# U.S. Bancorp
# 4Q17 Earnings
# Conference Call

January 17, 2018

# Forward-looking Statements and Additional Information

The following information appears in accordance with the Private Securities Litigation Reform Act of 1995:

Today's presentation contains forward-looking statements about U.S. Bancorp. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date hereof. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. A reversal or slowing of the current economic recovery or another severe contraction could adversely affect U.S. Bancorp's revenues and the values of its assets and liabilities. Global financial markets could experience a recurrence of significant turbulence, which could reduce the availability of funding to certain financial institutions and lead to a tightening of credit, a reduction of business activity, and increased market volatility. Stress in the commercial real estate markets, as well as a downturn in the residential real estate markets could cause credit losses and deterioration in asset values. In addition, changes to statutes, regulations, or regulatory policies or practices could affect U.S. Bancorp in substantial and unpredictable ways. U.S. Bancorp's results could also be adversely affected by deterioration in general business and economic conditions; changes in interest rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of securities held in its investment securities portfolio; legal and regulatory developments; litigation; increased competition from both banks and non-banks; changes in customer behavior and preferences; breaches in data security; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management's ability to effectively manage credit risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputational risk.

For discussion of these and other risks that may cause actual results to differ from expectations, refer to U.S. Bancorp's Annual Report on Form 10-K for the year ended December 31, 2016, on file with the Securities and Exchange Commission, including the sections entitled "Risk Factors" and "Corporate Risk Profile" contained in Exhibit 13, and all subsequent filings with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. However, factors other than these also could adversely affect U.S. Bancorp's results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. Forward-looking statements speak only as of the date hereof, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

This presentation includes non-GAAP financial measures to describe U.S. Bancorp's performance. The calculations of these measures are provided in the Appendix. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

# Notable Items

## 4Q17 notable items include:

- $910 million increase to net earnings related to the impacts of tax reform legislation passed in late 4Q17
- $608 million legal and regulatory accrual
- $150 million contribution to the U.S. Bank Foundation
- $67 million one-time bonus to certain eligible employees

| | 2017 | |
|---|---|---|
| | Pretax | After-tax |
| **Deferred tax revaluation** | $910 | $910 |
| **Legal & Regulatory** | (608) | (608) |
| | 302 | 302 |
| **Employee/Community Actions:** | | |
| Employee bonus - $1,000 for eligible employees | (67) | (47) |
| Foundation contribution | (150) | (105) |
| | (217) | (152) |
| **Net impact** | | $150 |
| **Diluted EPS** | | $0.09 |

$ in millions, except EPS

# 4Q17 Highlights

**Income Statement**

| $ in millions, except EPS | 4Q17 | change vs. 3Q17 | change vs. 4Q16 |
|---|---|---|---|
| Net interest income* | **$3,197** | 0.3 % | 6.4 % |
| Noninterest income | **2,441** | 0.8 | 0.4 |
| Reported net income | **1,682** | 7.6 | 13.8 |
| Diluted EPS | **$0.97** | 10.2 % | 18.3 % |

**Balance Sheet**

| $ in billions | 4Q17 | change vs. 3Q17 | change vs. 4Q16 |
|---|---|---|---|
| Average earning assets | **$413.5** | 1.1 % | 2.9 % |
| Average total loans | **279.8** | 0.8 | 2.6 |
| Average total deposits | **339.2** | 1.2 | 3.0 |

**Credit Quality**

| $ in millions | 4Q17 | change vs. 3Q17 | change vs. 4Q16 |
|---|---|---|---|
| Nonperforming assets | **$1,200** | (4.1) % | (25.1) % |
| NPA ratio | **0.43%** | (2bps) | (16bps) |
| Net charge-off ratio | **0.46%** | (1bp) | (1bp) |

**Capital**

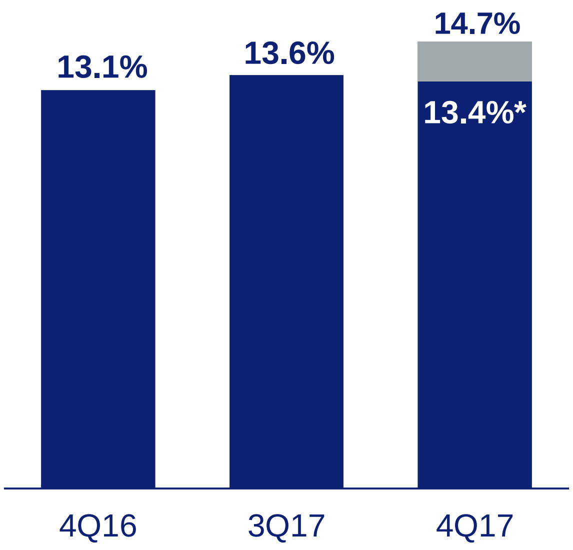
| | 4Q17 | change vs. 3Q17 | change vs. 4Q16 |
|---|---|---|---|
| CET1 capital to RWA** | **9.1%** | (30bps) | 0bps |
| Book value per share | **$26.34** | 1.4 % | 6.9 % |
| Payout ratio | **72%** | | |

* Taxable-equivalent basis; see slide 26 for calculation

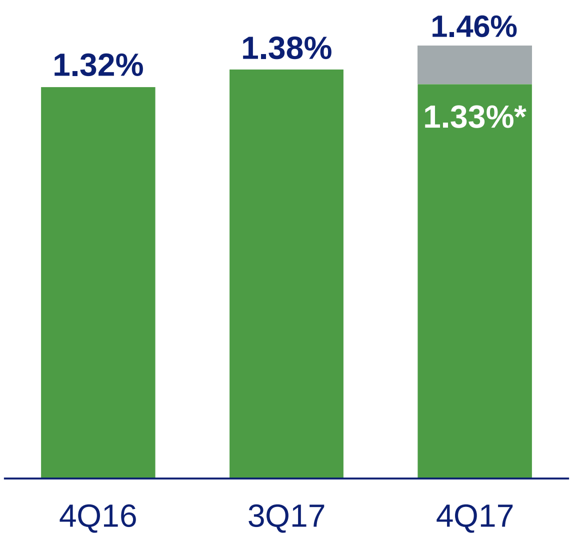
** Estimated for the Basel III fully implemented standardized approach; RWA = risk-weighted assets, see slide 25 for calculation

# Performance Ratios

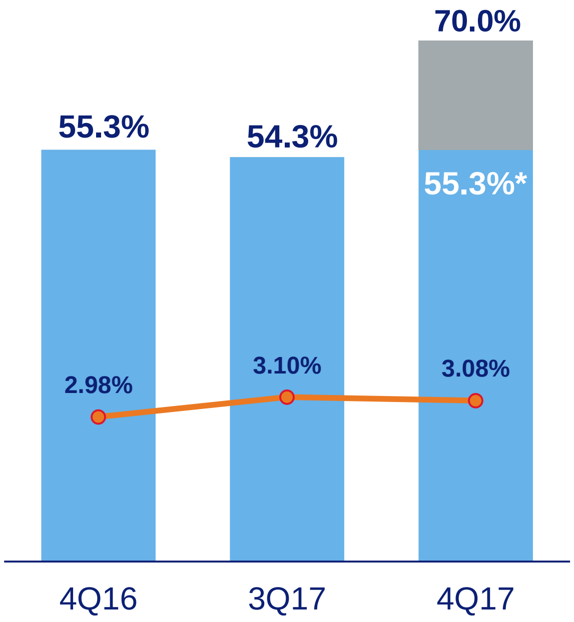
Return on
Average Common Equity




Return on
Average Assets

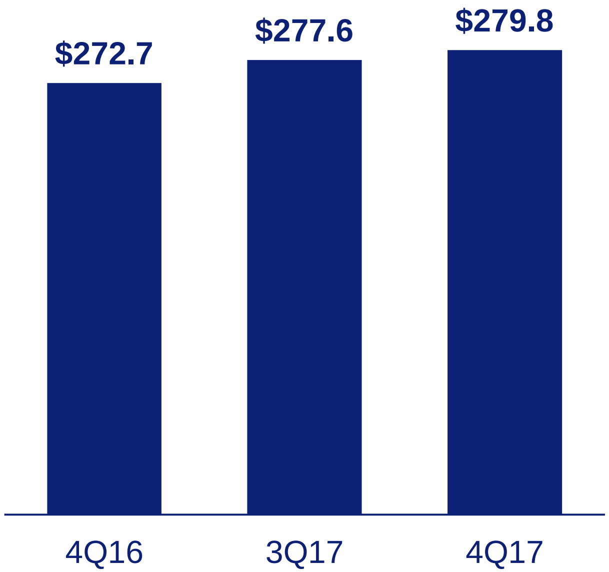



Efficiency Ratio** &
Net Interest Margin***




* Excluding notable items; see slide 26 for calculation
** Non-GAAP; see slide 26 for calculation
*** Taxable-equivalent basis

# Average Loans




**+0.8% linked quarter**

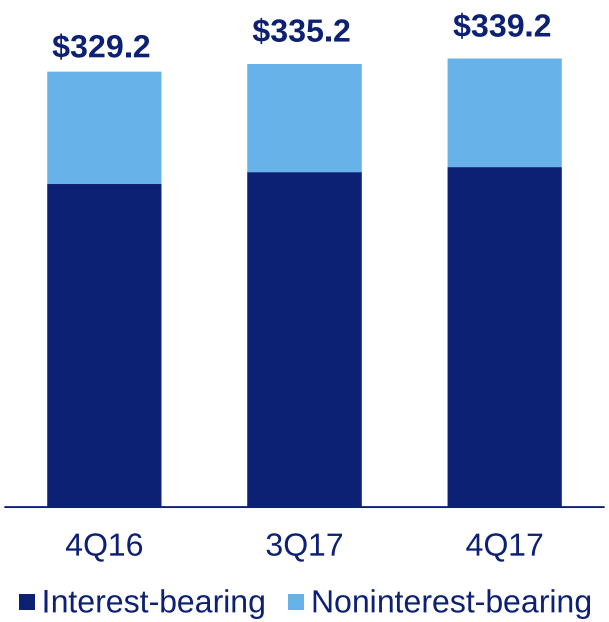
**+2.6% year-over-year**

| (Three months ended 12/31/17) | Average Balances | Change vs. 3Q17 | Change vs. 4Q16 |
|---|---|---|---|
| Commercial | $97.6 | 1.0 % | 4.0 % |
| Commercial Real Estate | 41.0 | (1.5) | (5.5) |
| Residential Mortgage | 59.7 | 1.0 | 5.2 |
| Credit Card | 21.2 | 1.4 | 1.3 |
| Retail | 57.1 | 1.9 | 6.0 |
| Covered | 3.2 | (4.7) | (18.9) |
| **Total loans** | **$279.8** | **0.8 %** | **2.6 %** |

- Linked quarter growth in total loans was driven primarily by other retail loans, commercial loans and residential mortgage
- Year-over-year and linked quarter declines in commercial real estate loans reflected disciplined underwriting of construction and development loans and payoffs of commercial mortgages as customers accessed capital markets

$ in billions

# Average Deposits




**+1.2% linked quarter**

**+3.0% year-over-year**

## Interest-bearing Deposits

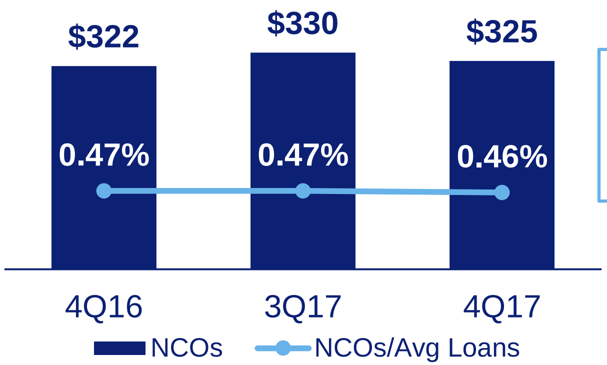
| (Three months ended 12/31/17) | Average Balances | Change vs. 3Q17 | Change vs. 4Q16 | Rates | Change vs. 3Q17 |
|---|---|---|---|---|---|
| Money market savings | $105.4 | 0.3 % | (1.2) % | 0.69 % | 0.02 % |
| Interest checking | 70.7 | 3.9 | 9.4 | 0.16 | 0.01 |
| Savings accounts | 43.8 | 0.3 | 6.0 | 0.07 | 0.00 |
| Time deposits | 37.0 | 1.7 | 16.8 | 0.98 | 0.07 |
| **Total interest-bearing deposits** | **$256.9** | **1.5 %** | **5.1 %** | **0.48 %** | **0.02 %** |

- Average noninterest-bearing deposits increased 0.4% on a linked quarter basis
- Average noninterest-bearing deposits decreased 3.0% year-over-year, primarily driven by a decrease in Corporate and Commercial Banking deposits

$ in billions
Rates are presented on a fully taxable-equivalent basis utilizing a tax rate of 35 percent

# Credit Quality

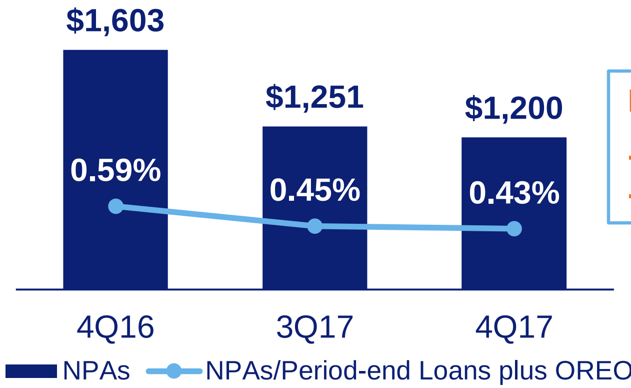
## Net Charge-offs




**NCO Ratio**

**-1bp QoQ**
**-1bp YoY**

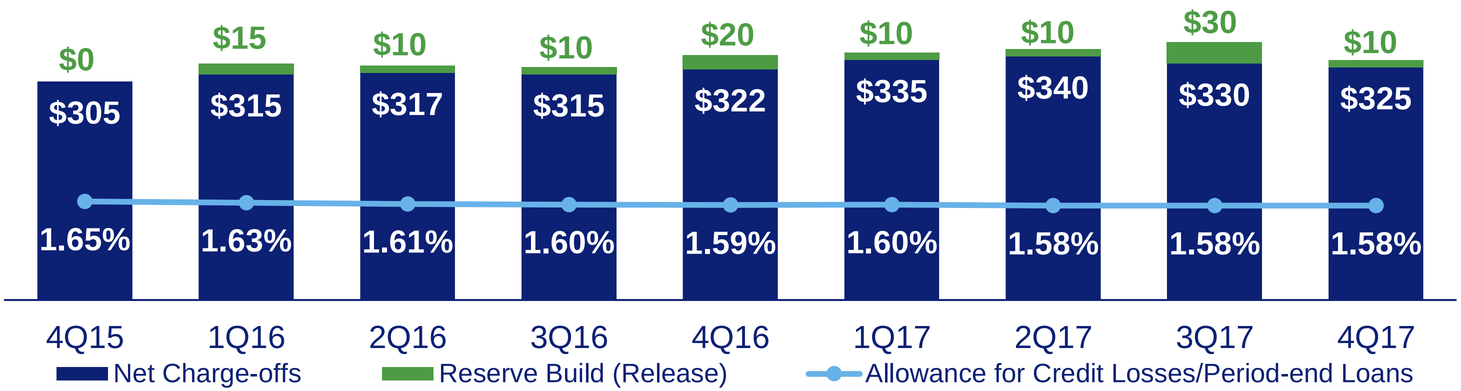
## Nonperforming Assets




**NPAs**

**-4.1% QoQ**
**-25.1% YoY**

## Provision for Credit Losses

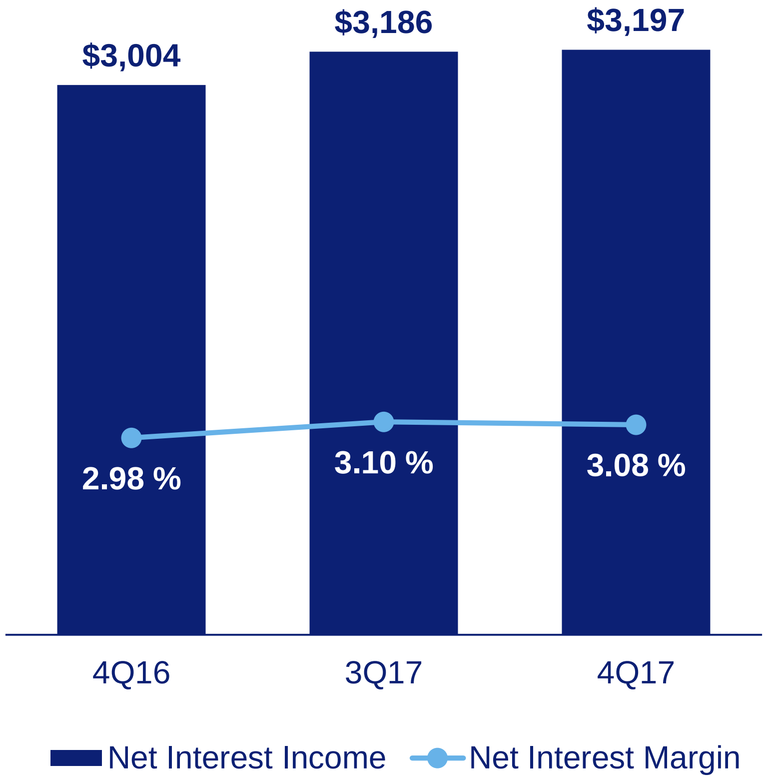



$ in millions

# Earnings Summary

| $ and shares in millions, except EPS | 4Q17 | 4Q16 | Reported % Change | Notable Items 4Q17 | Excluding Notable Items % Change |
|---|---|---|---|---|---|
| Net Interest Income | $3,144 | $2,955 | 6.4 | $ – | 6.4 |
| Taxable-equivalent Adjustment | 53 | 49 | 8.2 | – | 8.2 |
| Net Interest Income (taxable-equivalent basis) | 3,197 | 3,004 | 6.4 | – | 6.4 |
| Noninterest Income | 2,441 | 2,431 | 0.4 | – | 0.4 |
| **Net Revenue** | **5,638** | **5,435** | 3.7 | – | 3.7 |
| Noninterest Expense | 3,939 | 3,004 | 31.1 | 825 | 3.6 |
| **Operating Income** | **1,699** | **2,431** | (30.1) | **(825)** | 3.8 |
| Net Charge-offs | 325 | 322 | 0.9 | – | 0.9 |
| Excess Provision | 10 | 20 | (50.0) | – | (50.0) |
| **Income Before Taxes** | **1,364** | **2,089** | (34.7) | **(825)** | 4.8 |
| Applicable Income Taxes | (322) | 598 | NM | (975) | 9.2 |
| Noncontrolling Interests | (4) | (13) | 69.2 | – | 69.2 |
| **Net Income** | **1,682** | **1,478** | 13.8 | **150** | 3.7 |
| Preferred Dividends/Other | 71 | 87 | (18.4) | – | (18.4) |
| **Net Income to Common** | **$1,611** | **$1,391** | 15.8 | **$150** | 5.0 |
| Diluted EPS | $0.97 | $0.82 | 18.3 | $0.09 | 7.3 |
| Average Diluted Shares | 1,664 | 1,705 | (2.4) | | (2.4) |

# Net Interest Income




**+0.3% linked quarter**

**+6.4% year-over-year**

### Linked Quarter

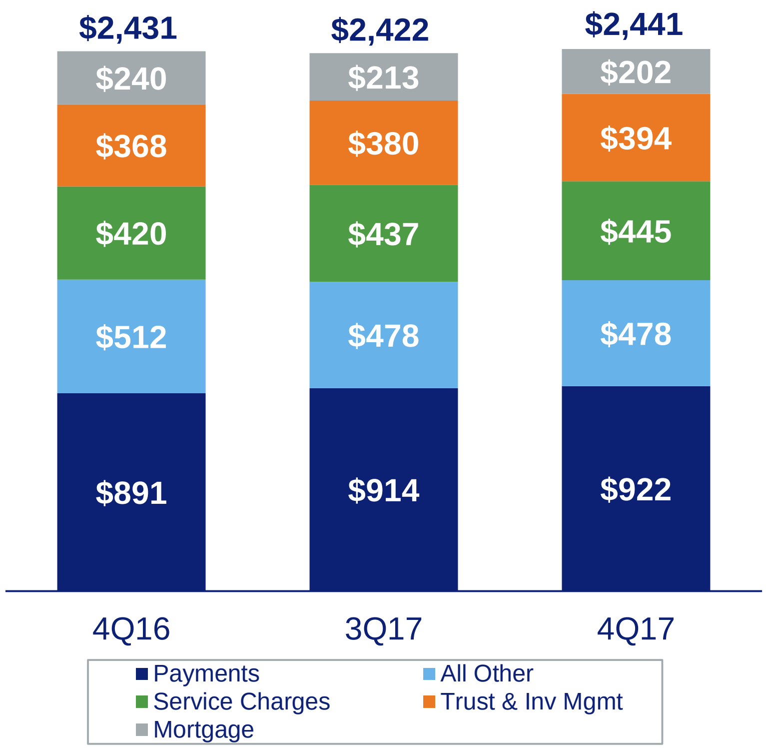
- Net interest income growth was driven by loan growth and the impact of rising interest rates
- The decrease in the net interest margin was primarily due to higher interest recoveries in 3Q17

### Year-over-Year

- Net interest income growth was driven primarily by the impact of rising interest rates and loan growth

$ in millions
Taxable-equivalent basis

# Noninterest Income




**+0.8% linked quarter**

**+0.4% year-over-year**

## Linked Quarter

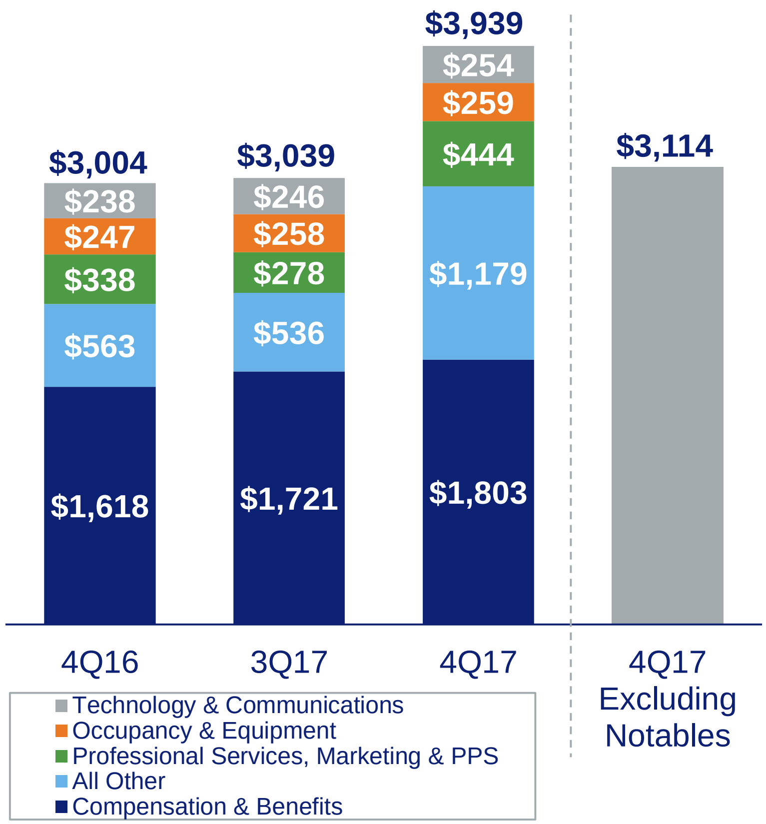
- Noninterest income growth was driven by trust and investment management fees, payment services revenue and deposit service charges, partially offset by lower mortgage banking revenue and commercial products revenue

## Year-over-Year

- Noninterest income growth was partially offset by lower mortgage banking and other revenue
- Payment services revenue growth was driven by higher corporate payment products revenue and higher credit and debit card revenue
- Growth in trust and investment management fees reflected favorable market conditions and account growth
- Growth in deposit service charges was driven by higher transaction volumes and account growth

$ in millions
Payments = credit and debit card, corporate payment products and merchant processing
Service charges = deposit service charges, treasury management and ATM processing

# Noninterest Expense




### Linked Quarter

- Fourth quarter noninterest expense included notable items which totaled $825 million
- Excluding notable items, noninterest expense increased 2.5%, driven by seasonally higher costs related to investments in tax-advantaged projects, seasonally higher professional services expense, and an increase in employee benefits expense due to increased medical costs

### Year-over-Year

- Excluding notable items, noninterest expense increased 3.6% due to higher compensation and employee benefits expense, partially offset by lower professional services expense

**Excluding notable items:**

| | |
|---|---|
| **+29.6% linked quarter** | **+2.5% linked quarter** |
| **+31.1% year-over-year** | **+3.6% year-over-year** |

$ in millions

# Capital Position

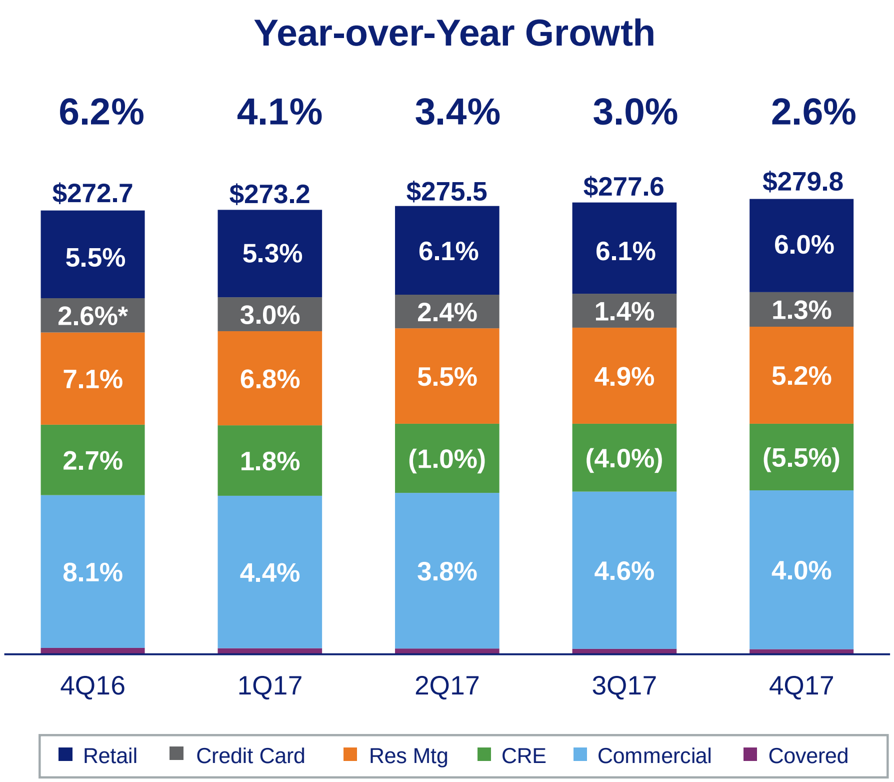
| $ in billions | 4Q17 | 3Q17 | 2Q17 | 1Q17 | 4Q16 |
|---|---|---|---|---|---|
| Total U.S. Bancorp shareholders' equity | $49.0 | $48.7 | $48.3 | $47.8 | $47.3 |
| **Standardized Approach** | | | | | |
| Basel III transitional standardized approach | | | | | |
| Common equity tier 1 capital ratio | 9.3% | 9.6% | 9.5% | 9.5% | 9.4% |
| Tier 1 capital ratio | 10.8% | 11.1% | 11.1% | 11.0% | 11.0% |
| Total risk-based capital ratio | 12.9% | 13.2% | 13.2% | 13.3% | 13.2% |
| Leverage ratio | 8.9% | 9.1% | 9.1% | 9.1% | 9.0% |
| Common equity tier 1 capital to RWA estimated for the Basel III fully implemented standardized approach* | 9.1% | 9.4% | 9.3% | 9.2% | 9.1% |
| **Advanced Approaches** | | | | | |
| Common equity tier 1 capital ratio | 12.0% | 12.1% | 12.0% | 11.8% | 12.2% |
| Common equity tier 1 capital to RWA estimated for the Basel III fully implemented advanced approaches* | 11.6% | 11.8% | 11.7% | 11.5% | 11.7% |
| Tangible common equity to tangible assets* | 7.6% | 7.7% | 7.5% | 7.6% | 7.5% |
| Tangible common equity as a % of RWA* | 9.4% | 9.5% | 9.4% | 9.4% | 9.2% |

RWA = risk-weighted assets
* See Non-GAAP Financial Measures reconciliation on slide 25

# Appendix

# Average Loans

## Average Loans ($bn)




## Key Points

### vs. 4Q16

- Average total loans increased by $7.1 billion, or 2.6%
- Average commercial loans increased by $3.8 billion, or 4.0%
- Average retail loans increased by $3.3 billion, or 6.0%
- Average residential mortgage loans increased by $2.9 billion, or 5.2%

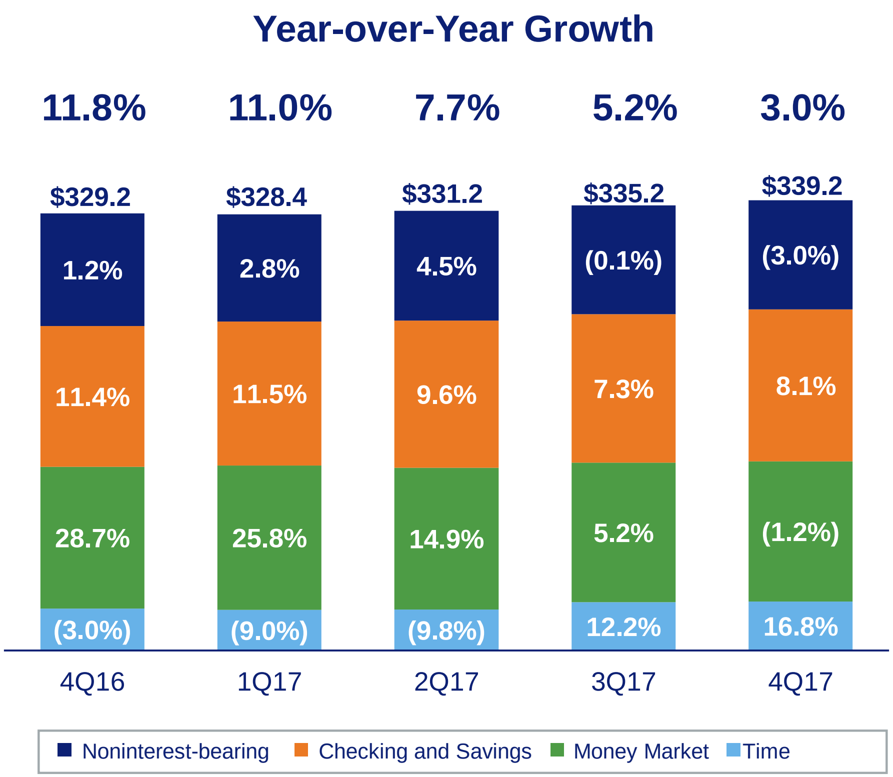
### vs. 3Q17

- Average total loans increased by $2.1 billion, or 0.8%
- Average commercial loans increased by $0.9 billion, or 1.0%
- Average retail loans increased by $1.1 billion, or 1.9%
- Average residential mortgage loans increased by $0.6 billion, or 1.0%

* Excluding the 4Q15 credit card portfolio acquisition

# Average Deposits

## Average Deposits ($bn)




## Key Points

### vs. 4Q16

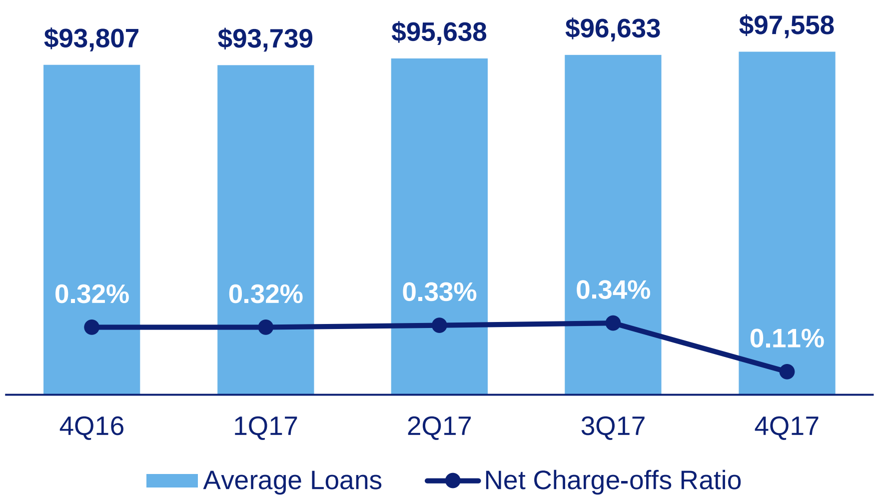
- Average total deposits increased by $10.0 billion, or 3.0%
- Average low-cost deposits (NIB, interest checking, money market and savings) increased by $4.7 billion, or 1.6%

### vs. 3Q17

- Average total deposits increased by $4.0 billion, or 1.2%
- Average low-cost deposits increased by $3.4 billion, or 1.1%

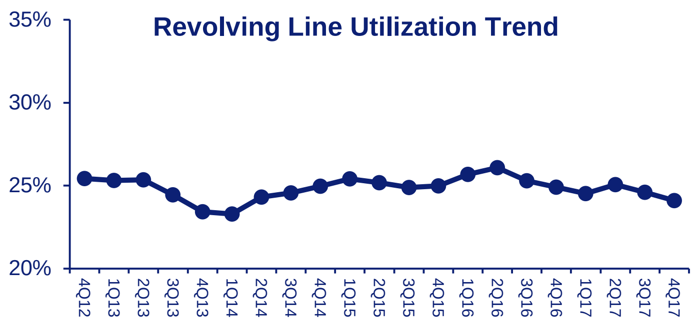
# Credit Quality – Commercial Loans

## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $93,807 | $96,633 | $97,558 |
| 30-89 Delinquencies | 0.28% | 0.22% | 0.26% |
| 90+ Delinquencies | 0.06% | 0.05% | 0.06% |
| Nonperforming Loans | 0.52% | 0.28% | 0.26% |

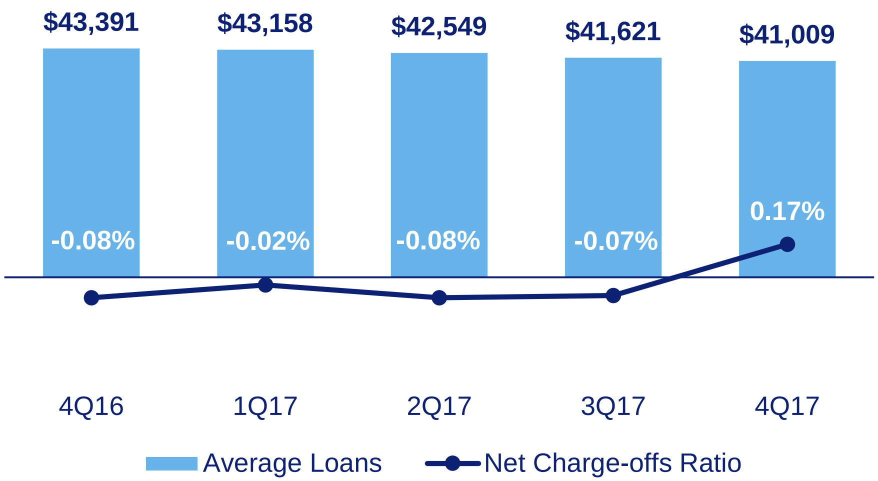



## Key Points

- 2017 loan growth was driven by up-tiering customer relationships and supporting merger and acquisition activity
- 4Q17 net charge-offs improved due to higher recoveries

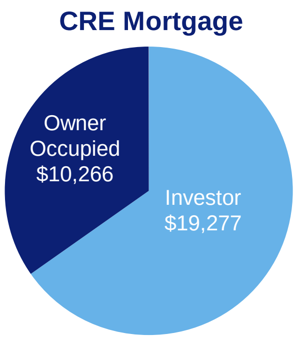
# Credit Quality – Commercial Real Estate

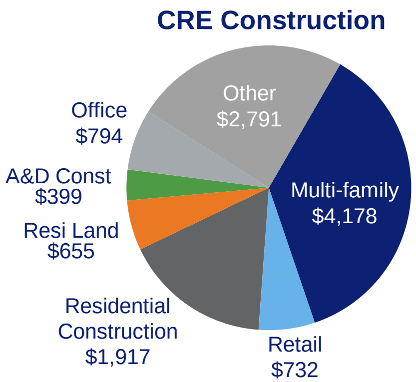
## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $43,391 | $41,621 | $41,009 |
| 30-89 Delinquencies | 0.10% | 0.15% | 0.09% |
| 90+ Delinquencies | 0.02% | 0.01% | 0.01% |
| Nonperforming Loans | 0.29% | 0.29% | 0.35% |
| Performing TDRs* | $169 | $141 | $138 |



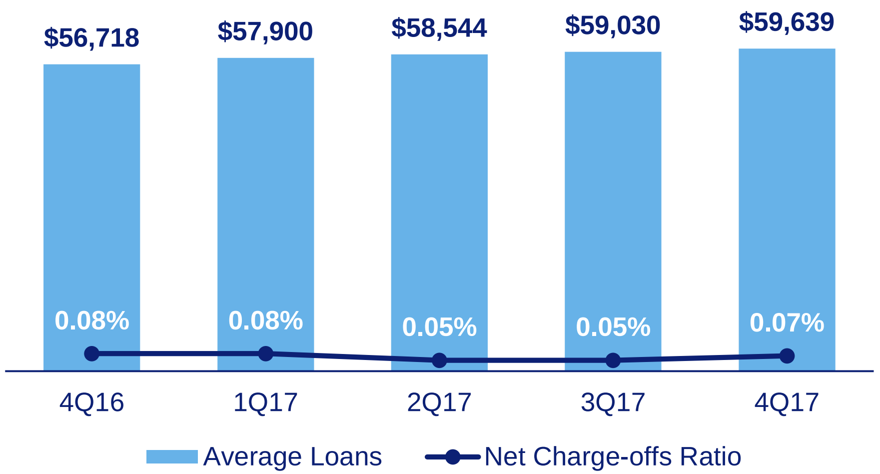

## Key Points

- Average loans declined in 2017 due to loan payoffs as a result of strong permanent loan market liquidity
- Higher charge-offs in 4Q17 driven by write-downs of enclosed malls and lower recoveries

* TDR = troubled debt restructuring

# Credit Quality – Residential Mortgage

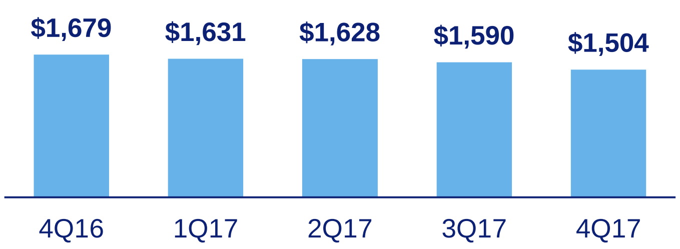
## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $56,718 | $59,030 | $59,639 |
| 30-89 Delinquencies | 0.26% | 0.26% | 0.33% |
| 90+ Delinquencies | 0.27% | 0.18% | 0.22% |
| Nonperforming Loans | 1.04% | 0.80% | 0.74% |

**Residential Mortgage Performing TDRs***



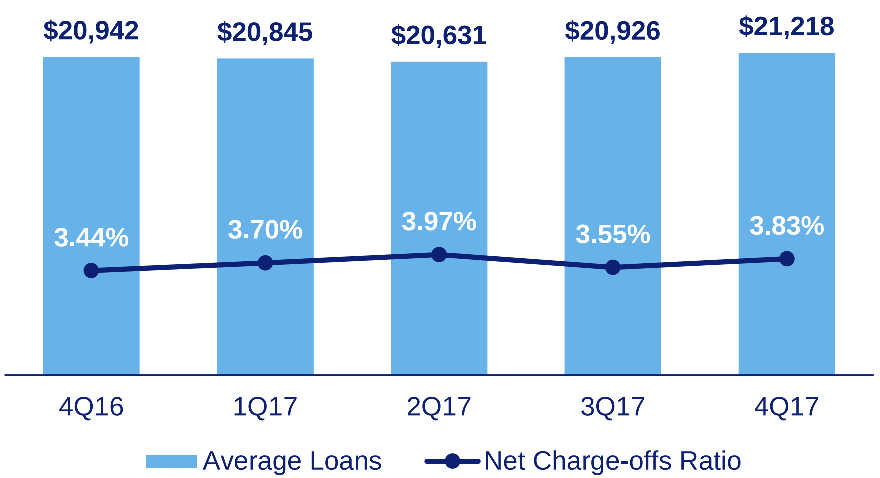

## Key Points

- Originations continued to be high credit quality (weighted average FICO of 757, weighted average LTV of 70%)
- More than 91% of balances have been originated since the beginning of 2009; the origination quality metrics and performance to date have significantly outperformed prior vintages with similar seasoning

* Excludes GNMA loans, whose repayments are insured by the FHA or guaranteed by the Department of VA ($1,681 million in 4Q17)

# Credit Quality – Credit Card

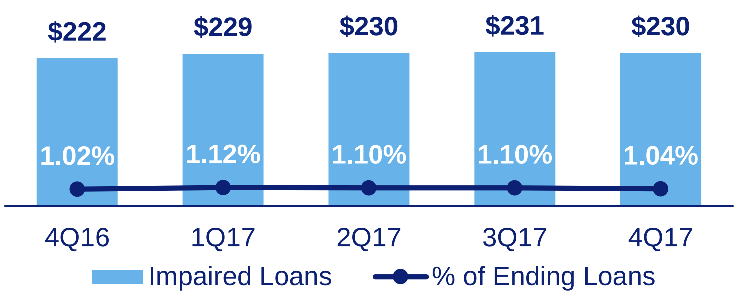
## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $20,942 | $20,926 | $21,218 |
| 30-89 Delinquencies | 1.31% | 1.42% | 1.37% |
| 90+ Delinquencies | 1.16% | 1.20% | 1.28% |
| Nonperforming Loans | 0.01% | 0.00% | 0.00% |

**Credit Card Restructured Loans**

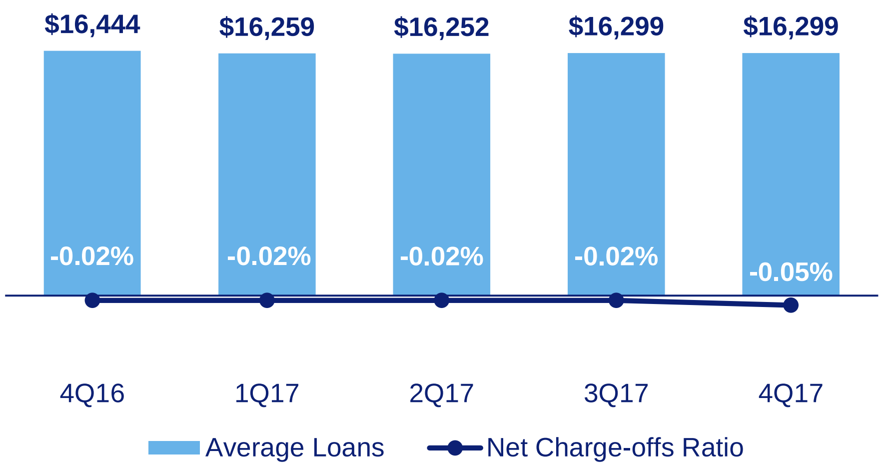



## Key Points

- Year-over-year average loan growth of 1.3% driven by high credit quality originations
- Commitment weighted average FICO on new originations remained strong at 759
- Year-over-year increases in delinquency and net charge-off rates primarily reflect vintage maturation

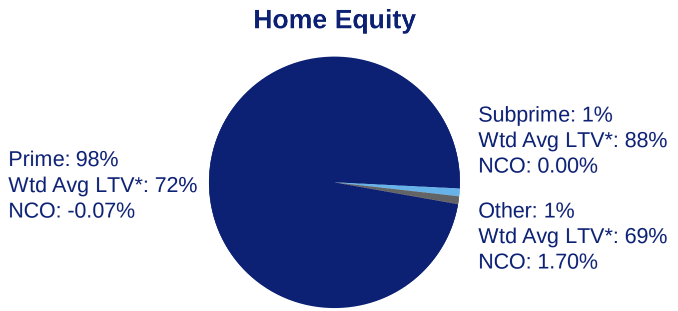
# Credit Quality – Home Equity

## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $16,444 | $16,299 | $16,299 |
| 30-89 Delinquencies | 0.37% | 0.38% | 0.48% |
| 90+ Delinquencies | 0.25% | 0.24% | 0.28% |
| Nonperforming Loans | 0.78% | 0.75% | 0.77% |



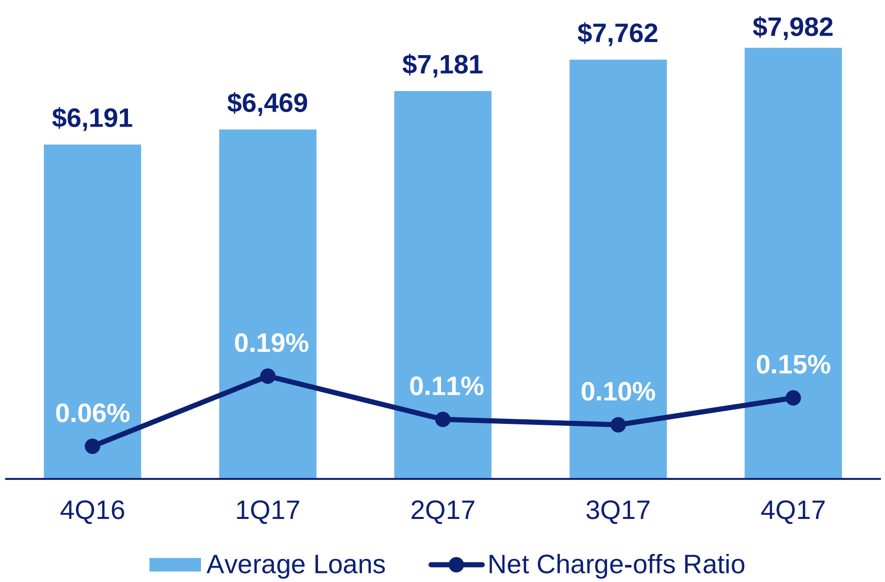

*LTV at origination

## Key Points

- High-quality originations (weighted average FICO on commitments of 768, weighted average CLTV of 69%) originated primarily through the retail branch network to existing bank customers on their primary residences
- Net charge-offs were stable year-over-year with strong recoveries

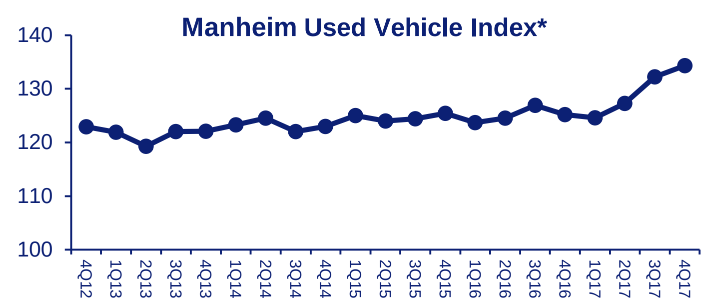
# Credit Quality – Retail Leasing

## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $6,191 | $7,762 | $7,982 |
| 30-89 Delinquencies | 0.28% | 0.31% | 0.41% |
| 90+ Delinquencies | 0.02% | 0.03% | 0.03% |
| Nonperforming Loans | 0.03% | 0.09% | 0.10% |



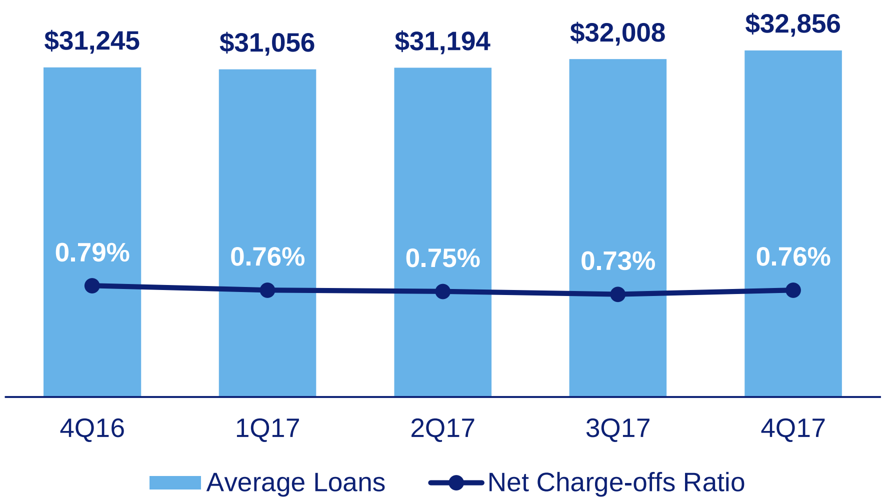

## Key Points

- Continued high-quality originations during 4Q17 (weighted average FICO of 782) support the portfolio's stable credit profile
- Late Stage Delinquencies, nonperforming leases and net charge-offs remained at very low levels

* Manheim Used Vehicle Value Index source: www.manheimconsulting.com, January 1995 = 100, quarter value = average monthly ending values

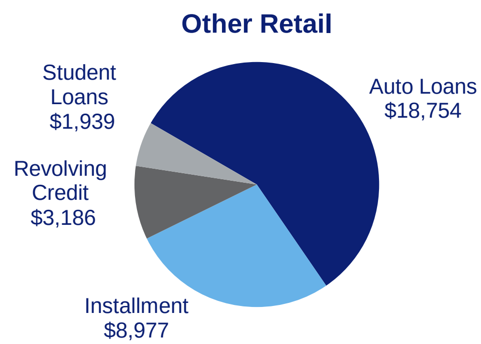
# Credit Quality – Other Retail

## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $31,245 | $32,008 | $32,856 |
| 30-89 Delinquencies | 0.66% | 0.75% | 0.80% |
| 90+ Delinquencies | 0.13% | 0.13% | 0.15% |
| Nonperforming Loans | 0.09% | 0.10% | 0.10% |

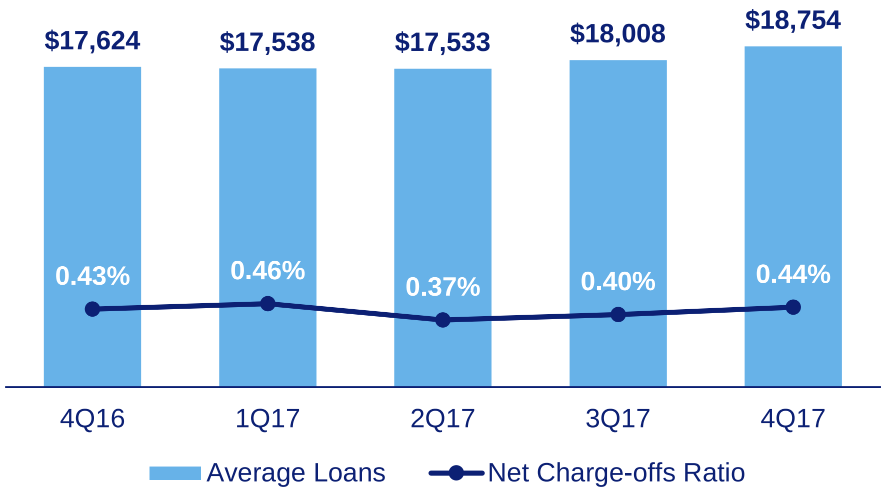



## Key Points

- Overall growth continued to be driven by auto loan and installment categories, which were up 6.4% and 11.2% year-over-year, respectively
- Net charge-offs remained stable; 30-89 delinquencies were seasonally higher on a linked quarter basis

# Credit Quality – Auto Loans

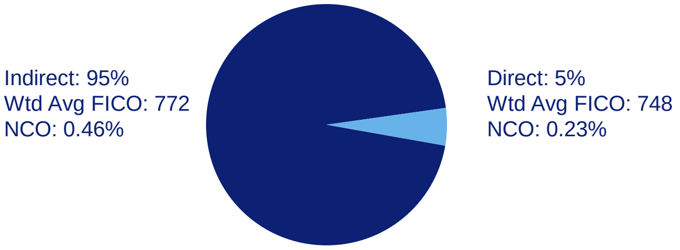
## Average Loans ($mm) and Net Charge-offs Ratio




## Key Statistics

| $mm | 4Q16 | 3Q17 | 4Q17 |
|---|---|---|---|
| Average Loans | $17,624 | $18,008 | $18,754 |
| 30-89 Delinquencies | 0.74% | 0.89% | 0.95% |
| 90+ Delinquencies | 0.06% | 0.08% | 0.08% |
| Nonperforming Loans | 0.09% | 0.11% | 0.12% |

**Indirect and Direct Channel**




## Key Points

- Growth driven by high-quality originations in the indirect channel (weighted average FICO 777)
- Net charge-offs increased seasonally, as expected, on a linked quarter basis

Auto loans are included in Other Retail category

# Non-GAAP Financial Measures

| (Dollars in Millions, Unaudited) | December 31, 2017 | | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 |
|---|---|---|---|---|---|---|
| Total equity | $49,666 | | $49,351 | $48,949 | $48,433 | $47,933 |
| Preferred stock | (5,419) | | (5,419) | (5,419) | (5,419) | (5,501) |
| Noncontrolling interests | (626) | | (628) | (629) | (635) | (635) |
| Goodwill (net of deferred tax liability) (1) | (8,613) | | (8,141) | (8,181) | (8,186) | (8,203) |
| Intangible assets, other than mortgage servicing rights | (583) | | (595) | (634) | (671) | (712) |
| Tangible common equity (a) | 34,425 | | 34,568 | 34,086 | 33,522 | 32,882 |
| Tangible common equity (as calculated above) | 34,425 | | 34,568 | 34,086 | 33,522 | 32,882 |
| Adjustments (2) | (550) | | (52) | (51) | (136) | (55) |
| Common equity tier 1 capital estimated for the Basel III fully implemented standardized and advanced approaches (b) | 33,875 | | 34,516 | 34,035 | 33,386 | 32,827 |
| Total assets | 462,040 | | 459,227 | 463,844 | 449,522 | 445,964 |
| Goodwill (net of deferred tax liability) (1) | (8,613) | | (8,141) | (8,181) | (8,186) | (8,203) |
| Intangible assets, other than mortgage servicing rights | (583) | | (595) | (634) | (671) | (712) |
| Tangible assets (c) | 452,844 | | 450,491 | 455,029 | 440,665 | 437,049 |
| Risk-weighted assets, determined in accordance with prescribed transitional standardized approach regulatory requirements (d) | 367,771 | * | 363,957 | 361,164 | 356,373 | 358,237 |
| Adjustments (3) | 4,473 | * | 3,907 | 3,967 | 4,731 | 4,027 |
| Risk-weighted assets estimated for the Basel III fully implemented standardized approach (e) | 372,244 | * | 367,864 | 365,131 | 361,104 | 362,264 |
| Risk-weighted assets, determined in accordance with prescribed transitional advanced approaches regulatory requirements | 287,211 | * | 287,800 | 287,124 | 285,963 | 277,141 |
| Adjustments (4) | 4,769 | * | 4,164 | 4,231 | 5,046 | 4,295 |
| Risk-weighted assets estimated for the Basel III fully implemented advanced approaches (f) | 291,980 | * | 291,964 | 291,355 | 291,009 | 281,436 |
| **Ratios *** | | | | | | |
| Tangible common equity to tangible assets (a)/(c) | 7.6 % | | 7.7 % | 7.5 % | 7.6 % | 7.5 % |
| Tangible common equity to risk-weighted assets (a)/(d) | 9.4 | | 9.5 | 9.4 | 9.4 | 9.2 |
| Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (b)/(e) | 9.1 | | 9.4 | 9.3 | 9.2 | 9.1 |
| Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (b)/(f) | 11.6 | | 11.8 | 11.7 | 11.5 | 11.7 |

* Preliminary data. Subject to change prior to filings with applicable regulatory agencies.
(1) Includes goodwill related to certain investments in unconsolidated financial institutions per prescribed regulatory requirements.
(2) Includes net losses on cash flow hedges included in accumulated other comprehensive income (loss) and other adjustments.
(3) Includes higher risk-weighting for unfunded loan commitments, investment securities, residential mortgages, mortgage servicing rights and other adjustments.
(4) Primarily reflects higher risk-weighting for mortgage servicing rights.

# Non-GAAP Financial Measures

| (Dollars in Millions, Unaudited) | Three Months Ended | | |
|---|---|---|---|
| | December 31, 2017 | September 30, 2017 | December 31, 2016 |
| Net interest income | $3,144 | $3,135 | $2,955 |
| Taxable-equivalent adjustment (1) | 53 | 51 | 49 |
| Net interest income, on a taxable-equivalent basis | 3,197 | 3,186 | 3,004 |
| Net interest income, on a taxable-equivalent basis (as calculated above) | 3,197 | 3,186 | 3,004 |
| Noninterest income | 2,441 | 2,422 | 2,431 |
| Less: Securities gains (losses), net | 10 | 9 | 6 |
| Total net revenue, excluding net securities gains (losses) (a) | 5,628 | 5,599 | 5,429 |
| Noninterest expense (b) | 3,939 | 3,039 | 3,004 |
| Efficiency ratio (b)/(a) | 70.0 % | 54.3 % | 55.3 % |
| Total net revenue, excluding net securities gains (losses) (as calculated above) (a) | $5,628 | | |
| Noninterest expense | 3,939 | | |
| Less: Notable items (2) | 825 | | |
| Noninterest expense, excluding notable items (c) | 3,114 | | |
| Efficiency ratio, excluding notable items (c)/(a) | 55.3 % | | |
| Net income attributable to U.S. Bancorp | $1,682 | | |
| Less: Notable items (3) | 150 | | |
| Net income attributable to U.S. Bancorp, excluding notable items | 1,532 | | |
| Annualized net income attributable to U.S. Bancorp, excluding notable items (d) | 6,078 | | |
| Average assets (e) | 456,098 | | |
| Return on average assets, excluding notable items (d)/(e) | 1.33 % | | |
| Net income applicable to U.S. Bancorp common shareholders | $1,611 | | |
| Less: Notable items (3) | 150 | | |
| Net income applicable to U.S. Bancorp common shareholders, excluding notable items | 1,461 | | |
| Annualized net income applicable to U.S. Bancorp common shareholders, excluding notable items (f) | 5,796 | | |
| Average common equity (g) | 43,415 | | |
| Return on average common equity, excluding notable items (f)/(g) | 13.4 % | | |

(1) Utilizes a tax rate of 35 percent for those assets and liabilities whose income or expense is not included for federal income tax purposes.

(2) Notable items for the three months ended December 31, 2017 include: $608 million legal and regulatory accrual, $150 million contribution to the U.S. Bank Foundation and $67 million one-time bonus to certain eligible employees.

(3) Notable items for the three months ended December 31, 2017 include: $910 million reduction in income tax expense due to tax reform legislation, $608 million legal and regulatory accrual, $105 million (after-tax) contribution to the U.S. Bank Foundation and $47 million (after-tax) one-time bonus to certain eligible employees.

# U.S. Bancorp
# 4Q17 Earnings Conference Call

January 17, 2018