

# U.S. Bancorp Investor Day

Agenda, Forward-looking Statements and  
Non-GAAP Financial Measures

September 12, 2019



# Agenda

| Investor Day Agenda                               | Speaker                       | Start*   | End      |
|---|-------------------------------|----------|----------|
| Guest Registration, Breakfast and Tech Experience |                               | 7:30 AM  | 8:30 AM  |
| Company Strategy                                  |                               | 8:30 AM  | 9:45 AM  |
| Strategic Overview                                | Andy Cecere                   |          |          |
| Brand and Culture                                 | Kate Quinn                    |          |          |
| Technology Strategy                               | Jeff von Gillern              |          |          |
| Growth Through Transformation                     | Derek White                   |          |          |
| Break   |                               | 9:45 AM  | 10:00 AM |
| Business Line Updates                             |                               | 10:00 AM | 11:30 AM |
| Wealth Management and Investment Services         | Gunjan Kedia                  |          |          |
| Consumer and Business Banking                     | Tim Welsh                     |          |          |
| Corporate and Commercial Banking                  | Leslie Godridge/Jim Kelligrew |          |          |
| Payment Services                                  | Shailesh Kotwal               |          |          |
| Lunch with Leaders/Tech Experience                |                               | 11:30 AM | 12:30 PM |
| Risk and Financial Management                     |                               | 12:30 PM | 1:15 PM  |
| Risk Management                                   | Jodi Richard/Mark Runkel      |          |          |
| Financial Management                              | Terry Dolan                   |          |          |
| Q&A   | All Presenters                | 1:15 PM  | 2:00 PM  |
| Wrap-Up and Closing Remarks                       | Andy Cecere                   |          |          |
| Tech Experience (on site)                         |                               | 2:00 PM  | 2:30 PM  |

\*All time are EDT

# 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; 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 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, 2018, 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.

# Non-GAAP Financial Measures

*\$ in millions*

| <b>Line of Business Financial Performance</b>                 | Net Revenue<br>2018 | Fees<br>2018 | Average Loans<br>2018 | Average Deposits<br>2018 |
|---|---------------------|--------------|-----------------------|--------------------------|
| Corporate and Commercial Banking                              | \$3,782             | \$844        | \$93,886              | \$102,975                |
| Consumer and Business Banking                                 | 8,466               | 2,302        | 140,835               | 152,466                  |
| Wealth Management and Investment Services                     | 2,870               | 1,748        | 9,372                 | 70,021                   |
| Payment Services  | 6,046               | 3,601        | 31,102                | 1,209                    |
| Treasury and Corporate Support                                | 1,473               | 1,107        | 5,506                 | 6,791                    |
| Consolidated Company  | 22,637              | 9,602        | 280,701               | 333,462                  |
| Less: Treasury and Corporate Support                          | 1,473               | 1,107        | 5,506                 | 6,791                    |
| Consolidated Company excluding Treasury and Corporate Support | \$21,164            | \$8,495      | \$275,195             | \$326,671                |

## **Percent of Total**

|   |      |     |      |      |
|---|------|-----|------|------|
| Corporate and Commercial Banking          | 17 % | 9 % | 34 % | 31 % |
| Consumer and Business Banking             | 37   | 24  | 50   | 46   |
| Wealth Management and Investment Services | 13   | 18  | 3    | 21   |
| Payment Services                          | 27   | 37  | 11   | 0    |
| Treasury and Corporate Support            | 6    | 12  | 2    | 2    |
| Total                                     | 100  | 100 | 100  | 100  |

## **Percent of Total excluding Treasury and Corporate Support**

|   |      |      |      |      |
|---|------|------|------|------|
| Corporate and Commercial Banking          | 18 % | 10 % | 34 % | 32 % |
| Consumer and Business Banking             | 40   | 27   | 51   | 47   |
| Wealth Management and Investment Services | 13   | 21   | 4    | 21   |
| Payment Services                          | 29   | 42   | 11   | 0    |
| Total                                     | 100  | 100  | 100  | 100  |

# Non-GAAP Financial Measures

| <i>\$ in millions</i>  | 2016    | 2017    | 2018    | 1H19    | 2016 - 1H19 Average |
|--|---------|---------|---------|---------|---------------------|
| Net income applicable to U.S. Bancorp common shareholders  | \$5,589 | \$5,913 | \$6,784 | \$3,354 |                     |
| Intangibles amortization (net-of-tax)  | 116     | 114     | 127     | 65      |                     |
| Less: Notable items (1)  | 19      | 150     | 45      | --      |                     |
| Net income applicable to U.S. Bancorp common shareholders, excluding intangibles amortization and notable items                | 5,686   | 5,877   | 6,866   | 3,419   |                     |
| Annualized net income applicable to U.S. Bancorp common shareholders, excluding intangibles amortization and notable items (a) | 5,686   | 5,877   | 6,866   | 6,895   | 6,249               |
| Average total equity   | 47,988  | 49,097  | 50,391  | 52,644  |                     |
| Average preferred stock  | (5,501) | (5,490) | (5,636) | (5,984) |                     |
| Average noncontrolling interests   | (649)   | (631)   | (628)   | (628)   |                     |
| Average goodwill (net of deferred tax liability) (2)   | (8,242) | (8,160) | (8,606) | (8,723) |                     |
| Average intangible assets, other than mortgage servicing rights  | (783)   | (637)   | (595)   | (676)   |                     |
| Average tangible common equity (b)   | 32,813  | 34,179  | 34,926  | 36,633  | 34,349              |
| Return on tangible common equity (a)/(b)   | 17.3 %  | 17.2 %  | 19.7 %  | 18.8 %  | 18.2 %              |

(1) Notable items for 2018 include: \$271 million (after-tax) gain on sale of ATM servicing business, \$210 million (after-tax) of asset impairments, \$139 million (after-tax) severance charges and legal accruals, \$120 million reduction in income tax expense due to tax reform legislation estimate changes and \$3 million noncontrolling interest adjustment. Notable items for 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) special one-time bonus to certain eligible employees. Notable items for 2016 include: \$111 million (after-tax) gain on sale of Visa Europe, \$68 million (after-tax) legal and regulatory accrual and \$24 million (after-tax) charitable contribution.

(2) Includes goodwill related to certain investments in unconsolidated financial institutions per prescribed regulatory requirements.

# Non-GAAP Financial Measures

| <i>\$ in millions</i>  | 2016     | 2017     | 2018     | 1H19    | 2016 - 1H19 Average |
|--|----------|----------|----------|---------|---------------------|
| Net interest income  | \$11,666 | \$12,380 | \$12,919 | \$6,564 |                     |
| Taxable-equivalent adjustment (1)  | 203      | 205      | 116      | 54      |                     |
| Net interest income, on a taxable-equivalent basis   | 11,869   | 12,585   | 13,035   | 6,618   |                     |
| Net interest income, on a taxable-equivalent basis (as calculated above)                   | 11,869   | 12,585   | 13,035   | 6,618   |                     |
| Noninterest income   | 9,290    | 9,317    | 9,602    | 4,781   |                     |
| Less: Securities gains (losses), net   | 22       | 57       | 30       | 22      |                     |
| Total net revenue, excluding net securities gains (losses) (a)                             | 21,137   | 21,845   | 22,607   | 11,377  | 76,966              |
| Less: Notable items (2)  | 180      | --       | 76       | --      |                     |
| Total net revenue, excluding net securities gains (losses) and notable items (b)           | 20,957   | 21,845   | 22,531   | 11,377  | 76,710              |
| Noninterest expense (c)  | 11,527   | 12,790   | 12,464   | 6,240   | 43,021              |
| Less: Notable items (3)  | 150      | 825      | 174      | -       |                     |
| Noninterest expense, excluding notable items (d)   | 11,377   | 11,965   | 12,290   | 6,240   | 41,872              |
| Less: Depreciation and intangible amortization   | 470      | 468      | 467      | 245     |                     |
| Noninterest expense, excluding notable items, depreciation and intangible amortization (e) | 10,907   | 11,497   | 11,823   | 5,995   | 40,222              |
| Efficiency ratio (c)/(a)   | 54.5 %   | 58.5 %   | 55.1 %   | 54.8 %  | 55.9 %              |
| Core efficiency ratio (d)/(b)  | 54.3     | 54.8     | 54.5     | 54.8    | 54.6                |
| Core cash efficiency ratio (e)/(b)   | 52.0     | 52.6     | 52.5     | 52.7    | 52.4                |

(1) Based on a federal income tax rate of 21 percent for 2019 and 2018 and 35 percent for 2017 and 2016, for those assets and liabilities whose income or expense is not included for federal income tax purposes.

(2) Notable items for 2018 include: \$340 million gain on sale of ATM servicing business and \$264 million of asset impairments. Notable items for 2016 include: \$180 million gain on sale of Visa Europe.

(3) Notable items for 2018 include: \$174 million severance charges and legal accruals. Notable items for 2017 include: \$608 million legal and regulatory accrual, \$150 million contribution to the U.S. Bank Foundation and \$67 million special one-time bonus to certain eligible employees. Notable items for 2016 include: \$110 million legal and regulatory accrual and \$40 million charitable contribution.

# Non-GAAP Financial Measures

| <i>\$ in millions</i>   | 2016      | 2017      | 2018      | 1H19      | 2016 - 1H19 Average |
|---|-----------|-----------|-----------|-----------|---------------------|
| Net income attributable to U.S. Bancorp   | \$5,888   | \$6,218   | \$7,096   | \$3,520   |                     |
| Less: Notable items (1)   | 19        | 150       | 45        | --        |                     |
| Net income attributable to U.S. Bancorp, excluding notable items                                  | 5,869     | 6,068     | 7,051     | 3,520     |                     |
| Annualized net income attributable to U.S. Bancorp, excluding notable items (a)                   | \$5,869   | \$6,068   | \$7,051   | \$7,098   | \$6,438             |
| Average assets (b)  | \$433,313 | \$448,582 | \$457,014 | \$467,521 | \$449,300           |
| Return on average assets, excluding notable items (a)/(b)   | 1.35%     | 1.35%     | 1.54%     | 1.52%     | 1.43%               |
| Net income applicable to U.S. Bancorp common shareholders   | \$5,589   | \$5,913   | \$6,784   | \$3,354   |                     |
| Less: Notable items (1)   | 19        | 150       | 45        | -         |                     |
| Net income applicable to U.S. Bancorp common shareholders, excluding notable items                | 5,570     | 5,763     | 6,739     | 3,354     |                     |
| Annualized net income applicable to U.S. Bancorp common shareholders, excluding notable items (c) | \$5,570   | \$5,763   | \$6,739   | \$6,764   | \$6,128             |
| Average common equity (d)   | \$41,838  | \$42,976  | \$44,127  | \$46,032  | \$43,412            |
| Return on average common equity, excluding notable items (c)/(d)                                  | 13.3%     | 13.4%     | 15.3%     | 14.7%     | 14.1%               |

(1) Notable items for 2018 include: \$271 million (after-tax) gain on sale of ATM servicing business, \$210 million (after-tax) of asset impairments, \$139 million (after-tax) severance charges and legal accruals, \$120 million reduction in income tax expense due to tax reform legislation estimate changes and \$3 million noncontrolling interest adjustment. Notable items for 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) special one-time bonus to certain eligible employees. Notable items for 2016 include: \$111 million (after-tax) gain on sale of Visa Europe, \$68 million (after-tax) legal and regulatory accrual and \$24 million (after-tax) charitable contribution.

# Non-GAAP Financial Measures

| <i>\$ in millions</i>                              | Corporate and<br>Commercial<br>Banking<br>1H19 | Consumer and<br>Business<br>Banking<br>1H19 | Wealth Mgmt<br>and Investment<br>Services<br>1H19 | Payment<br>Services<br>1H19 |
|--|--|---|---|-----------------------------|
| Net interest income, on a taxable-equivalent basis | \$1,444  | \$3,148                                     | \$587   | \$1,215                     |
| Noninterest income                                 | 454  | 1,102                                       | 875   | 1,801                       |
| Total net revenue (a)                              | 1,898  | 4,250                                       | 1,462   | 3,016                       |
| Noninterest expense (b)                            | 820  | 2,615                                       | 874   | 1,522                       |
| Efficiency ratio (b)/(a)                           | 43.2 %   | 61.5 %                                      | 59.8 %  | 50.5 %                      |