment/repairment.

# Consumer Banking Outlook

- Strong Business Momentum
- Increasing Customer Penetration Through Better Identification of Cross-Sell Opportunities
- Investing in High-Growth Markets With In-store Distribution
- Focusing on Customer Satisfaction

# Growth in Net Checking Accounts

## Growth Continues To Accelerate

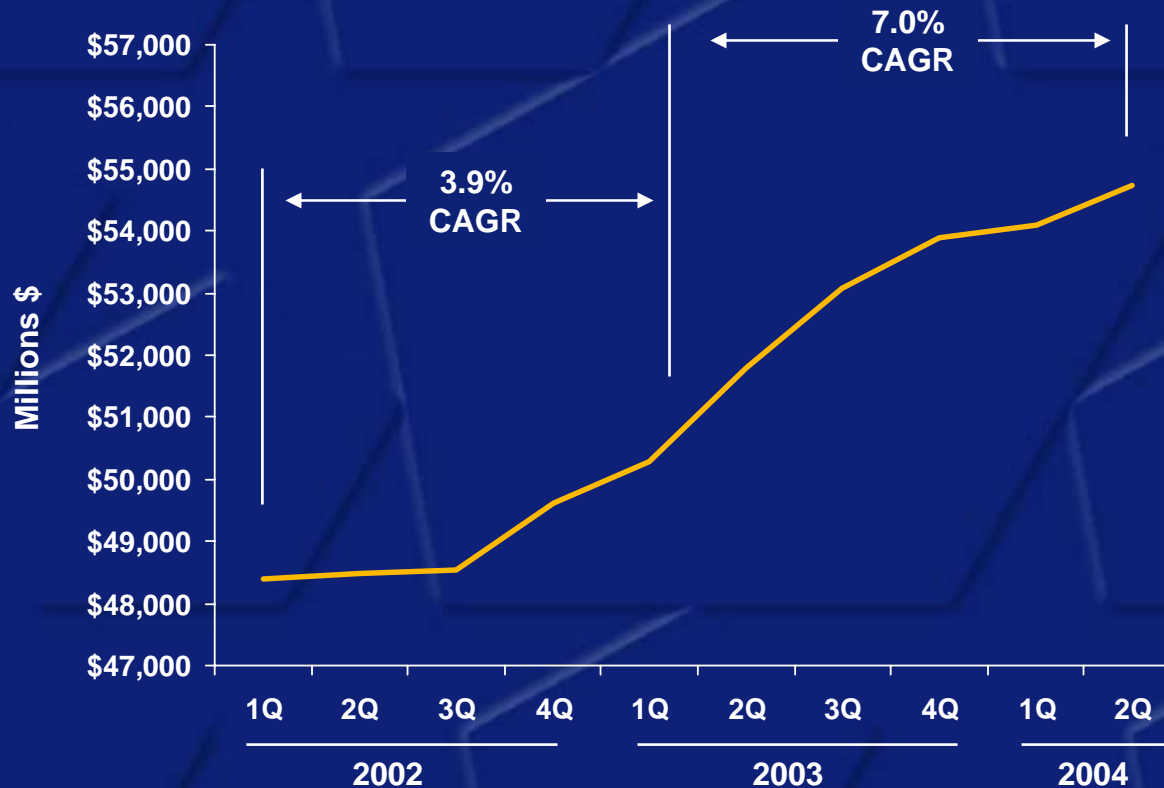


Percent Increase in Net Checking Accounts

(1) Annualized.

# Average Low-Cost Core Deposits (1)

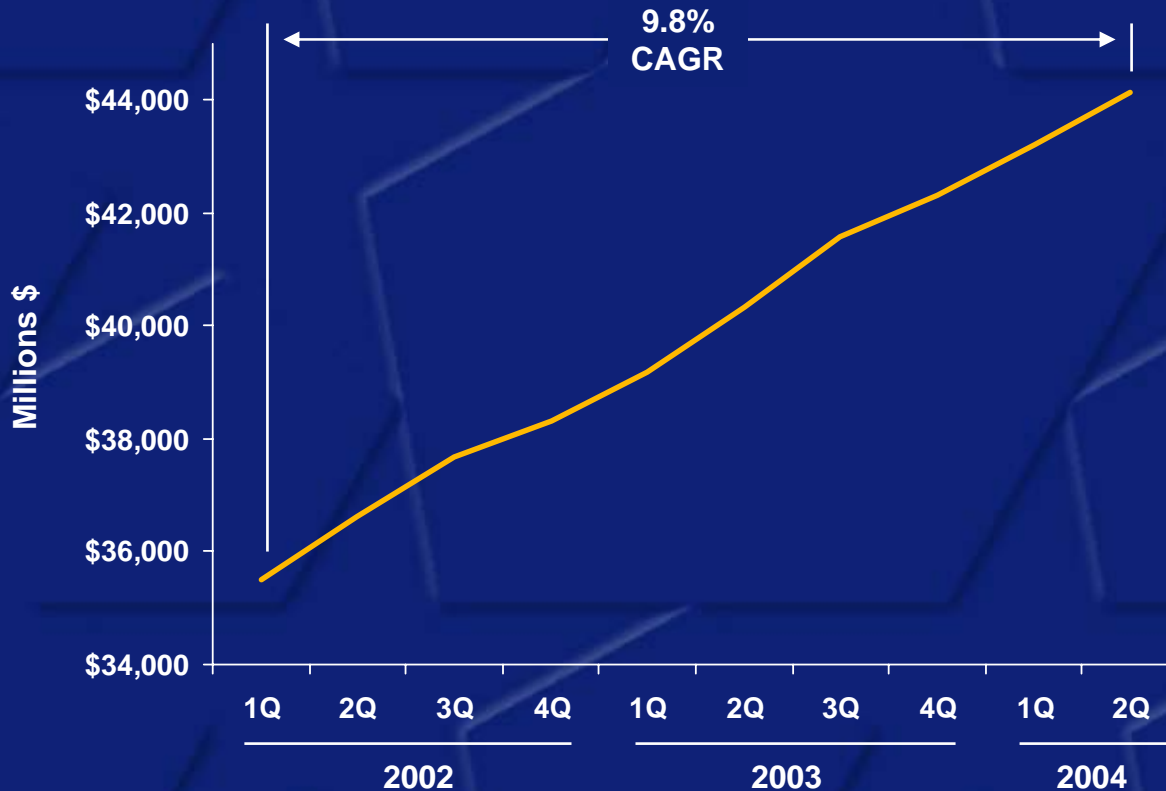
## Growth Accelerated in 2003



(1) Branch-originated noninterest-bearing, NOW, money market and savings excluding the impact of acquisitions.

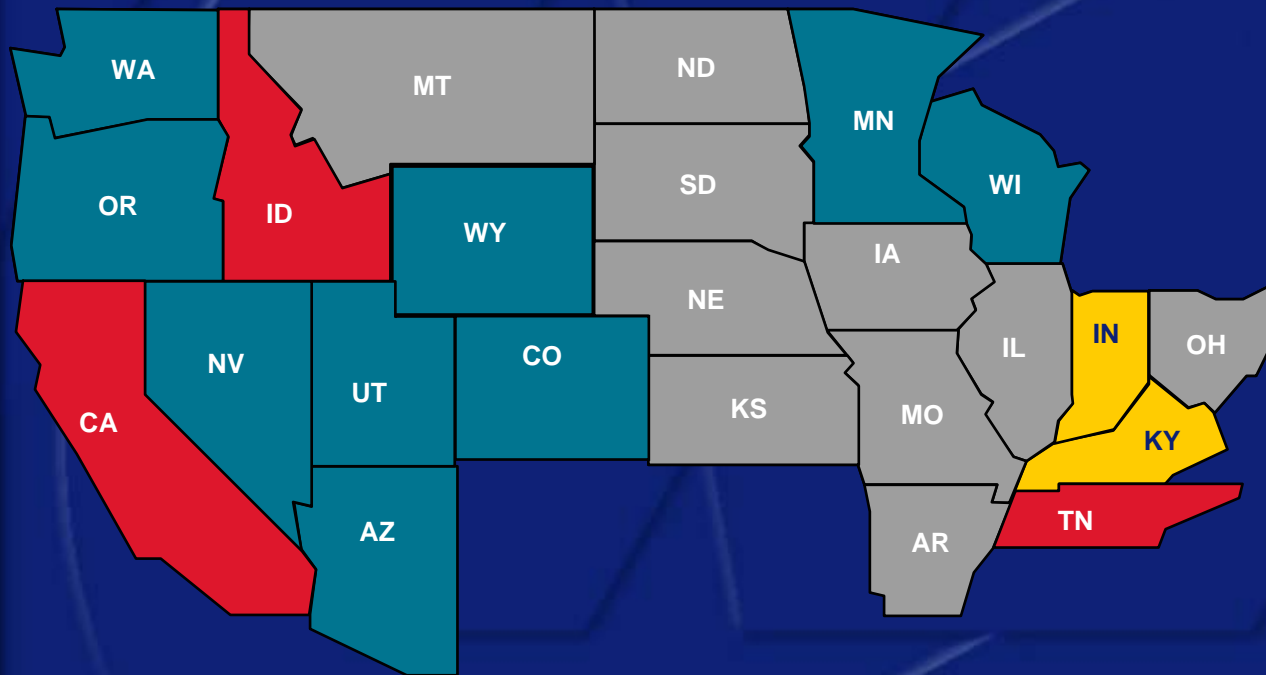
# Consumer Banking Trends

## Average Retail Loans Showing Consistent Growth (1)



(1) Includes home equity, home equity first lien, installment and retail leasing.

# Investing in High Growth Markets With In-store Distribution



Above Median Household and Income Growth  
 Above Median Household Growth

Above Median Income Growth  
 Below Median Household and Income Growth

## In-Store Branches

	2003	2004	2005
Arizona	3	31	48
California	3	79	102
Colorado	19	27	29
Idaho	11	11	11
Illinois	9	10	11
Indiana	2	2	3
Iowa	3	3	3
Kansas	2	2	2
Kentucky	24	22	22
Minnesota	14	14	14
Missouri	2	1	1
Nebraska	15	15	15
Nevada	13	23	25
Ohio	94	94	95
Oregon	17	18	18
Tennessee	2	9	11
Utah	3	18	22
Washington	34	34	34
Wisconsin	3	3	3
<b>Total</b>	<b>273</b>	<b>416</b>	<b>469</b>

Source: SNL

# Focusing on Customer Service

*Percent of Customers Responding 7 or Higher on a 10 Point Scale (1)*

## **Strong Overall Ratings**

	12 Month Average	3 Month Average	Customer satisfaction levels are high and improving, with customer loyalty, as measured by 9 and 10s, very strong.
★ Likely to Continue	88.4%	89.2%	
★ Would Recommend	81.7%	82.5%	
★ Customer Satisfaction	89.0%	89.2%	

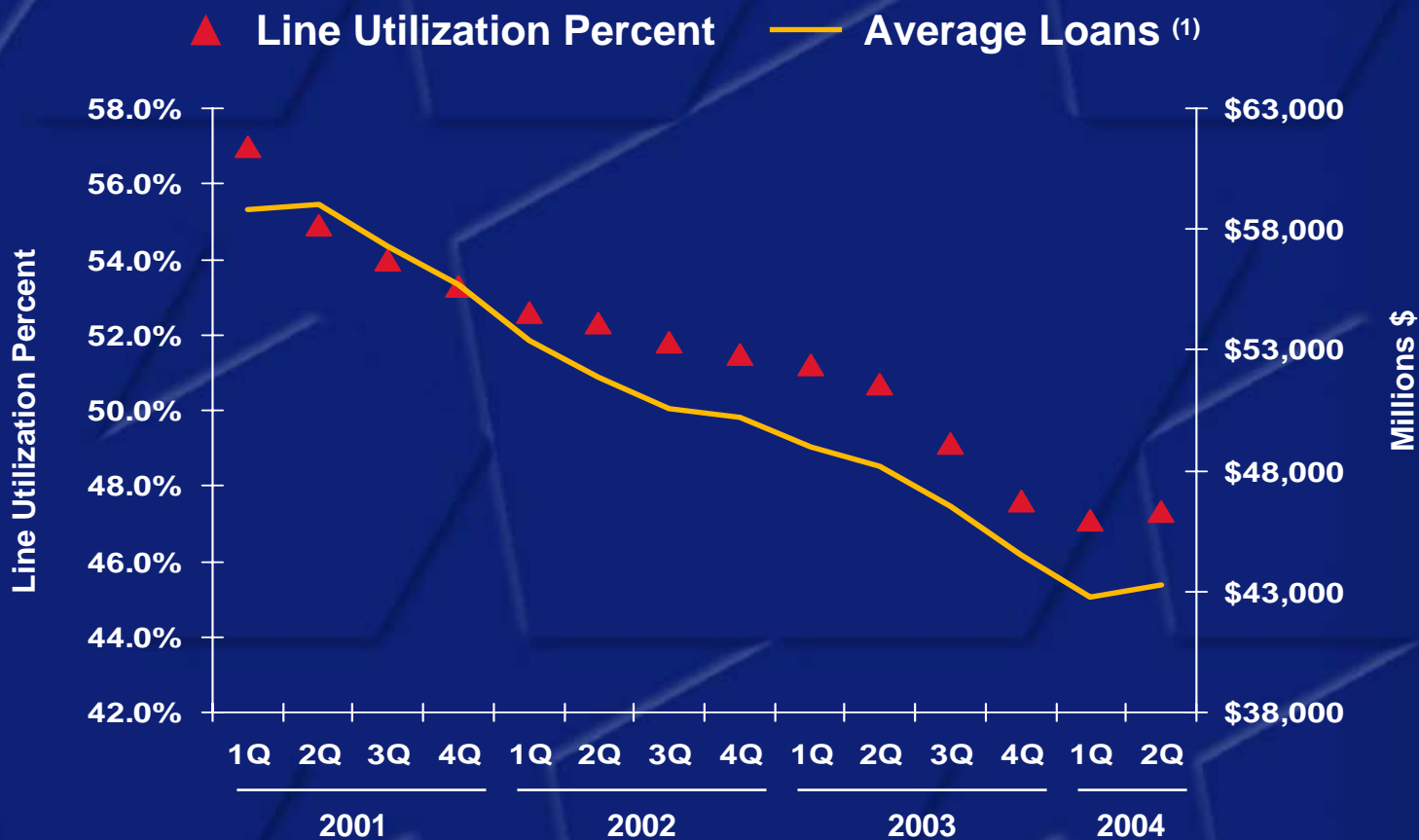
(1) U.S. Bank Satisfaction survey conducted by Market Probe. 10 = Superior.

# Wholesale Banking Outlook

- Low Line Utilization Continues to Impact Balance Sheet Growth
- Credit Quality Trends Showing Continued Improvement
- Relationship Managers are Focusing on Fee and Deposit Penetration
- Exercising Disciplined Use of Capital

# Wholesale Banking Trends

## Line Utilization Coming Off Historic Lows

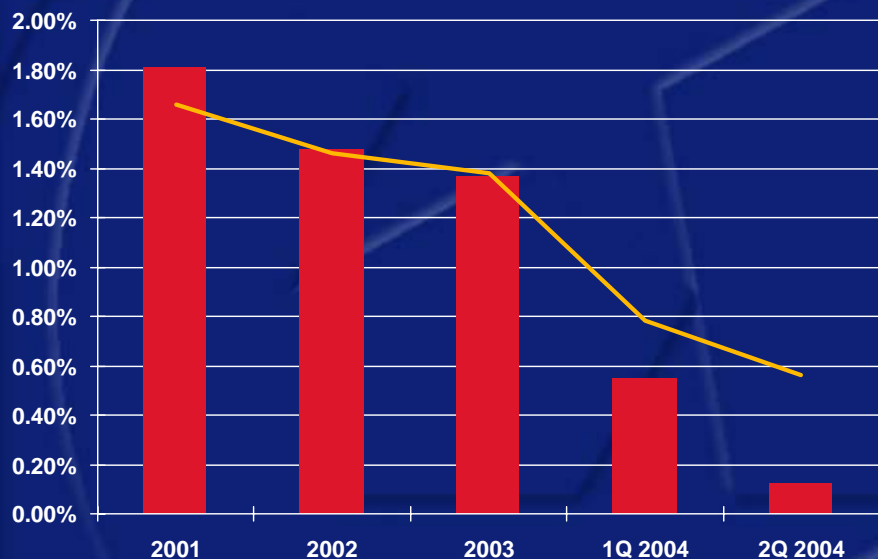


(1) Commercial, Commercial Leasing and Commercial Real Estate.

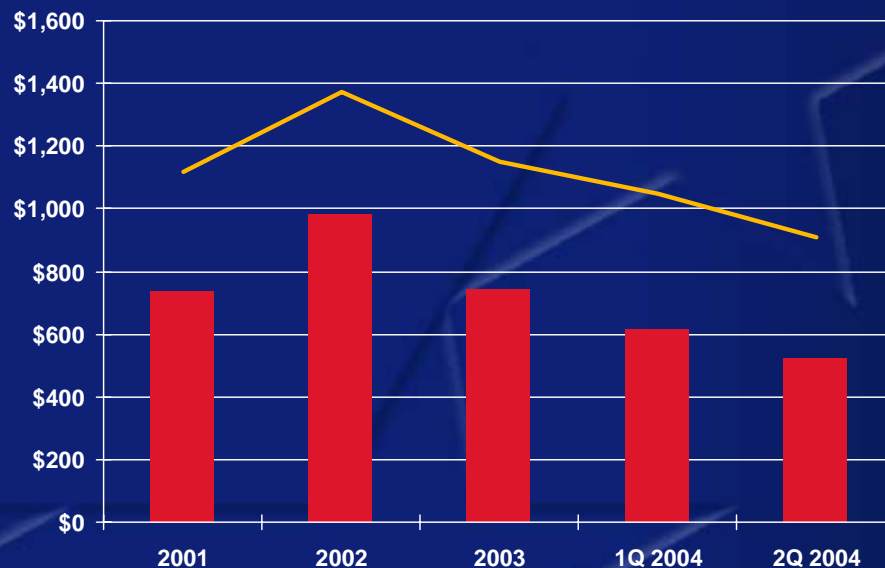
# Wholesale Banking Trends

## Credit Quality Continues To Improve

### Commercial Loan Net Charge-Off Ratio <sup>(1)</sup>



### Nonperforming Assets (\$ in Millions)



— Total USB

■ Wholesale Banking

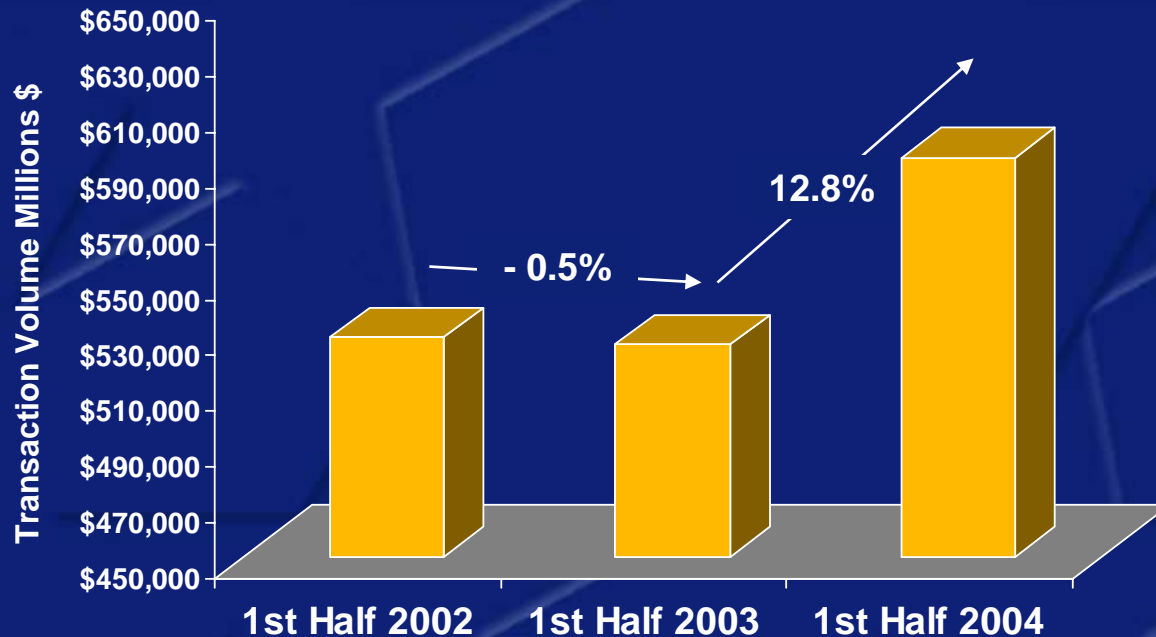
(1) Includes Commercial and Lease Financing.

# Payment Services Outlook

- Strong Momentum in Merchant Processing, Retail Payments and Corporate Payments
- Focusing on Expansion of Existing Relationships with Financial Services Customers
- Increasing Penetration of Middle Market and Small Business with Corporate Payment Products and Merchant Processing
- Building Transaction Processing Capabilities in Europe

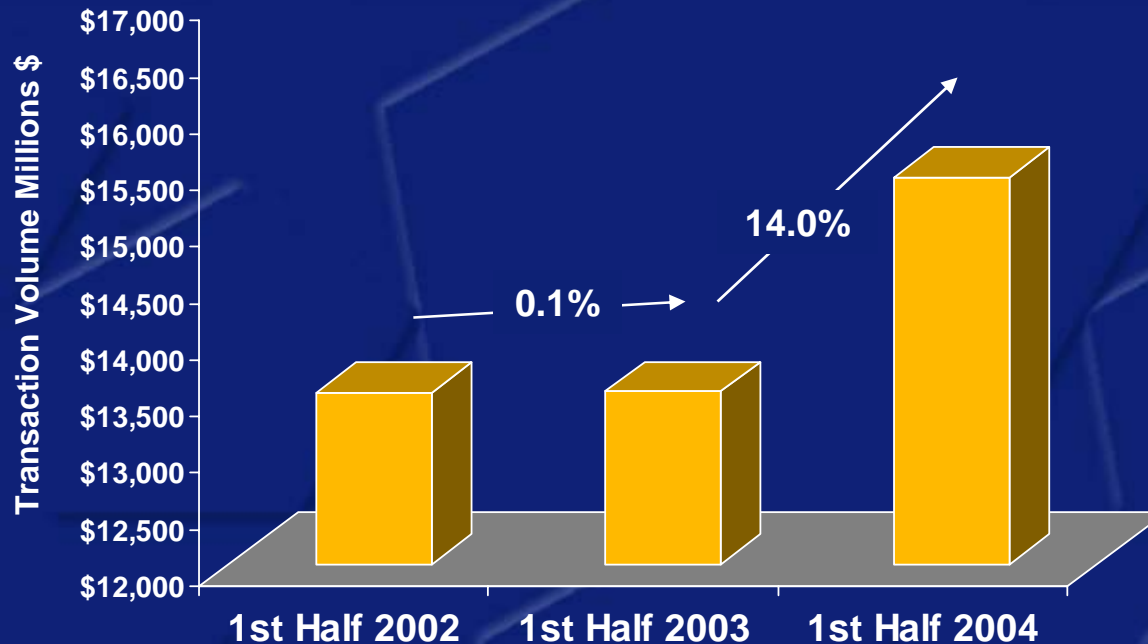
# Payment Services Trends

## Merchant Processing Transaction Growth Accelerating



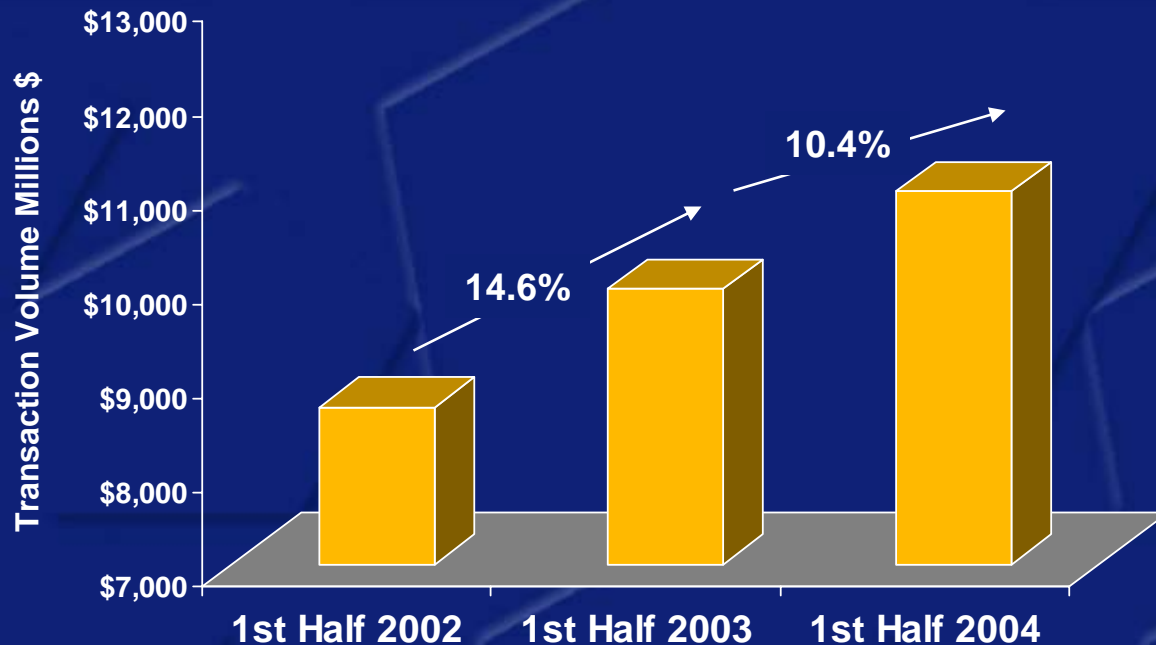
# Payment Services Trends

## Consumer Card Transaction Growth Accelerating



# Payment Services Trends

## Corporate Card Transactions Continue Solid Growth



# Building Transaction Processing Capabilities in Europe

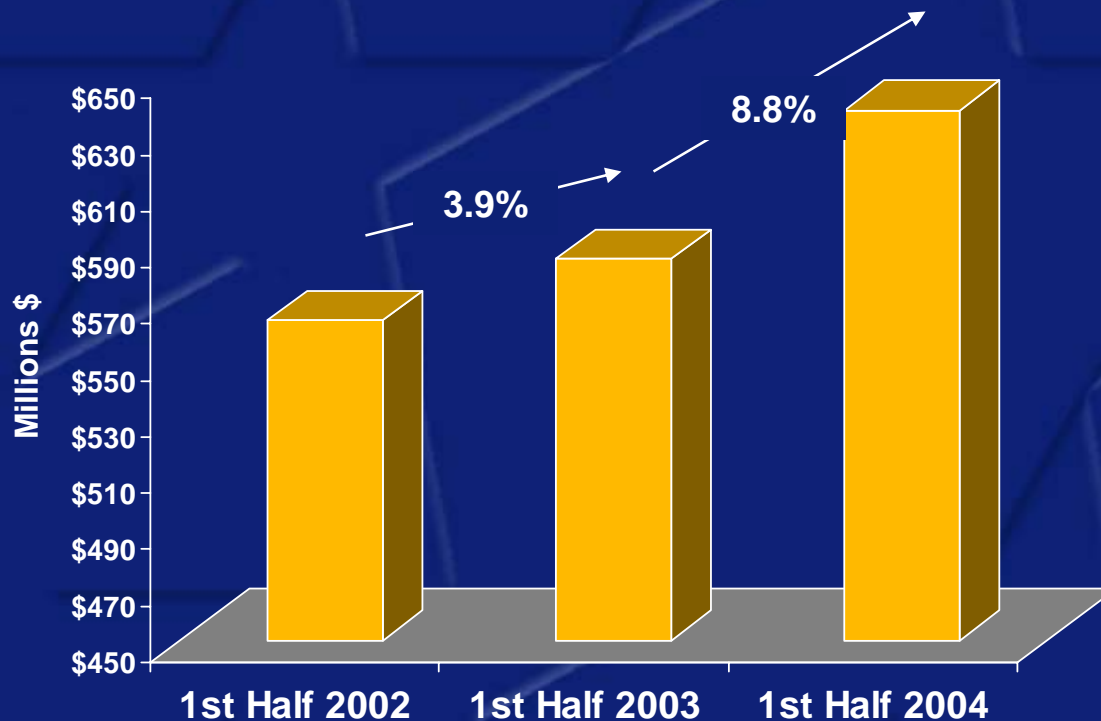
- Purchased Remaining 50% euroConex from Bank of Ireland
- Purchased CardPoint from Bank Zachodni of Poland
  - 15% Marketshare in Poland, the Fastest Growing Card Issuing Market in Europe
- Purchased the Merchant Acquiring Business from Alliance & Leicester Commercial Bank
  - 7% Marketshare in U.K., the Largest Merchant Acquiring Market in Europe
- Purchased the Merchant Acquiring Business from SEB Kort AB and Europay Norge AS
  - 50% Marketshare in Norway

# Private Client, Trust And Asset Management Outlook

- Increasing Share of Wallet Within the Private Client Group with a Focus on Bank-Wide Partnerships
- Leveraging Distribution and Scale in Corporate Trust
- Expanding Asset Management Distribution through Increased Penetration of the Institutional Market and Third-Party Distribution
- Expanding Customer Focus in Fund Services to Include Partnerships and Alternative Investments

# Private Client, Trust And Asset Management Trends

## Total Revenue Growth Accelerating



# 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



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