

# 2020 RBC Capital Markets Global Financial Institutions Conference

**Terry Dolan**

Vice Chair and Chief Financial Officer

**Tim Welsh**

Vice Chair, Consumer and Business Banking

March 11, 2020



# 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. Deterioration in general business and economic conditions or turbulence in domestic or global financial markets could adversely affect U.S. Bancorp's revenues and the values of its assets and liabilities, reduce the availability of funding to certain financial institutions, lead to a tightening of credit, and increase stock price volatility. 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 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 its investment securities; legal and regulatory developments; litigation; increased competition from both banks and non-banks; changes in the level of tariffs and other trade policies of the United States and its global trading partners; changes in customer behavior and preferences; breaches in data security; failures to safeguard personal information; 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 reputation 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, 2019, 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. In addition, factors other than these risks also could adversely affect U.S. Bancorp's results, and the reader should not consider these risks 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.

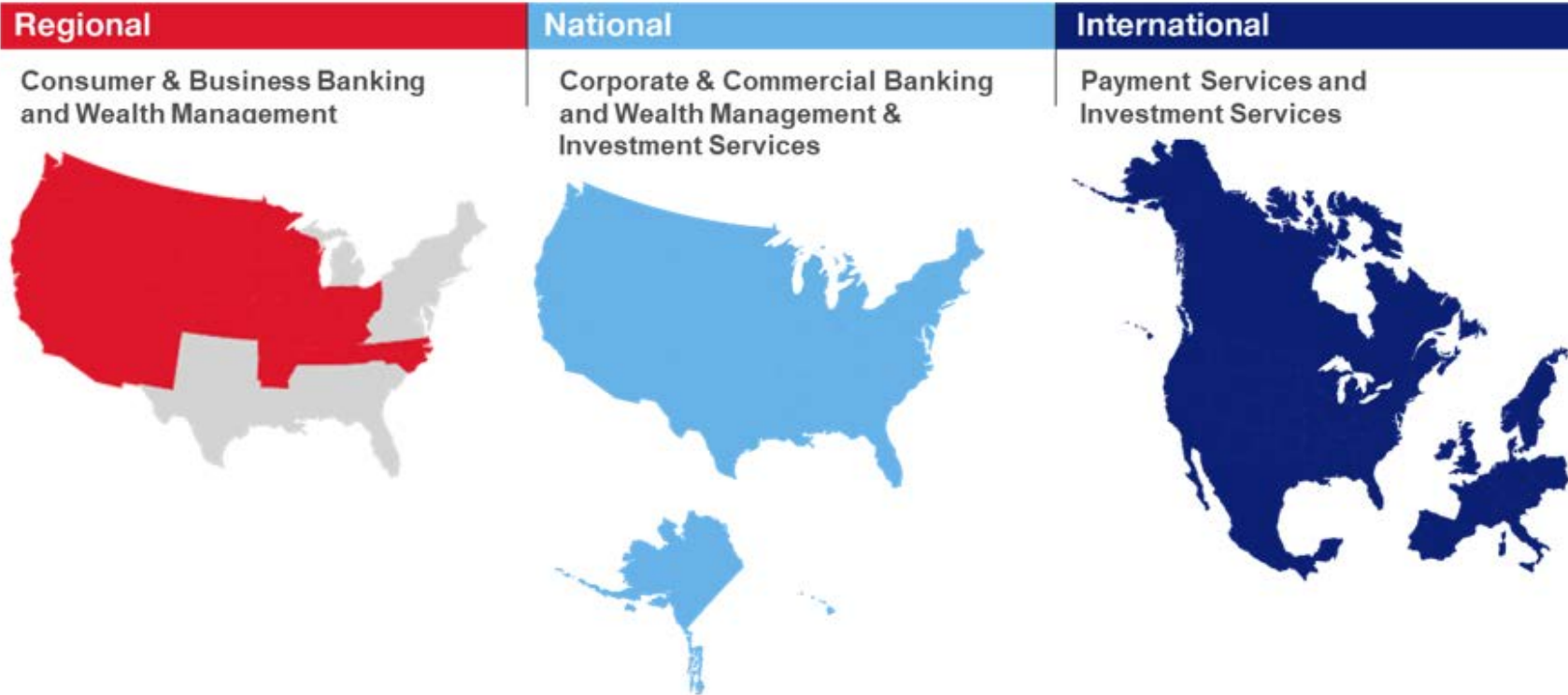


# U.S. Bancorp Overview

NYSE Traded    USB  
Founded        1863  
Market Value    \$64B

Branches        2,795  
ATMs            4,459

Assets            \$495B  
Deposits        \$362B  
Loans            \$296B



# Our Position In the Industry

Assets			Deposits			Market Value		
Rank	Company	\$ in billions	Rank	Company	\$ in billions	Rank	Company	\$ in billions
1	J.P. Morgan	\$2,687	1	J.P. Morgan	\$1,562	1	J.P. Morgan	\$331
2	Bank of America	2,434	2	Bank of America	1,435	2	Bank of America	224
3	Citigroup	1,951	3	Wells Fargo	1,323	3	Wells Fargo	152
4	Wells Fargo	1,928	4	Citigroup	1,071	4	Citigroup	128
<b>5</b>	<b>U.S. Bancorp</b>	<b>495</b>	<b>5</b>	<b>U.S. Bancorp</b>	<b>362</b>	<b>5</b>	<b>U.S. Bancorp</b>	<b>64</b>
6	Truist Financial	473	6	Truist Financial	335	6	Truist Financial	56
7	PNC	410	7	PNC	289	7	PNC	50
8	Fifth Third	169	8	Fifth Third	127	8	Fifth Third	16
9	KeyCorp	145	9	KeyCorp	112	9	KeyCorp	15



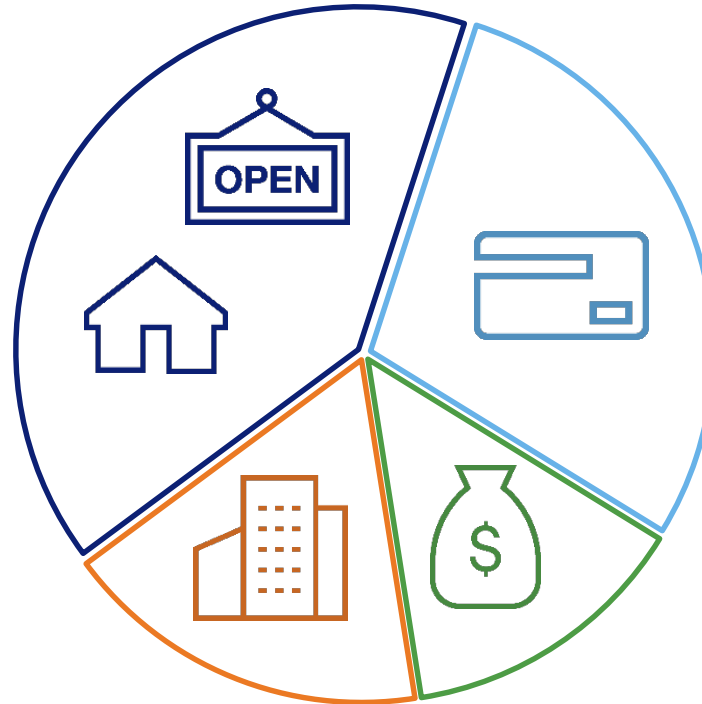
# Our Businesses

## Consumer & Business Banking 40%

Branch banking, small business banking, consumer lending, mortgage banking and omnichannel delivery

## Corporate & Commercial Banking 17%

Corporate Banking, Commercial Banking and Commercial Real Estate



## Payment Services 29%

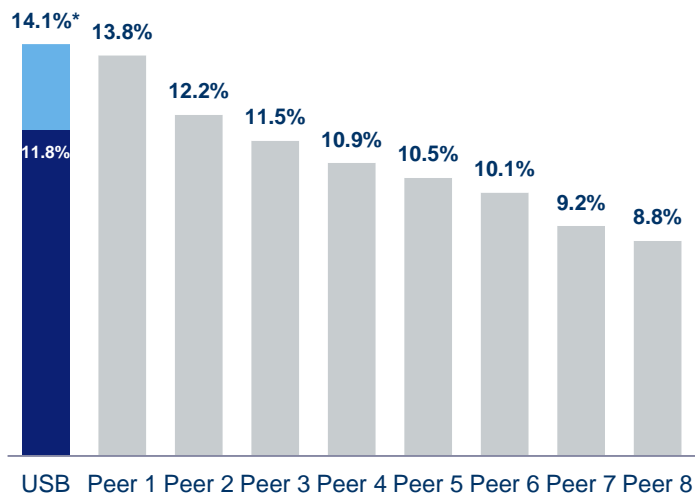
Retail Payment Solutions, Global Merchant Acquiring and Corporate Payment Systems

## Wealth Management & Investment Services 14%

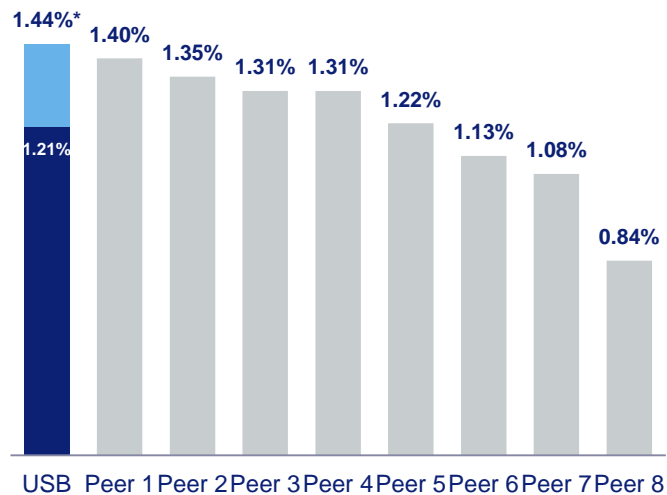
Wealth Management, Asset Management, Corporate Trust, Fund Services and Custody

# Our Financial Performance, 4Q19

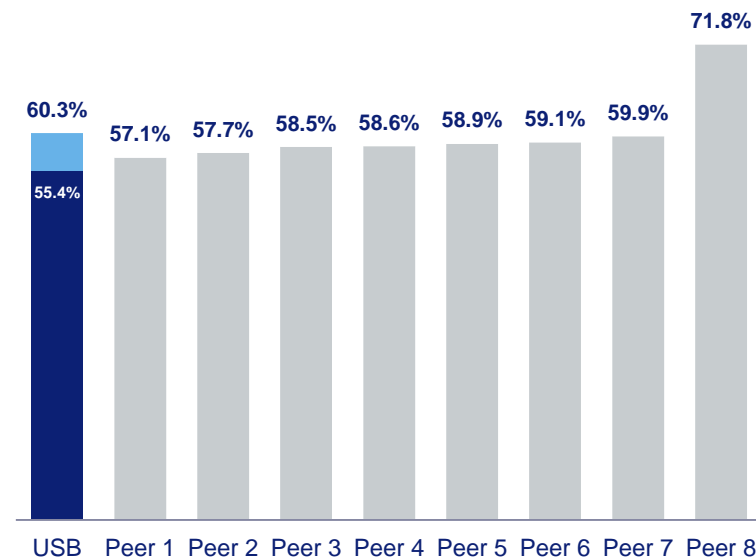
## Return on Average Common Equity



## Return on Average Assets



## Efficiency Ratio\*



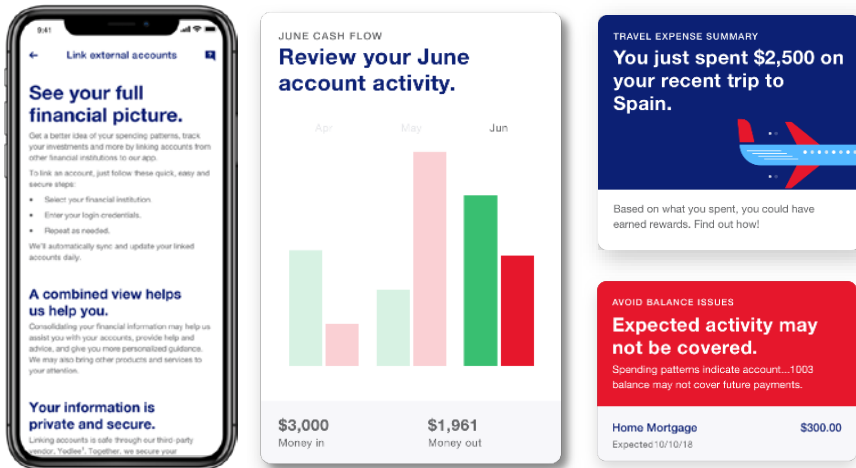
Source: company reports; Peer banks include: BAC, FITB, JPM, KEY, PNC, RF, TFC and WFC; all ratios for USB and peers exclude one-time notable items.

\* Non-GAAP. See slide 19 of this presentation for calculation.

# Our Strategy and Key Initiatives

**We put our customers in the center of everything we do**, staying ahead of their needs, desires and expectations **to deliver exceptional experiences and create deeper, more valuable relationships.**

## Building a strong digital foundation



## Transforming distribution



**Selectively entering new markets** with a branch-lite physical presence

**Relocating and redesigning branches** in our existing markets

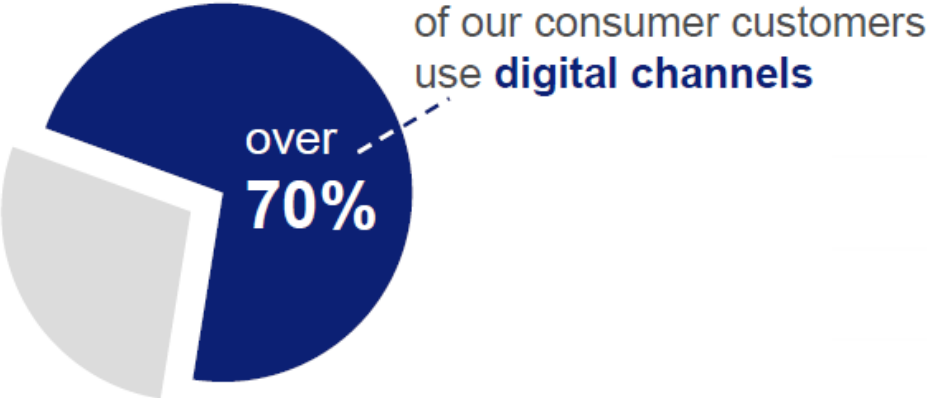
**Closing branches where appropriate** and optimizing square footage

**Building alliances with those that share our values** to serve customers and communities at greater scale

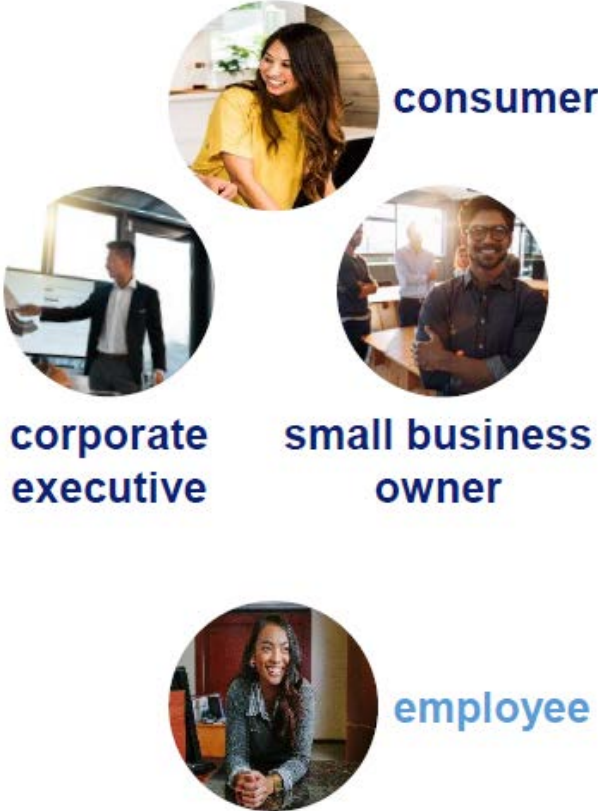
# Pairing digital and teams to deliver for customers

Customer behavior continues to evolve...

...with implications on how we design and engage



Industry-wide, digital interactions occur at a rate of **~30x physical**





# Digital First: Mobile Banking

Our completely redesigned mobile app features a competitive set of service and sales functionalities, **making mobile banking simpler than ever.**



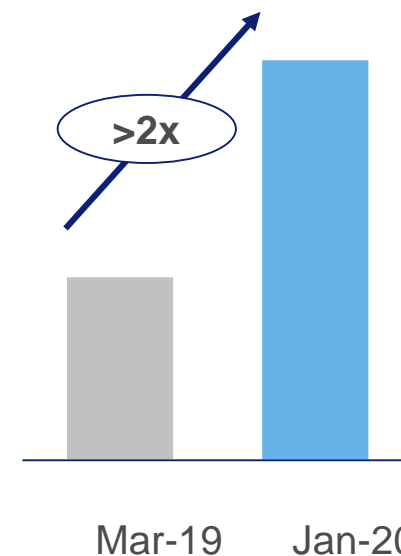
## App enhancements since 2019 launch

- Report Lost / Stolen Card
- Subscription management
- Premier loan shop and buy
- Micro-savings pilot
  
- Free credit score
- Reset Debit PIN
- Business Deposits shop and buy
- “My offers”
- Stop payments

Q4 2019

Q1 2020

## Growth in mobile interactions\*



**600M**  
Insights  
delivered\*

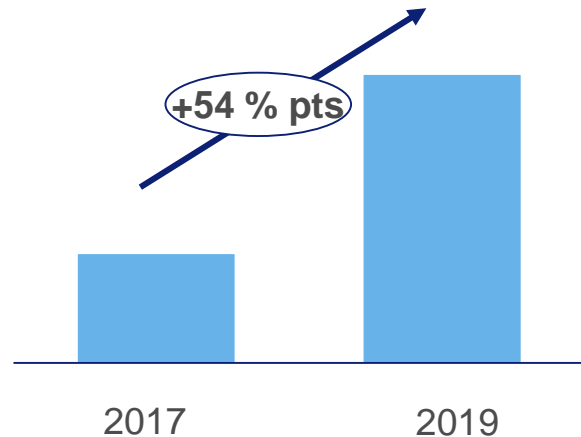
Nearly **85%**  
of insights  
viewed as  
valuable by  
customers

\* Per customer per day - since launch of new mobile app for iPhone in March 2019

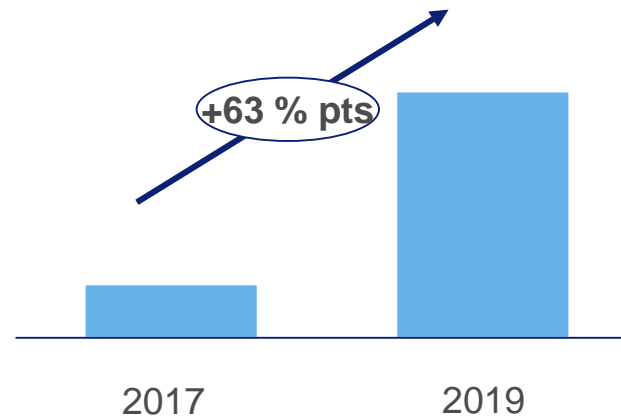
# Digital First: Mortgage Lending

We **reimagined the home buying experience**, simplifying and streamlining our mortgage application process to make meaningful improvements in customer experience and efficiency while driving market share gains.

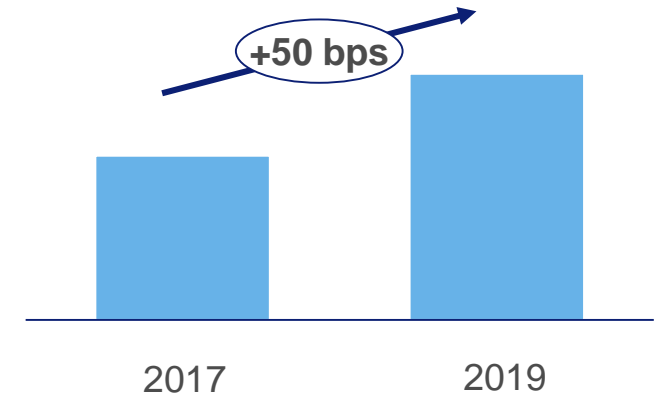
Applications through portal\*



Closings through portal\*



Retail market share



## Significant increase in productivity:

- Mortgage loans funded per FTE **increased 45%** from 1H'17 to 2H'19

**Over 90% of mortgage applications now move through the Blend platform**

\* As a percent of total applications and closings; increase is in percentage points

# Digital First: Business Lending

We continue to drive an integrated customer experience with our small business customers

## A completely re-engineered process:

- Number of application fields reduced by **>70%**
- Dashboard with visibility into application status

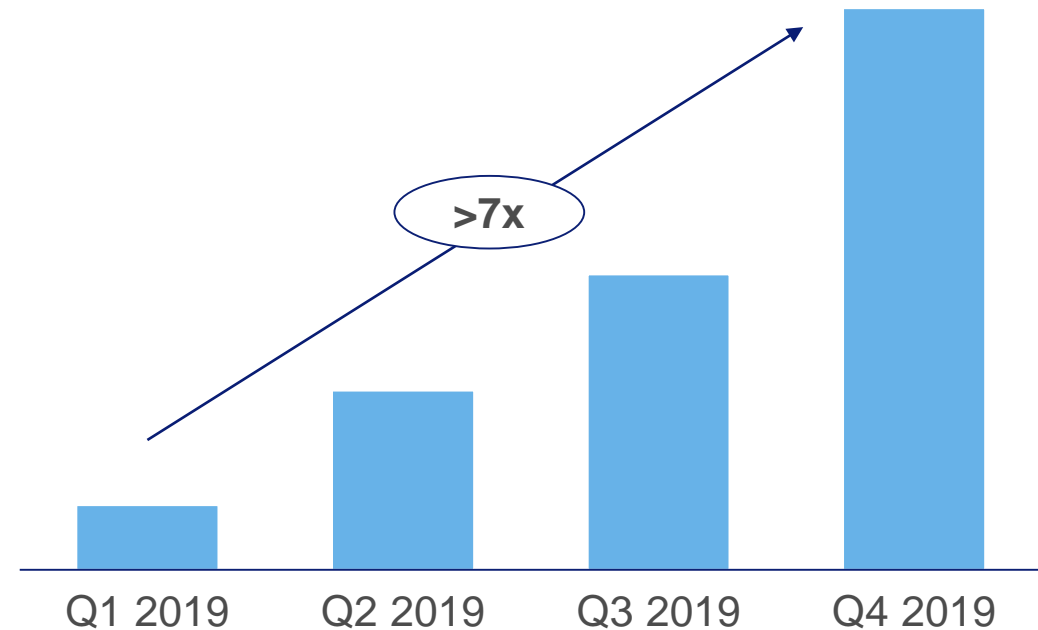


The entire lending process can now be completed same day, often **within an hour or less.**

### Fastest loan booking to date: **13 minutes**

- 6 minutes to apply
- 7 minutes to decision, finalize, sign and book

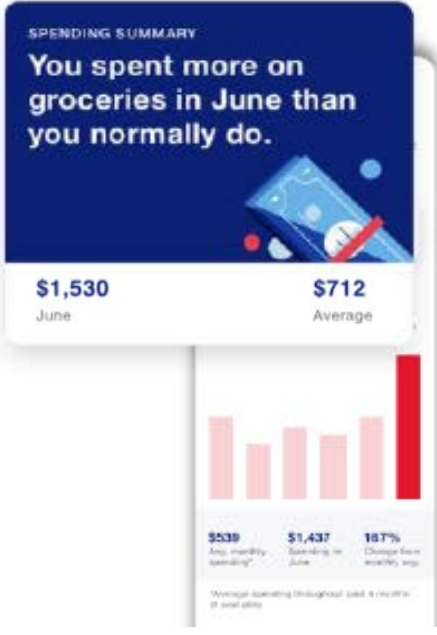
## Fund My Business – booked loan production



Expanding into bigger loans using nCino with more than 1,900 licenses on the platform following 8 month cycle from development to MVP implementation

# Creating fundamentally different interactions across channels

### Personalization



SPENDING SUMMARY

You spent more on groceries in June than you normally do.

**\$1,530**  
June

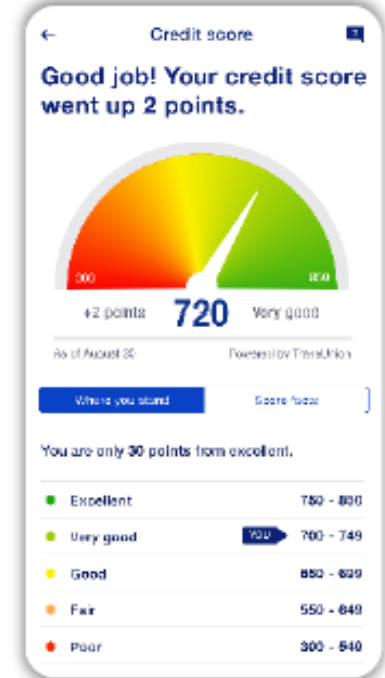
**\$712**  
Average

183%  
Change from monthly avg.

Category	Spending
Any monthly spending*	\$539
Spending in June	\$1,437

\*Average spending throughout past 12 months of card data.

### Credit Score Visibility



Credit score

Good job! Your credit score went up 2 points.

720 Very good

+2 points

As of August 25

Powered by TransUnion


Where you stand

Score today

You are only 30 points from excellent.

Rating	Score Range
Excellent	750 - 800
Very good	700 - 749
Good	650 - 699
Fair	550 - 649
Poor	300 - 549

### Subscription Management



BILLS HARK

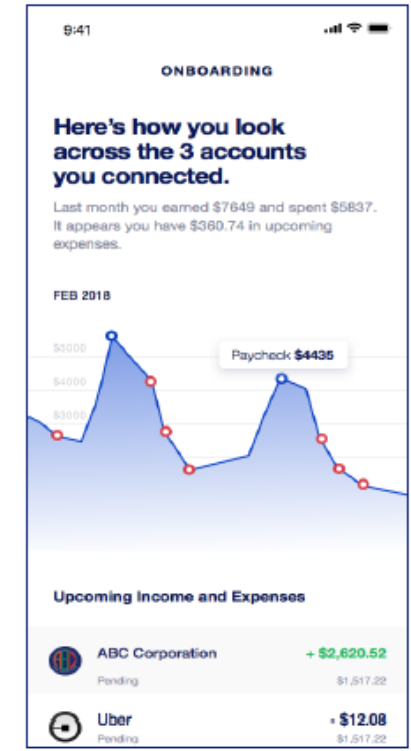
Looks like we could save you \$449 annually on your mobile bill.

EXPERIENCE

#### Subscription Review

Your free Apple Music trial just expired. You already have Spotify, do you want to keep paying for both?

### "Test Drive" (targeting Q3)



9:41

ONBOARDING

Here's how you look across the 3 accounts you connected.

Last month you earned \$7649 and spent \$5837. It appears you have \$360.74 in upcoming expenses.

FEB 2018

Paycheck \$4435

Upcoming Income and Expenses

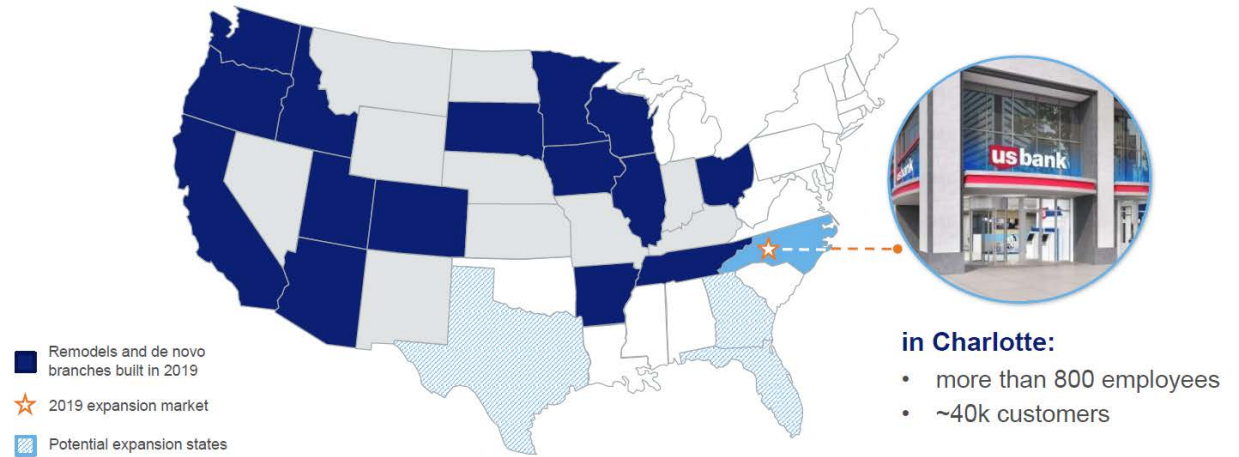
Account	Amount
ABC Corporation	+\$2,620.52
Uber	-\$12.08

Moving to pilot with MVPs across One Click Switch, Subscription banking, and Pre-approved loans through our mobile app

# Transforming our distribution network

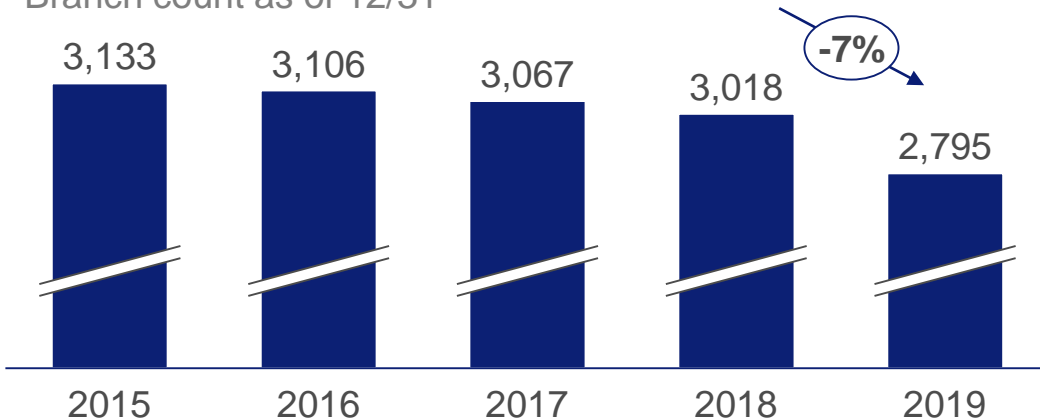
As we accelerate the **transformation of our distribution network**, we are creating the model that best serves our customers' evolving preferences.

## Investing



## Optimizing

Branch count as of 12/31



## Redesigning

- Deployment of Client Relationship Consultants across all branches focused on proactive customer engagement
- Added more than 300 Business Bankers in 4Q19 and 1Q20
- More than 350 locations migrated to universal model in 2019

# Augmenting distribution with customer-centric alliances

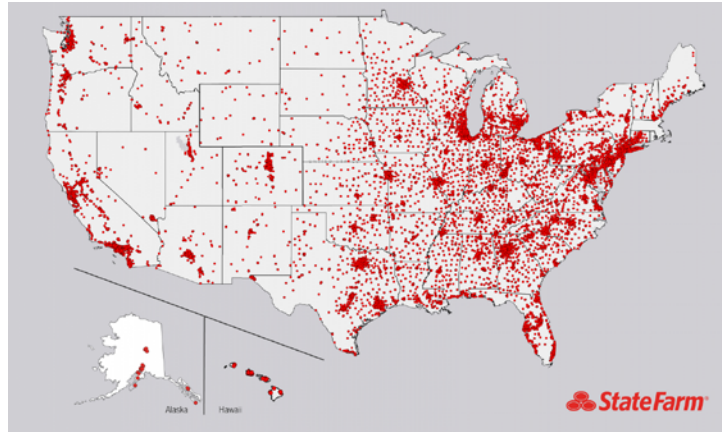
Common purpose and aligned values

**State Farm**

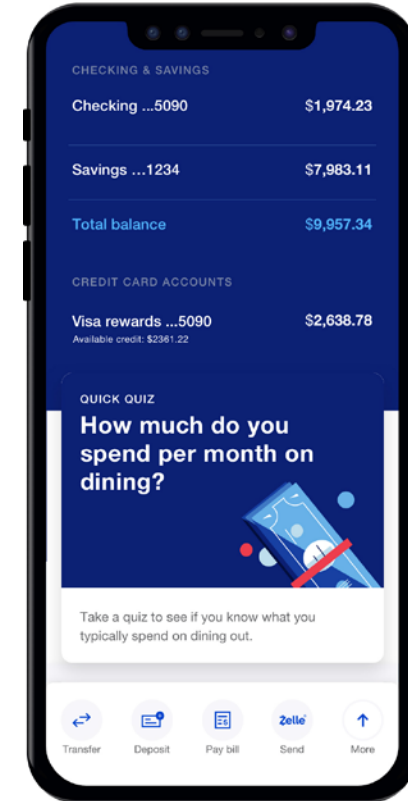


**usbank**

Leveraging strengths of the alliance team



Over 19,000 State Farm agents



U.S. Bank  
Digital and  
Product  
capabilities

# Summary

## **We are transforming Consumer and Business Banking to be:**

- More agile and digital to serve customers better, faster and where and how they choose
- More personal, with the advice and information customers want
- More available, in new markets
- More optimized and efficient

## **We expect to realize:**

- New account growth and deeper relationships with existing customers

*Driving...*

- Stronger growth in loans, deposits and fee revenue
- Improved efficiencies



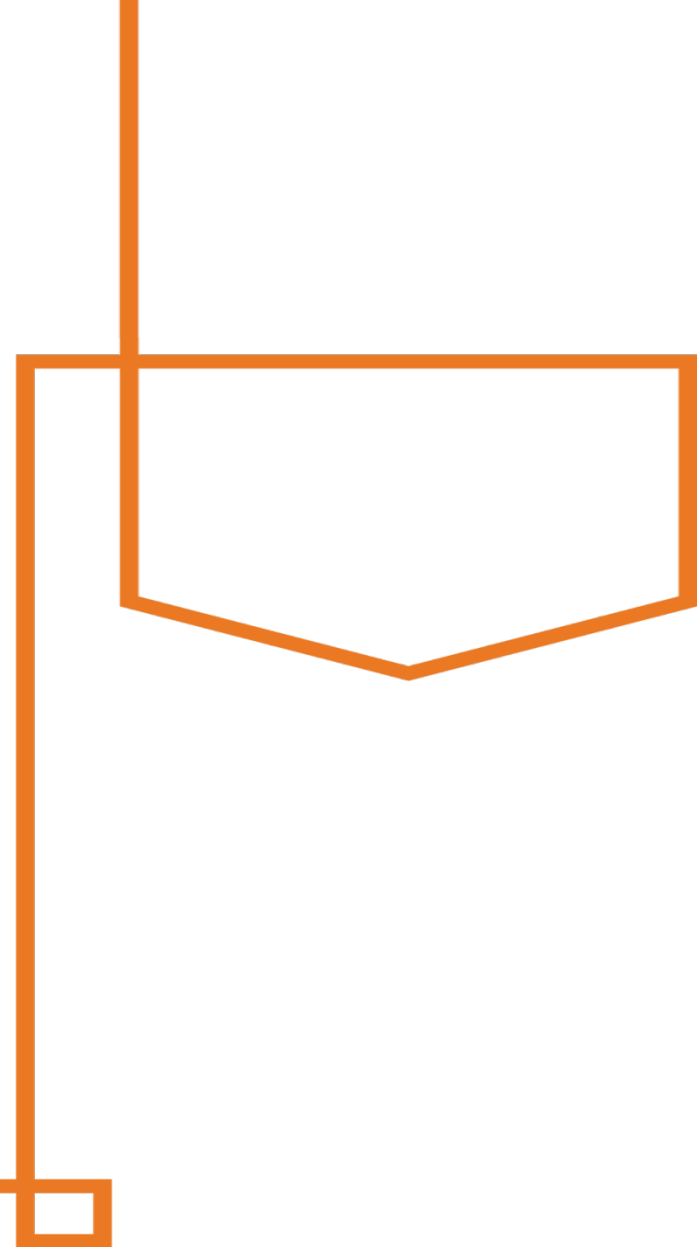
# 1Q20 Guidance Update

- Fully taxable-equivalent net interest income
- Fee revenue
- Noninterest expense
- Credit quality
- Tax rate





# Appendix



# Non-GAAP Financial Measures

(\$ in millions)

<b>Line of Business Financial Performance</b>	Net Revenue FY19
Corporate and Commercial Banking	\$ 3,738
Consumer and Business Banking	8,648
Wealth Management and Investment Services	2,956
Payment Services	6,200
Treasury and Corporate Support	1,444
<b>Total Company</b>	<b>22,986</b>
<b>Less Treasury and Corporate Support</b>	<b>1,444</b>
<b>Total Company excl. Treasury and Corporate Support</b>	<b>\$ 21,542</b>

<b>Percent of Total Company</b>	
Corporate and Commercial Banking	16%
Consumer and Business Banking	38%
Wealth Management and Investment Services	13%
Payment Services	27%
Treasury and Corporate Support	6%
<b>Total</b>	<b>100%</b>

<b>Percent of Total Company excl. Treasury and Corporate Support</b>	
Corporate and Commercial Banking	17%
Consumer and Business Banking	40%
Wealth Management and Investment Services	14%
Payment Services	29%
<b>Total Company excl. Treasury and Corporate Support</b>	<b>100%</b>

# Non-GAAP Financial Measures

	Three Months Ended December 31, 2019
<u>(Dollars in Millions, Unaudited)</u>	
Net interest income	\$3,207
Taxable-equivalent adjustment (1)	24
Net interest income, on a taxable-equivalent basis	<u>3,231</u>
Net interest income, on a taxable-equivalent basis (as calculated above)	3,231
Noninterest income	2,436
Less: Securities gains (losses), net	26
Total net revenue, excluding net securities gains (losses) (a)	<u>5,641</u>
Less: Notable items (2)	<u>(140)</u>
Total net revenue, excluding net securities gains (losses) and notable items (b)	5,781
Noninterest expense (c)	3,401
Less: Notable items (3)	200
Noninterest expense, excluding notable items (d)	<u>3,201</u>
Efficiency ratio (c)/(a)	60.3 %
Efficiency ratio, excluding notable items (d)/(b)	55.4 %
Net income attributable to U.S. Bancorp	\$1,486
Less: Notable items (4)	<u>(272)</u>
Net income attributable to U.S. Bancorp, excluding notable items	1,758
Annualized Net income attributable to U.S. Bancorp (e)	5,896
Annualized Net income attributable to U.S. Bancorp, excluding notable items (f)	6,975
Average assets (g)	\$485,853
Return on average assets (e)/(g)	1.21 %
Return on average assets, excluding notable items (f)/(g)	1.44 %
Net income applicable to U.S. Bancorp common shareholders	\$1,408
Less: Notable items (4)	<u>(272)</u>
Net income applicable to U.S. Bancorp common shareholders, excluding notable items	1,680
Annualized Net income applicable to U.S. Bancorp common shareholders (h)	5,586
Annualized Net income applicable to U.S. Bancorp common shareholders, excluding notable items (i)	6,665
Average common equity (j)	\$47,163
Return on average common equity (h)/(j)	11.8 %
Return on average common equity, excluding notable items (i)/(j)	14.1 %

(1), (2), (3), (4) – see slide 20 for corresponding notes

# Notes

- (1) Based on a federal income tax rate of 21 percent for those assets and liabilities whose income or expense is not included for federal income tax purposes.
- (2) Notable items related to noninterest income for the three months ended December 31, 2019 include: \$140 million derivative liability charge related to previously sold Visa shares.
- (3) Notable items related to noninterest expense for the three months ended December 31, 2019 include: \$200 million of severance charges and asset impairments.
- (4) Notable items for the three months ended December 31, 2019 include: \$112 million (after-tax) derivative liability charge related to previously sold Visa shares and \$160 million (after-tax) of severance charges and asset impairments.

