

# Goldman Sachs U.S. Financial Services Conference 2018

**Andy Cecere**

Chairman, President and Chief Executive Officer

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Vice Chairman and Chief Financial Officer

December 4, 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. 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. 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 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; 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, 2017, 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.

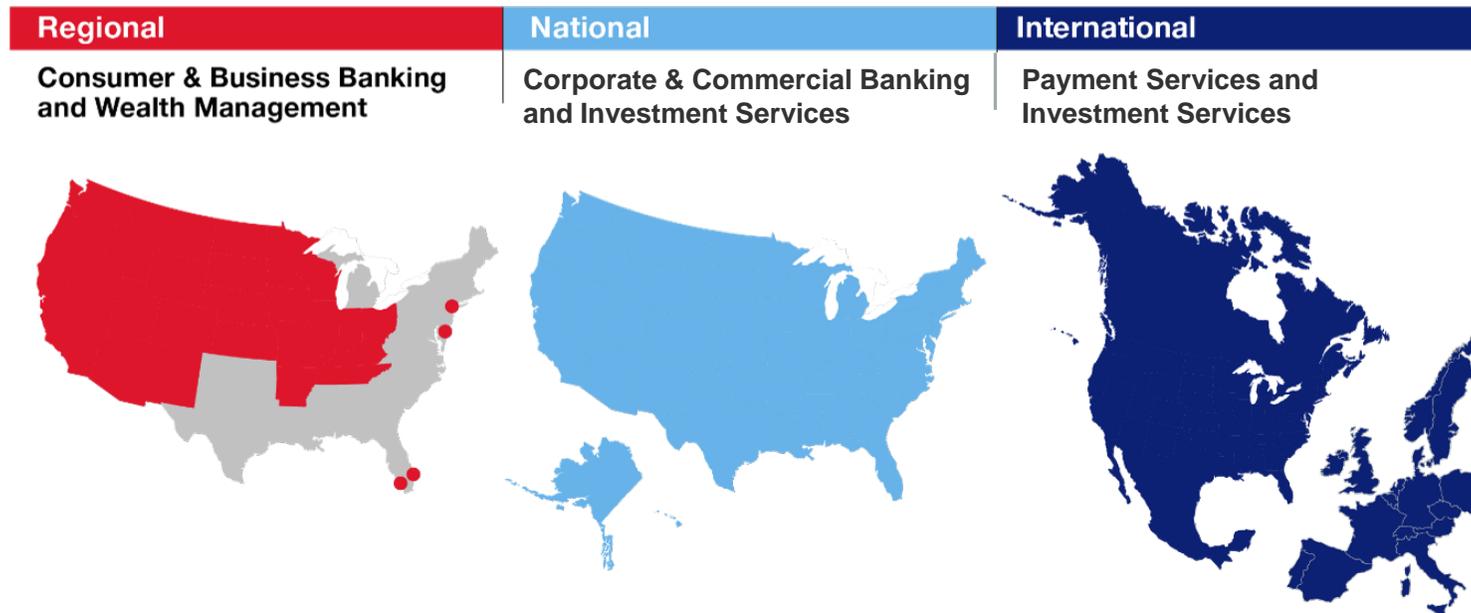
This presentation includes non-GAAP financial measures to describe U.S. Bancorp's performance. The calculations of these measures are provided in the Appendix. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable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



# U.S. Bancorp

NYSE Traded    **USB**  
Founded        **1863**  
Market Value   **\$86B**

Assets         **\$465B**  
Deposits      **\$331B**  
Loans          **\$281B**



# Our Advantaged Position

Assets			Deposits			Market Value		
U.S. Rank	Company	\$ in billions	U.S. Rank	Company	\$ in billions	U.S. Rank	Company	\$ in billions
1	J.P. Morgan	\$2,615	1	J.P. Morgan	\$1,459	1	J.P. Morgan	\$355
2	Bank of America	2,339	2	Bank of America	1,346	2	Bank of America	265
3	Citigroup	1,925	3	Wells Fargo	1,267	3	Wells Fargo	244
4	Wells Fargo	1,873	4	Citigroup	1,005	4	Citigroup	151
<b>5</b>	<b>U.S. Bancorp</b>	<b>465</b>	<b>5</b>	<b>U.S. Bancorp</b>	<b>331</b>	<b>5</b>	<b>U.S. Bancorp</b>	<b>86</b>
6	PNC	380	6	PNC	265	6	PNC	61
7	BB&T	223	7	SunTrust	160	7	BB&T	39
8	SunTrust	211	8	BB&T	155	8	SunTrust	28
9	Fifth Third	142	9	KeyCorp	106	9	KeyCorp	19
10	KeyCorp	139	10	Fifth Third	104	10	Fifth Third	18

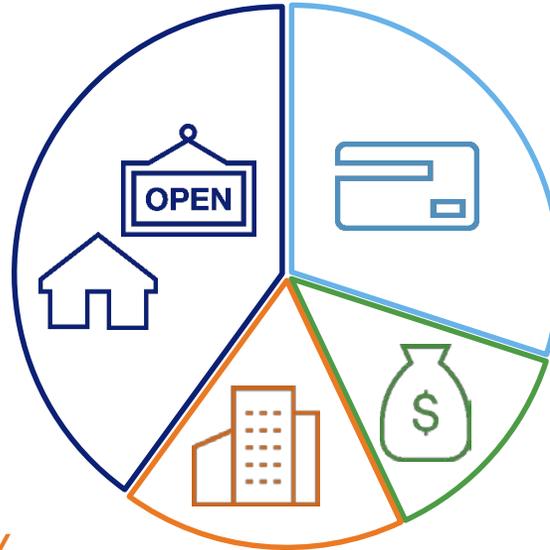
# Our Businesses

## Consumer & Business Banking, 40%

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

## Corporate & Commercial Banking, 18%

Corporate banking, commercial banking and commercial real estate



## Payment Services, 28%

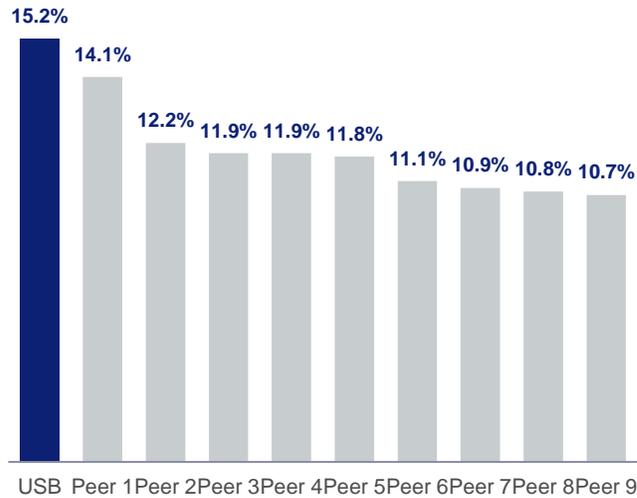
Retail payment solutions, global merchant acquiring and corporate payment systems

## Wealth Management & Investment Services, 14%

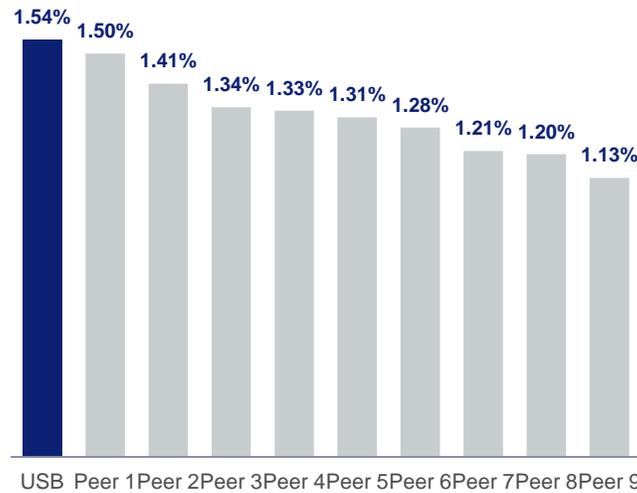
Wealth management, asset management, corporate trust, fund services and custody

# Our Financial Performance

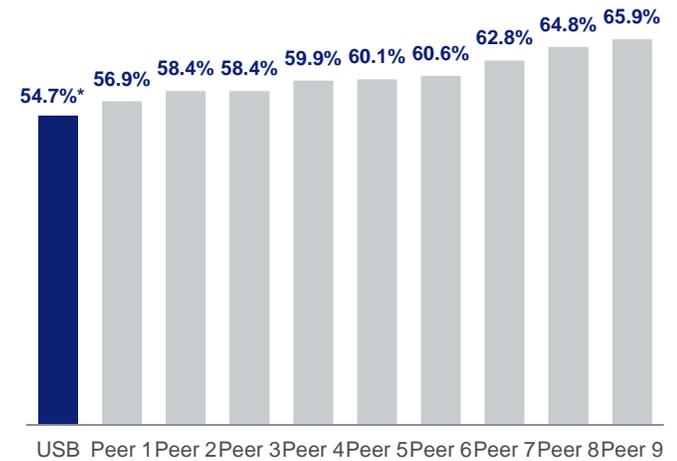
## Return on Average Common Equity



## Return on Average Assets



## Efficiency Ratio\*



# Our Strategy

- Building on our ethical culture
- Safeguarding our customers' information
- Putting our customers at the center
  
- Breaking down silos
- Taking a holistic view of the customer
- Creating a seamless customer experience



- Adapting to meet customer expectations
- Embracing change
- Leveraging technology and innovation
  
- Creating a nimble and agile environment
- Making it easy to do business with us
- Optimizing everything



# Our Approach to Technology and Innovation

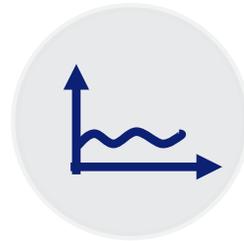
We **leverage technology** both defensively and offensively to...



Drive  
revenue



Increase  
efficiency



Minimize  
risk and loss



Drive **growth**  
and **returns**

Our **key areas of focus and accelerated investment** are:

- Digital
- B2B
- Payments



# We're Progressing on Our Journey

As banking evolves, we are focused on the opportunities created by technology and digitization.



## Improving the customer experience

- Being available to our customers with the products and services they need, when and where they need them
- Making it simple to do business with us



## Expanding our reach

- Creating the optimal mix and location of distribution channels
- Gaining share of wallet and share of the market



## Driving optimization across the company

- Making targeted capital allocation decisions
- Leveraging technology to drive efficiency



# Delivering a Seamless Experience Through Digital

We are doubling down on our digital capabilities and incorporating an agile approach across the organization to deliver experience-driven solutions to our customers faster than ever.



## What we've accomplished:



## What's to come:



Introduced our agile Experience Studios, transforming the way we deliver new and enhanced products



Collaborated with key partners to digitize our mortgage lending experience



Developed a small business lending app, simplifying the way our customers fund their businesses



Further optimization of our branch delivery model as we evolve to meet the needs of our customers



The launch of our redesigned mobile app, enabling the next steps in our digital-first strategy



Continued innovation in digital, bringing customers across all our businesses more choice and convenience than ever



# Leveraging Our Competitive Advantage in Money Movement

We are building on our extensive payments capabilities, investing in new and innovative ways to create value for our corporate clients via information-rich payment streams.



What we've accomplished:



What's to come:



Broadened our merchant processing capabilities with the acquisition of ETS



Invested in the connected commerce platform Poynt



Introduced B2C payments platforms



Executing on the potential of real-time B2B payments



Deepening our vertical expertise and expanding our omni-commerce and integrated payments capabilities



Leveraging data analytics to improve customer experience and reduce costs through efficiencies and fraud reduction



# Positioned for Growth in 2019 and Beyond

We remain focused on the future – strategically investing, innovating and optimizing everything we do, all with the goal of better serving our customers and driving efficiency.



Improving the customer experience



Expanding our reach

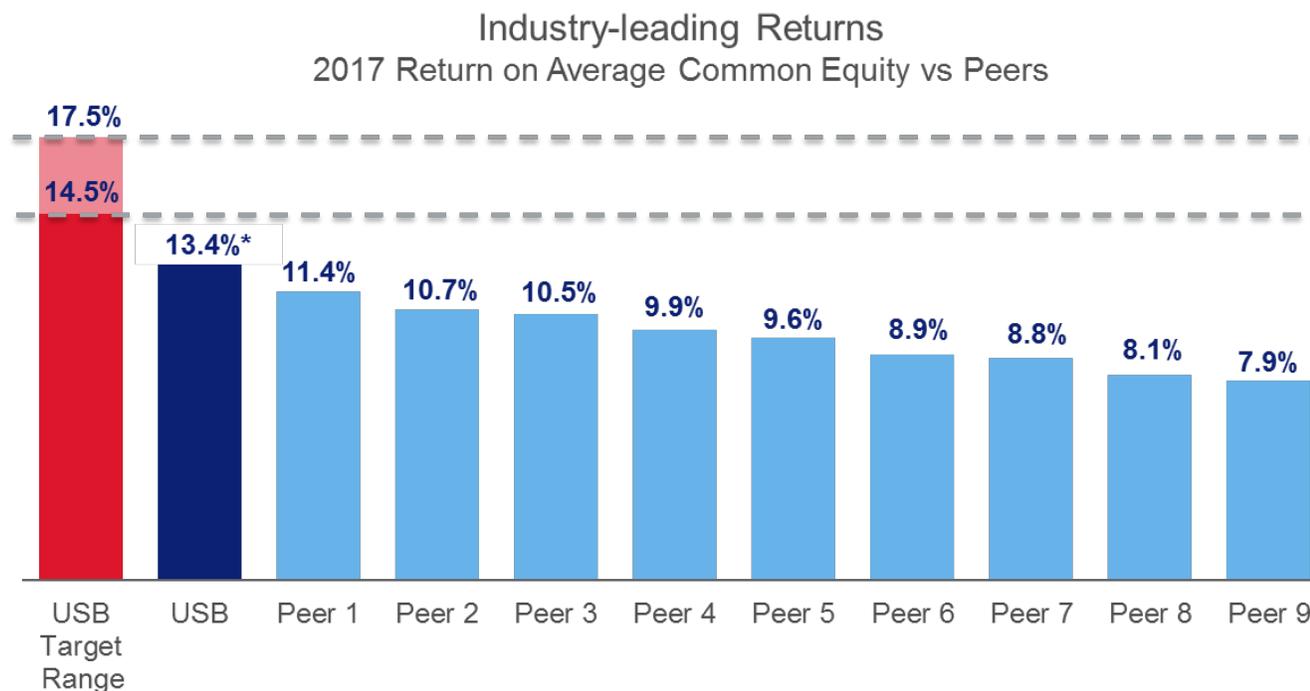


Driving optimization



# Guidance

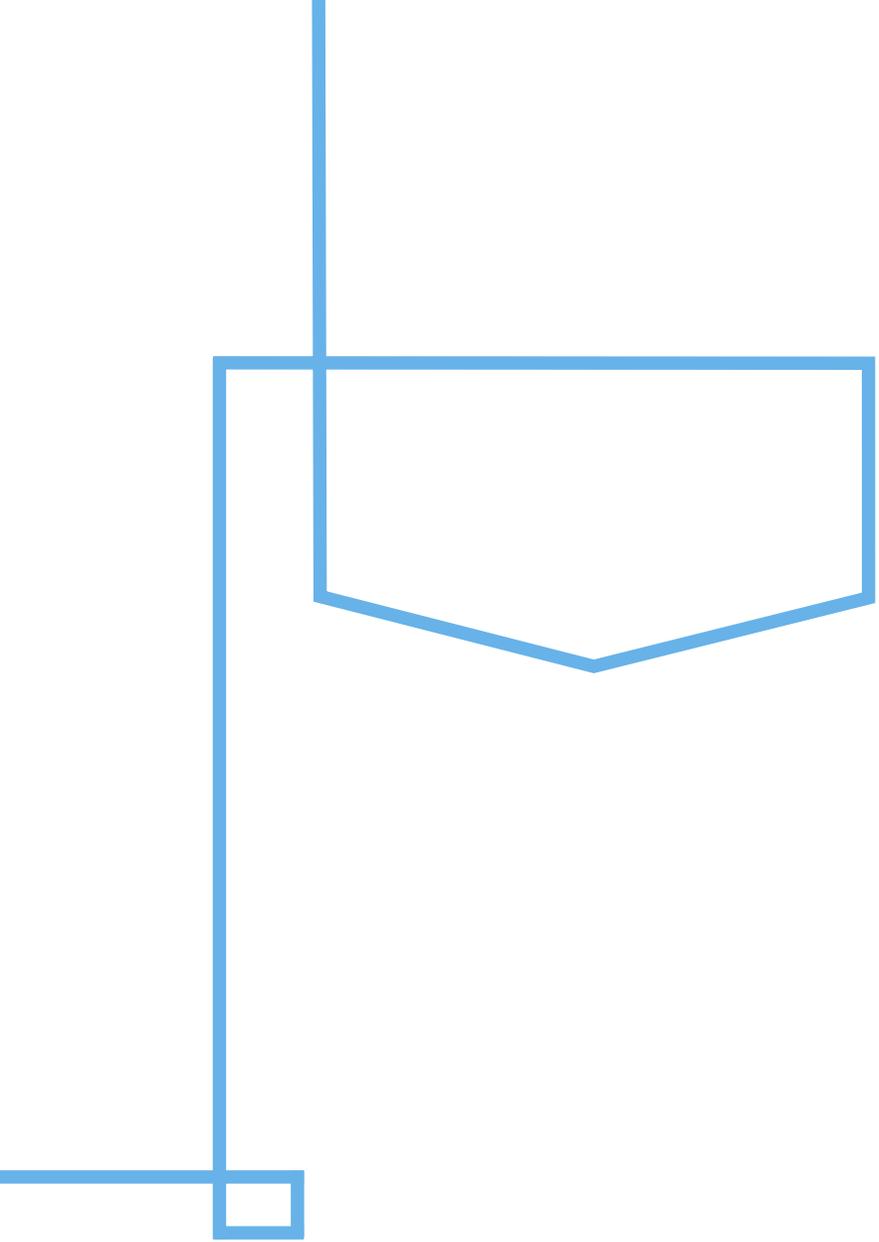
- Long-term profitability targets
- 4Q18 guidance update
  - Net interest income
  - Noninterest income
  - Operating leverage
  - Credit quality



Full-year 2017 return on average common equity excludes notable items

\* Non-GAAP, see slide 17 for calculation

Source: company reports; peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI and WFC



# Appendix

# Non-GAAP Financial Measures

(\$ in millions)	Net Revenue
<b>Line of Business Financial Performance</b>	<b>3Q18 YTD</b>
Corporate and Commercial Banking	\$ 2,818
Consumer and Business Banking	6,328
Wealth Management and Investment Services	2,145
Payment Services	4,484
Treasury and Corporate Support	1,033
<b>Total Company</b>	<b>16,808</b>
Less Treasury and Corporate Support	1,033
<b>Total Company excl. Treasury and Corporate Support</b>	<b>\$ 15,775</b>

## **Percent of Total Company**

Corporate and Commercial Banking	17%
Consumer and Business Banking	38%
Wealth Management and Investment Services	13%
Payment Services	26%
Treasury and Corporate Support	6%
<b>Total</b>	<b>100%</b>

## **Percent of Total Company excl. Treasury and Corporate Support**

Corporate and Commercial Banking	18%
Consumer and Business Banking	40%
Wealth Management and Investment Services	14%
Payment Services	28%
<b>Total Company excl. Treasury and Corporate Support</b>	<b>100%</b>



# Non-GAAP Financial Measures

(Dollars in Millions, Unaudited)	Nine Months Ended September 30, 2018
Net interest income	\$9,616
Taxable-equivalent adjustment (1)	88
Net interest income, on a taxable-equivalent basis	9,704
Net interest income, on a taxable-equivalent basis (as calculated above)	9,704
Noninterest income	7,104
Less: Securities gains (losses), net	25
Total net revenue, excluding net securities gains (losses) (a)	16,783
Noninterest expense (b)	9,184
<u>Efficiency ratio (b)/(a)</u>	<u>54.7 %</u>

Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent



# Non-GAAP Financial Measures

(Dollars in millions, Unaudited)	Year ended December 31, 2017
Net income applicable to U.S. Bancorp common shareholders (a)	\$5,913
Less: Notable items (1)	<u>150</u>
Net income applicable to U.S. Bancorp common shareholders, excluding notable items (b)	5,763
 Average common equity (c)	 42,976
 Return on average common equity (a)/(c)	 13.8 %
 Return on average common equity, excluding notable items (b)/(c)	 13.4 %

(1) Notable items 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.

