Financial Management

Investor Day 2016

usbancorp®

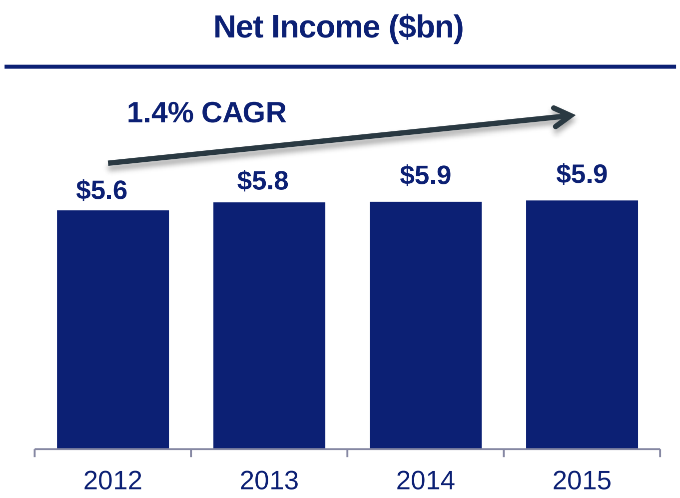
Agenda

- **What we have achieved**
  - **Growth**
  - **Efficiency**
  - **Returns**
  - **Sustainability**

- Review of U.S. Bank's performance and positioning

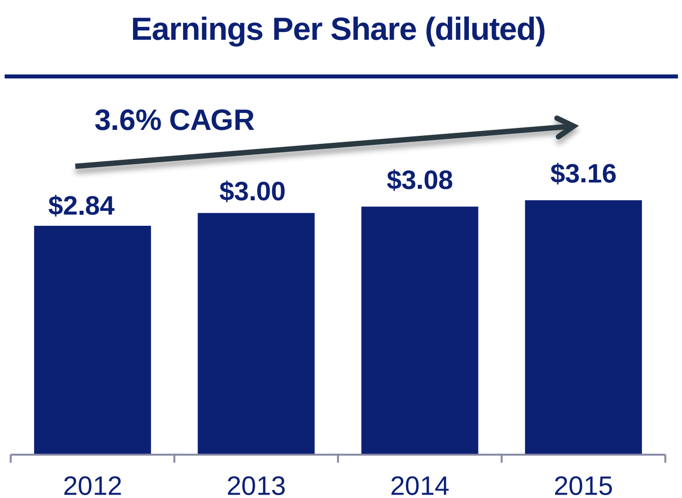
- Long-term strategic expectations

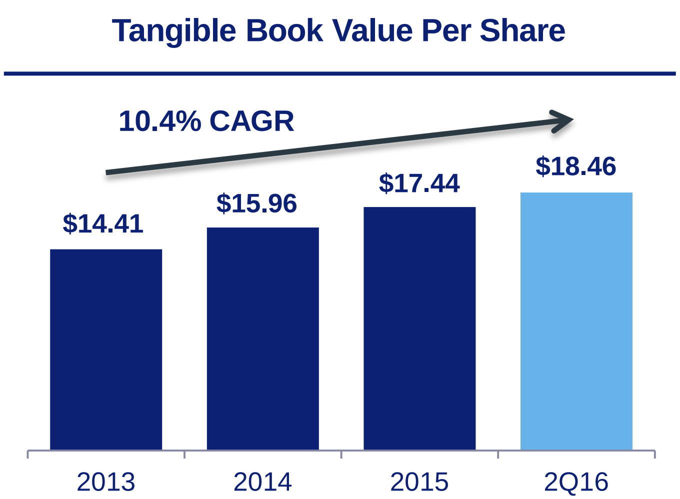
What We Have Achieved
Growth



Observations

- Challenging Environment Since 2013
- Regulatory Changes
- Elevated Compliance Costs
- Reliable Capital Generation





Taxable equivalent basis

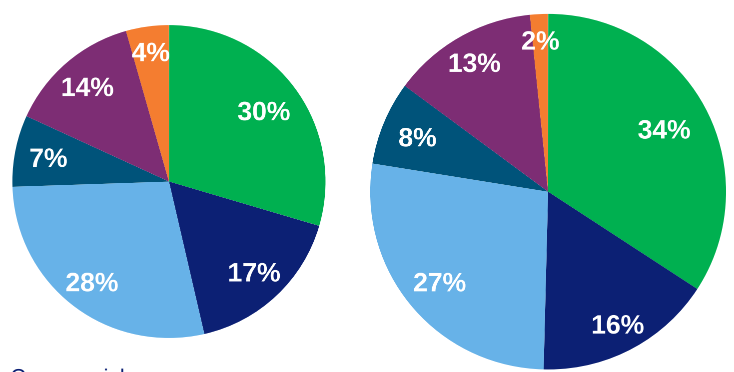
What We Have Achieved

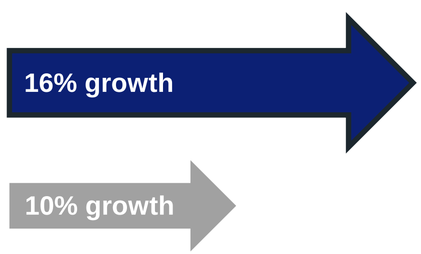
Growing balance sheet

Average Loans

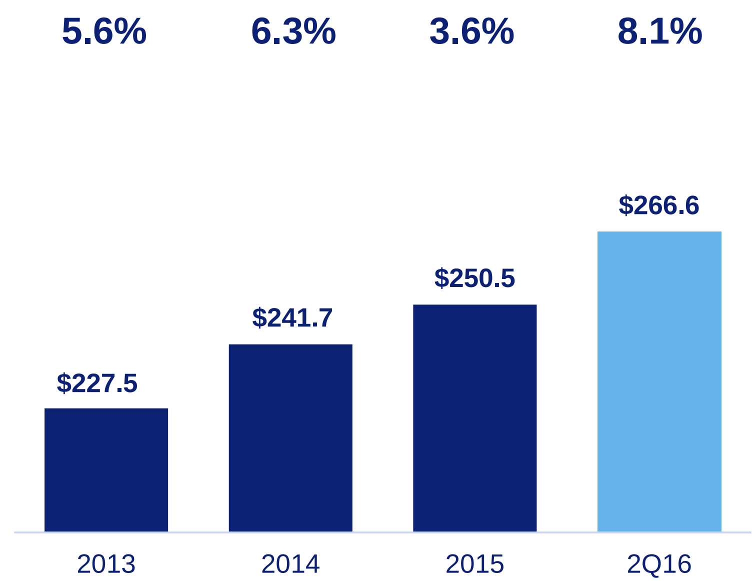
2013 Average Loans — **$227 billion**

2Q16 Average Loans — **$267 billion**





Year-Over-Year Growth ($bn)



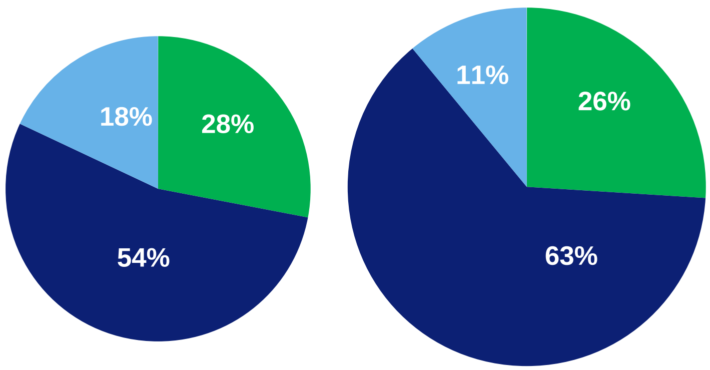
Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC; excluding significant acquisitions

What We Have Achieved
Growing balance sheet

Average Deposits

2013 Average Deposits | **2Q16 Average Deposits**

$250 billion | **$307 billion**

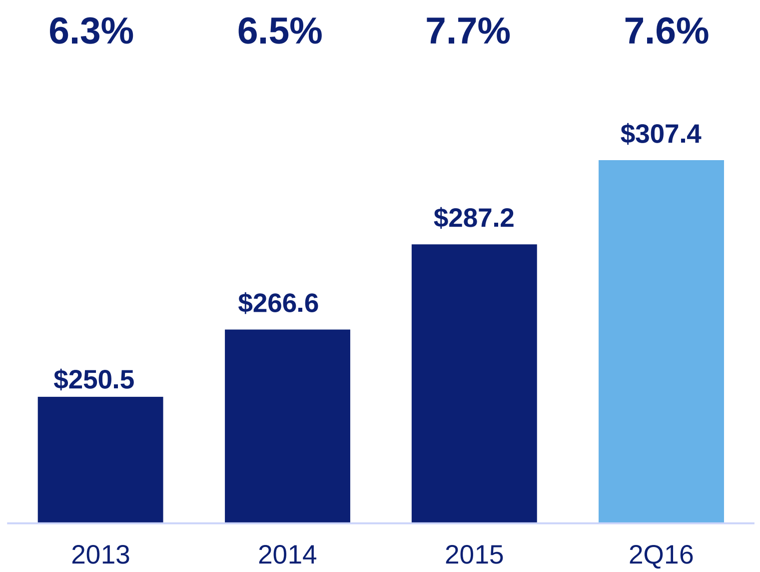


- Noninterest bearing
- Checking and Savings
- Time

USB 21% growth

Peer Median 11% growth

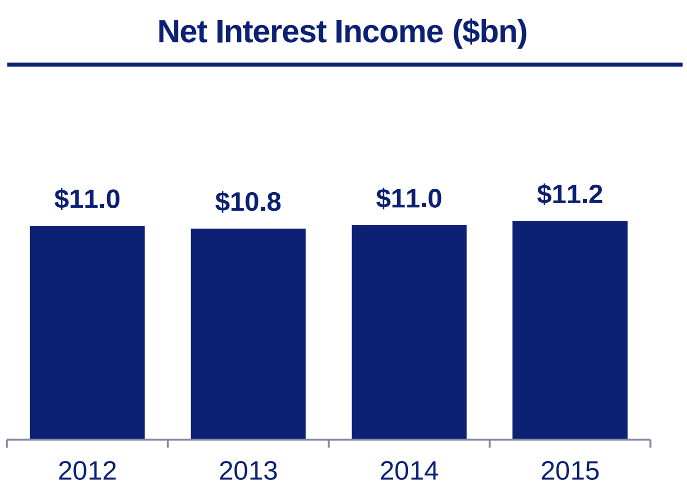
Year-Over-Year Growth ($bn)

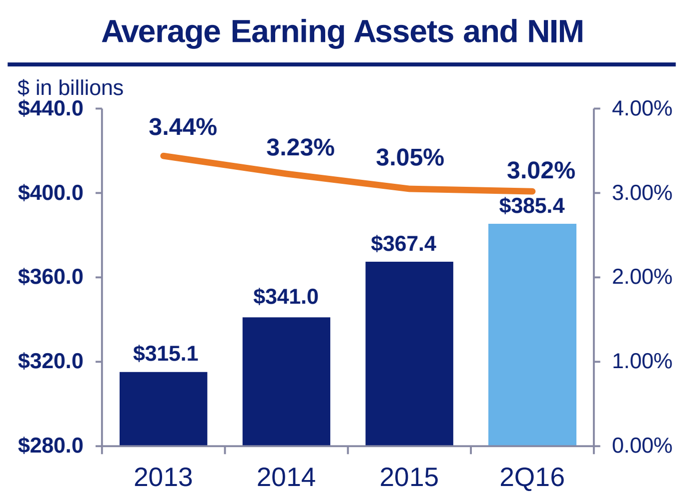


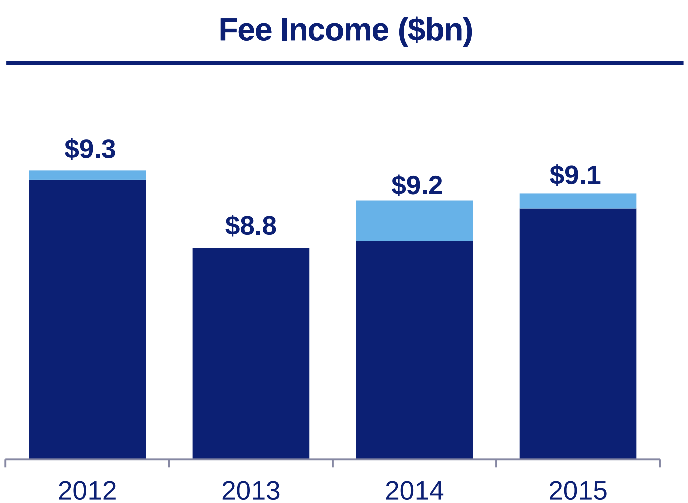
Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC, excluding significant acquisitions

What We Have Achieved

Revenue growth







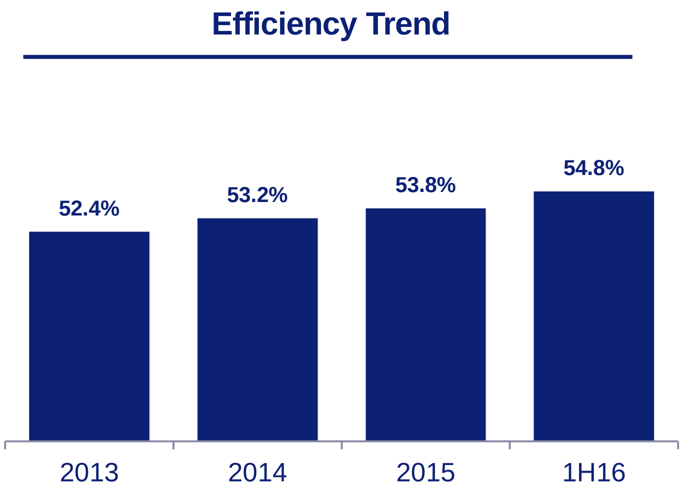
Despite a challenging environment

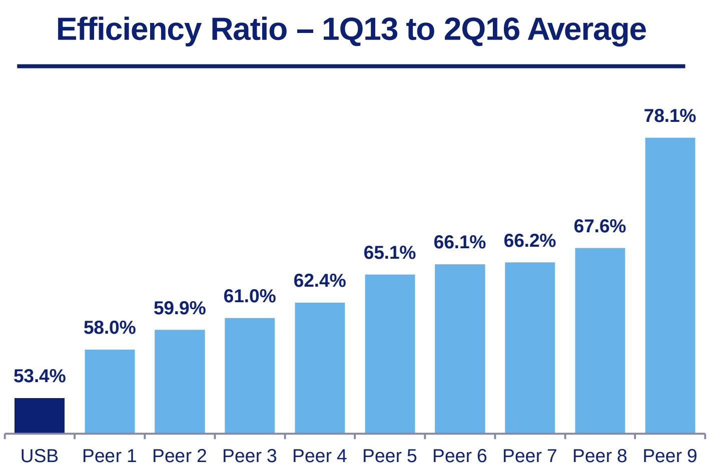
- Slow economic growth
- Persistent low interest rates
- Yield curve flattening
- Liquidity (LCR) requirements
- Revenue growth of 1.8% CAGR

Fee income notable items: Visa stock sale ($135) and student loan market adjustment (-$58) in 2015; Visa gain ($214) and Nuveen gain ($124) in 2014

What We Have Achieved

Efficiency

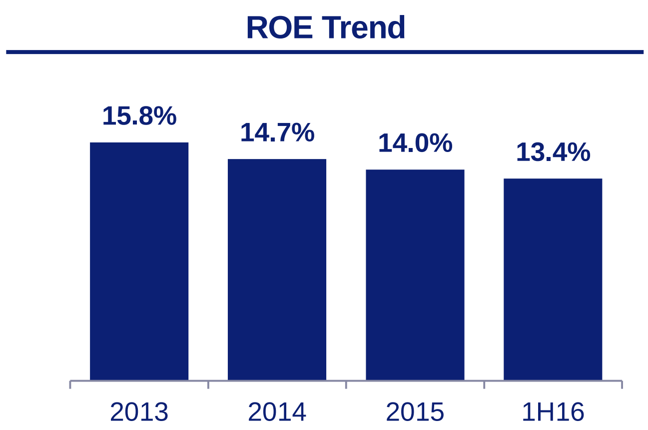


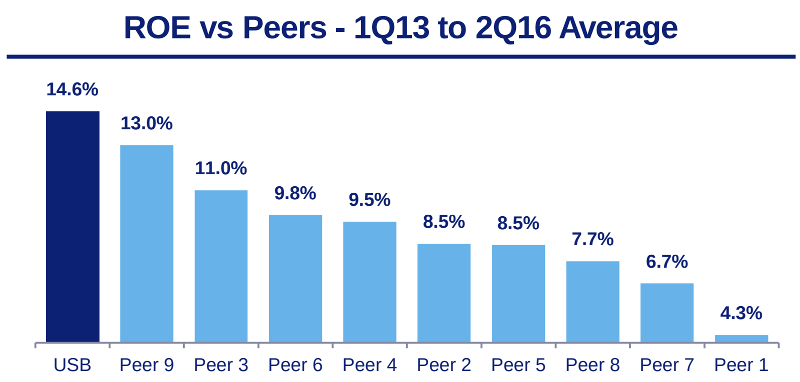


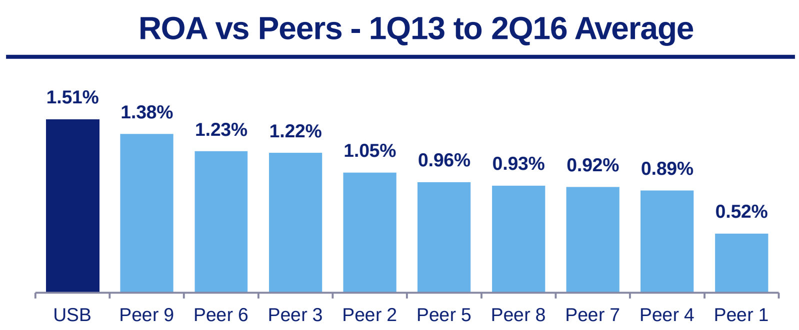
- **Strategic business investment**
  - NextGen banking/digital delivery
  - Omnichannel
  - Real-time payments
  - Multicultural initiatives
  - Capital markets offerings
  - Wealth Management
  - Client relationship management
- **Brand development**
- **Cyber security**
- **Elevated compliance costs**
- **Industry leading efficiency ratio**

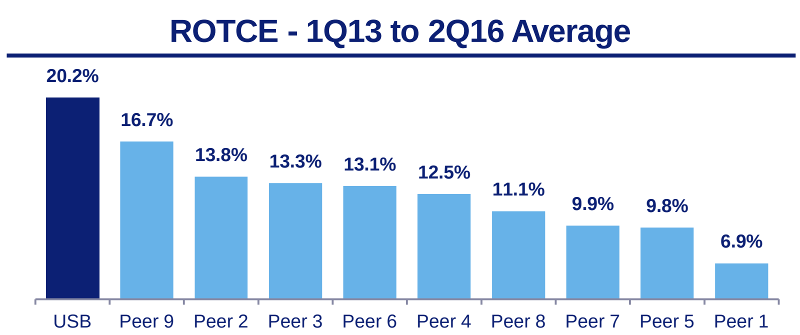
Source: SNL and company reports; Peer banks: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI and WFC
Efficiency ratio computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding net securities gains (losses)

What We Have Achieved
Returns









Industry leading profitability

- Capital efficient business mix
- Disciplined capital deployment
- Efficient platform

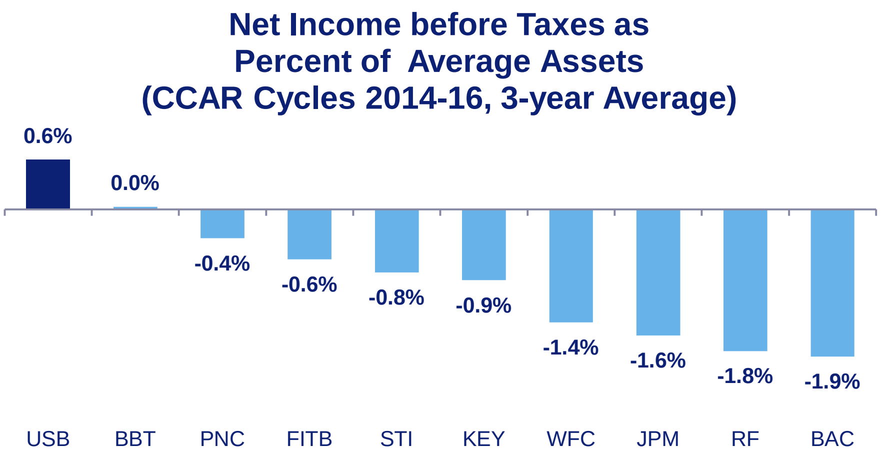
Changing regulatory environment

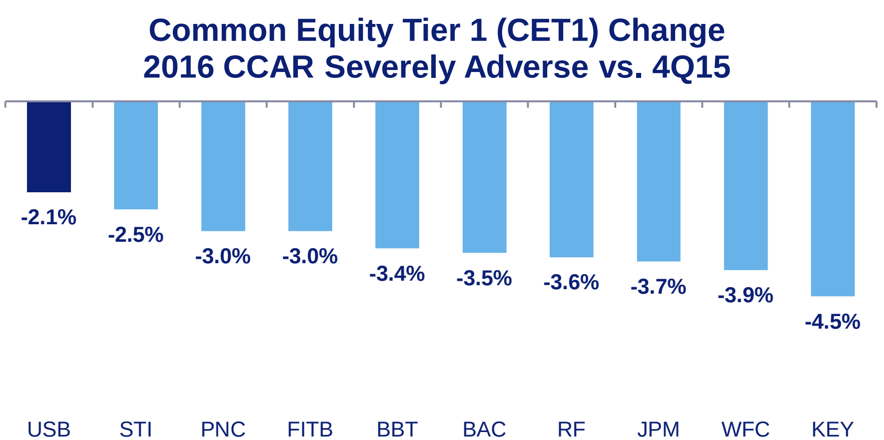
- Regulatory capital requirements
- Compliance costs
- Liquidity requirements

Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC
ROE = Return on Average Common Equity; ROA = Return on Average Assets; ROTCE = Return on Tangible Common Equity
ROTCE calculated using ending balances

What We Have Achieved

Sustainability - earnings and capital





Competitive advantages

- Diversified business mix
- Operating scale
- Efficient platform
- Flight to quality
- Sustainability of dividends

Source: Company filings and SNL Financial, Federal Reserve estimates under supervisory severely adverse scenario
Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC,

Agenda

- What we have achieved
- **Review of U.S. Bank's performance and positioning**
  - **Optimal size**
  - **Diversified business mix**
  - **Preferred mix of businesses**
  - **Efficiency as a competitive advantage**
  - **Funding as a competitive advantage**
  - **Asset sensitivity and liquidity**
  - **Capital flexibility**
- Long-term strategic expectations

Review of U.S. Bank's Performance and Positioning

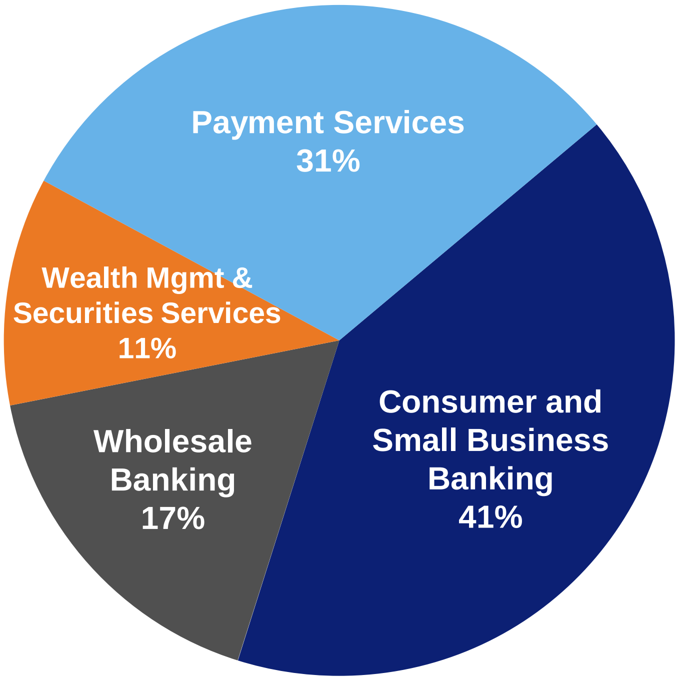
Optimal size

- Relative cost of compliance
- Sub-optimal efficiency and scale
- Less capacity to invest
- Potential trapped capital

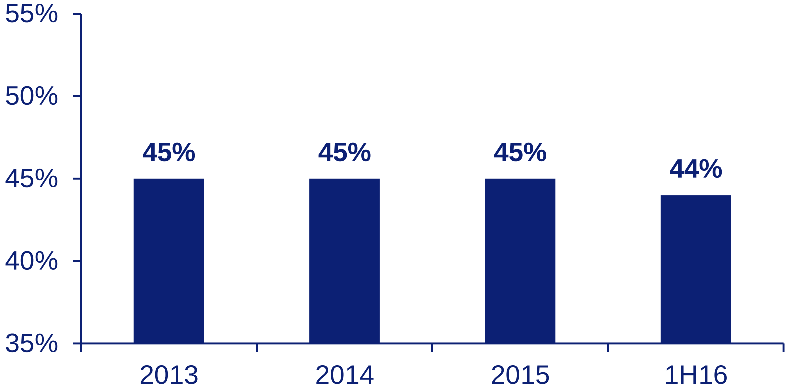
- G-SIBs
- Higher capital standards
- Higher litigation risk
- Bail-in debt requirements
- Supplementary leverage ratio
- Limited acquisition opportunities

Review of U.S. Bank's Performance and Positioning
Diversified business mix

Revenue Mix by Business Line



Fee Income/Total Revenue

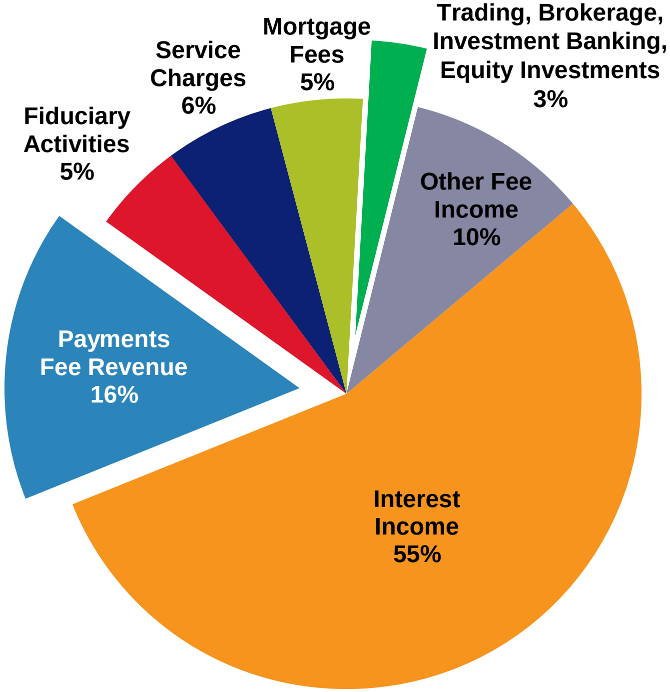


Full year 2015, taxable-equivalent basis;
Business line revenue percentages exclude Treasury and Corporate Support, see Financial Management presentation, slide 27

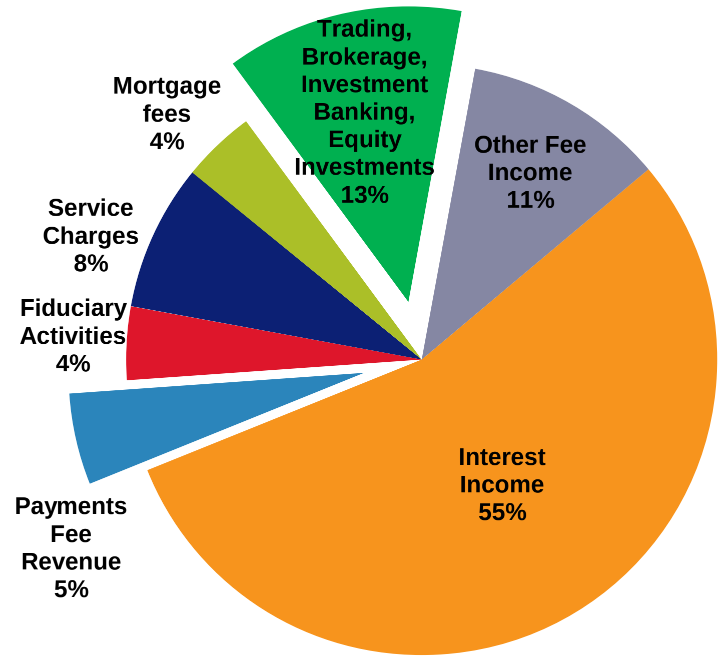
Review of U.S. Bank's Performance and Positioning

Preferred mix of businesses

U.S. Bancorp Revenue Mix



Peer Bank Average Revenue Mix



Full year 2015, taxable-equivalent basis;
Business line revenue percentages exclude Treasury and Corporate Support, see Financial Management presentation, slide 27

Review of U.S. Bank's Performance and Positioning

Efficiency as a competitive advantage

Efficient platform

Source of competitive advantage

- Single processing platforms
- Full consolidation of acquisitions
- Operating scale in all significant businesses
- Business line monthly review process
- Capital expenditures/investment process

Driver of higher returns

Future drivers of success

- Sustainable process solutions
- Technology investments
- Digitization of products and services
- Ongoing efficiency efforts
- Financial discipline

Review of U.S. Bank's Performance and Positioning

Funding as a competitive advantage

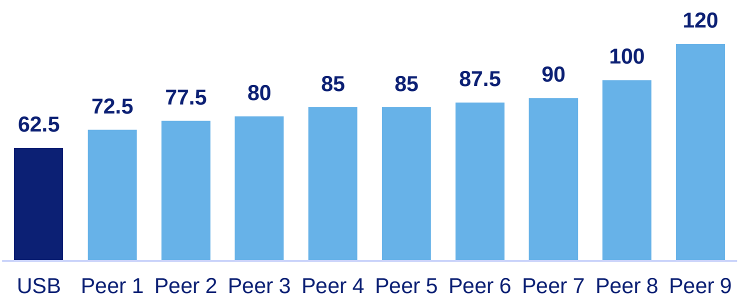
Best-in-Class Debt Ratings

	Moody's		S&P		Fitch		DBRS	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
USB	A1	s	A+	s	AA	s	AA	s
WFC	A2	s	A	s	AA-	s	AA	s
BBT	A2	s	A-	s	A+	s	A (high)	s
JPM	A3	s	A-	s	A+	s	A (high)	op
PNC	A3	s	A-	s	A+	s	A (high)	s
BAC	Baa1	s	BBB+	s	A	s	A (low)	op
FITB	Baa1	s	BBB+	s	A	s	A (low)	s
STI	Baa1	s	BBB+	s	A-	s	A (low)	s
KEY	Baa1	s	BBB+	on	A-	on	BBB (high)	s
RF	Baa3	s	BBB	s	BBB	s	BBB	op

Competitive advantages

- Lower cost of funding
- Pricing advantage
- Flight to quality
- Customer confidence

5-Year Bank Debt Spread to U.S. Treasuries (bps)

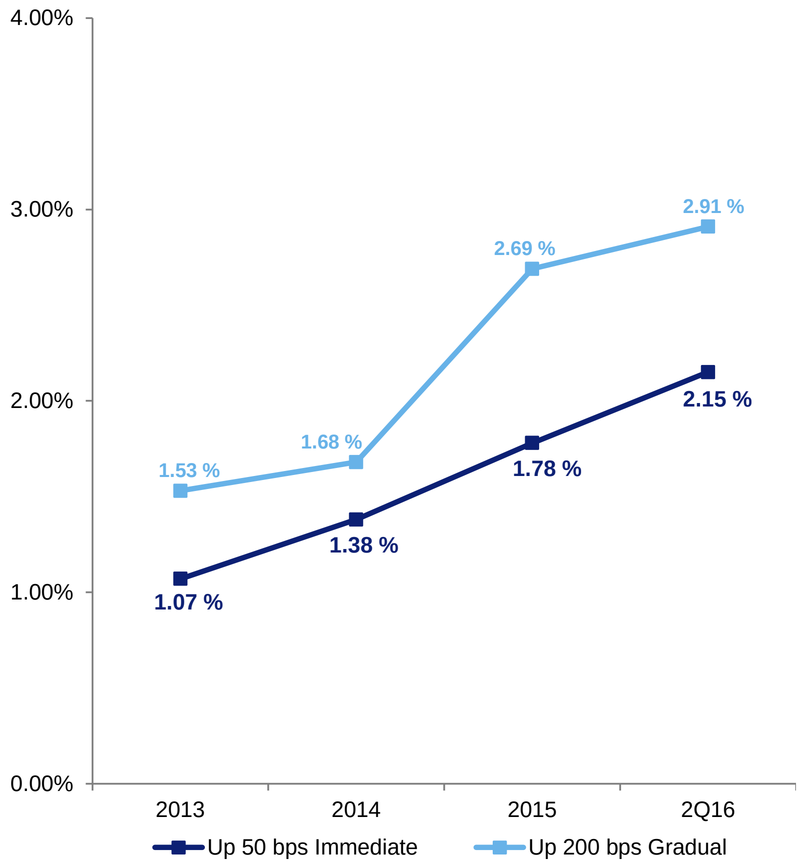


Holding company, as of September 1, 2016

Review of U.S. Bank’s Performance and Positioning

Asset sensitivity and liquidity

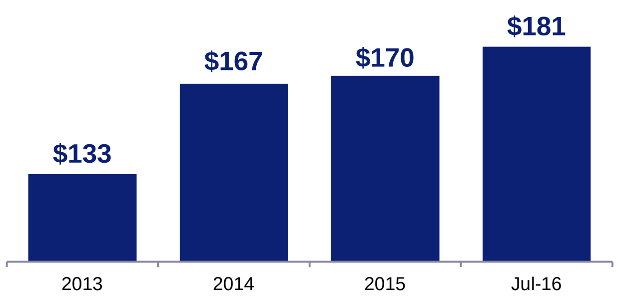
Sensitivity



Well-balanced position

- Asset sensitivity
- Reliable source of core deposits
- Diversified sources of liquidity
  - Excess cash and liquid assets
  - Wholesale funding sources
  - Off-balance sheet capacity
- Strong LCR

Total Available Liquidity ($bn)

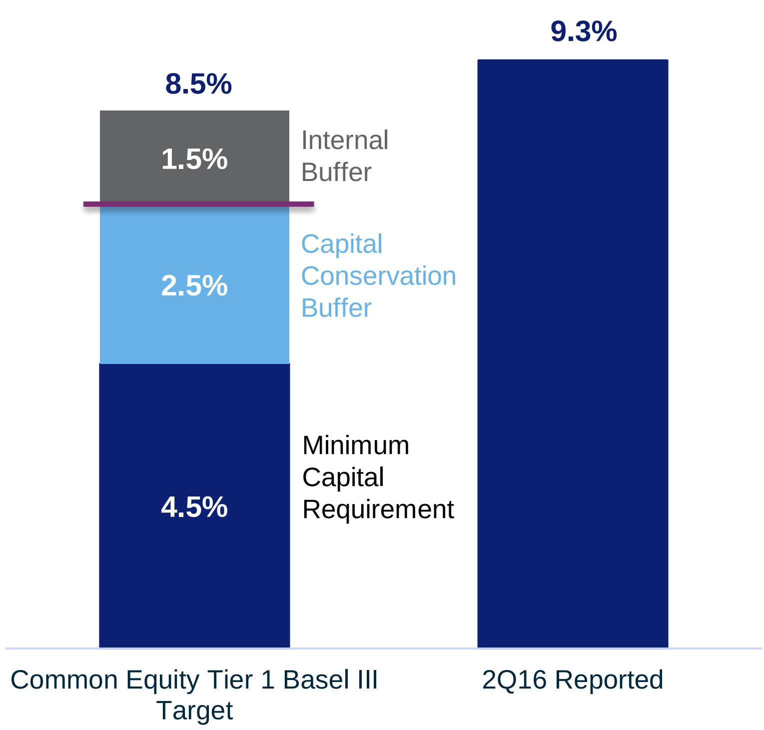


Source: Company filings

Review of U.S. Bank's Performance and Positioning

Capital flexibility

Fully Phased-In CET1 Ratio



Competitive advantages

- Diversified business mix
- Lower risk profile
- PPNR sustainability

Capital levels align with:

- Risk profile
- Capital generation
- **Returns to shareholders**

Agenda

- What we have achieved
- Review of U.S. Bank’s performance and positioning
- **Long-term strategic expectations**

Long-term Strategy
Performance since 2013 Investor Day

What we said in 2013	How we have performed since 2013
Optimal business line mix	✓ Preferred business mix with acquired portfolios in payments and securities services, exited student loan and HSA businesses
Investments generating positive returns	✓ Investments in real time payments, wealth management, digital delivery, omnichannel, capital markets and select acquisitions
Capital distributions: • Earnings distribution 60-80%	✓ 2013-2015 Capital distributions: • Distributed 72% of earnings – Dividend payout ratio of 31% – Share repurchase ratio of 41%
Profitability • ROE 16-19% • ROA 1.60-1.90% • Efficiency Ratio low 50s	❑ 2013 - 2015 Profitability: • ROE 14.8% • ROA of 1.54% • Efficiency Ratio of 53.1%

Source: Company filings and SNL Financial

Long-term Strategy

Performance since 2013 Investor Day

	2013 Long-term Expectations	Actual Performance 2013-2015
Net Interest Income	5-7%	1.8%
Fee Income	7-9%	1.8%
Revenue	**6-8%**	**1.8%**
Expense	3-5%	3.1%
Provision	6-8%	-8.1%
Net Income	**7-9%**	**0.4%**
EPS	**8-10%**	**2.6%**
Return on Assets	**1.60%-1.90%**	**1.54%**
Return on Equity	**16.0%-19.0%**	**14.8%**
Efficiency Ratio	**Low 50s**	**53.1%**

Drivers

- Slower economic growth
- Sustained low interest rates
- Yield curve flattening

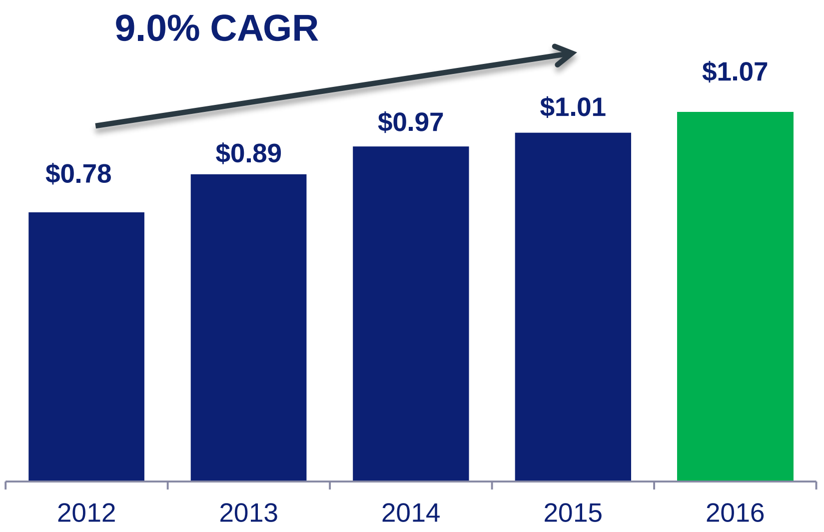
- Elevated compliance costs
- Credit cycle

- LCR - Liquidity requirements
- Regulatory capital levels

- Compliance costs
- Strategic investment

Long-term Strategy
Performance since 2013 Investor Day

Dividend growth to shareholders



- Capacity for dividend growth
- Quarterly dividend raised to $0.28 per share in 3Q16
- 9.8% increase in 2016

Long-term Strategy

Long-term expectations

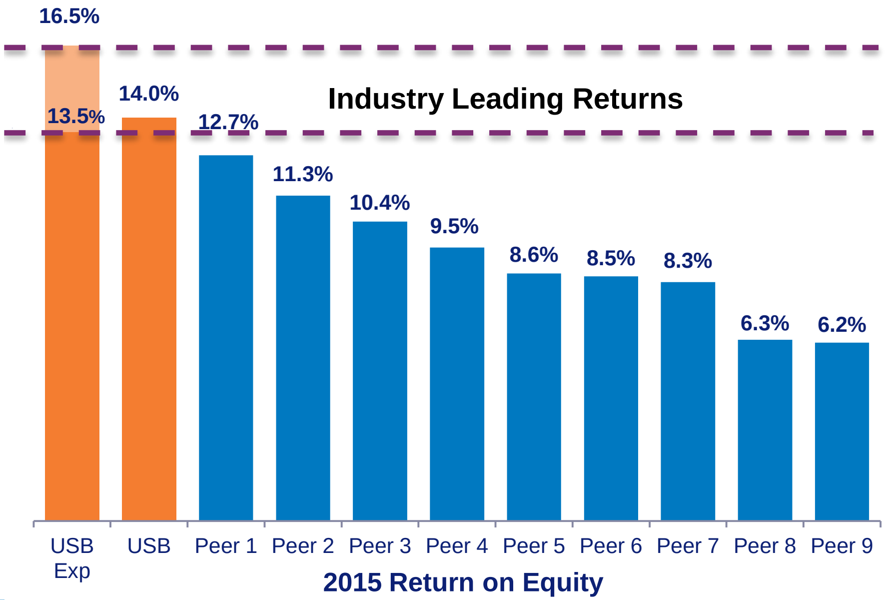
	2013 Long-term Expectations	Revised Long-term Expectations
Net Interest Income	5-7%	5-7%
Fee Income	7-9%	6-8%
Revenue	**6-8%**	**6-8%**
Expense	3-5%	3-5%
Provision	6-8%	12-18%
Net Income	**7-9%**	**6-8%**
EPS	**8-10%**	**8-10%**

Business Line	**Investor Day 2013 Long-term Revenue Growth Expectations**	**Investor Day 2016 Long-term Revenue Growth Expectations**
Wholesale Banking	7-9%	6-8%
Consumer and Small Business Banking	6-8%	5-7%
Wealth Management and Securities Services	7-9%	7-9%
Payment Services	8-10%	7-9%

Long-term Strategy

Long-term profitability expectations

	2013 Long-term Expectations	Revised Long-term Expectations
Return on Assets	1.60%-1.90%	1.35-1.65%
Return on Equity	16.0%-19.0%	13.5-16.5%
Return on Tangible Common Equity		17.5-20.0%
Efficiency Ratio	Low 50s	Low 50s



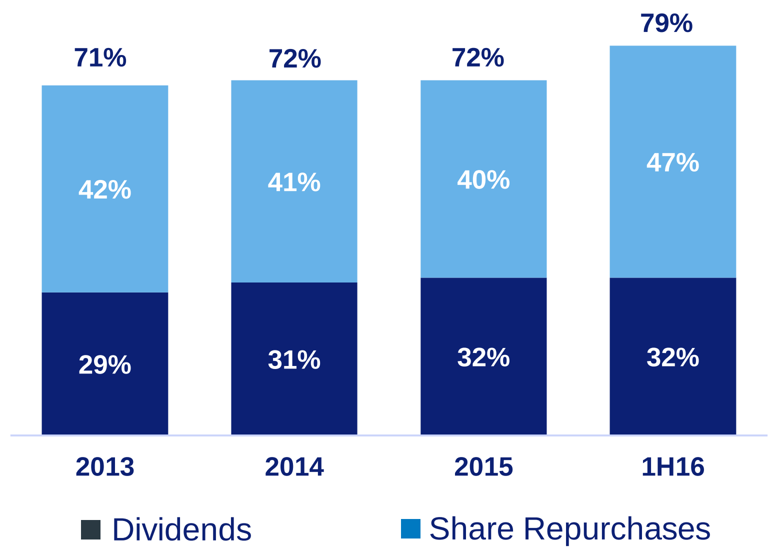
Long-term expectations are developed assuming:

- Interest rate increases of 25bps in June and December of both 2017 and 2018
- Steepening yield curve by beginning of 2018
- GDP growth rate of 2.0% to 3.0% by 2018

Source: Company filings, SNL Financial

Long-term Strategy
Capital management

Payout Ratio



Earnings Distribution Target (established 2001)

Reinvest and acquisitions	Dividends	Share repurchases
20 – 40 %	30 – 40 %	30 – 40 %

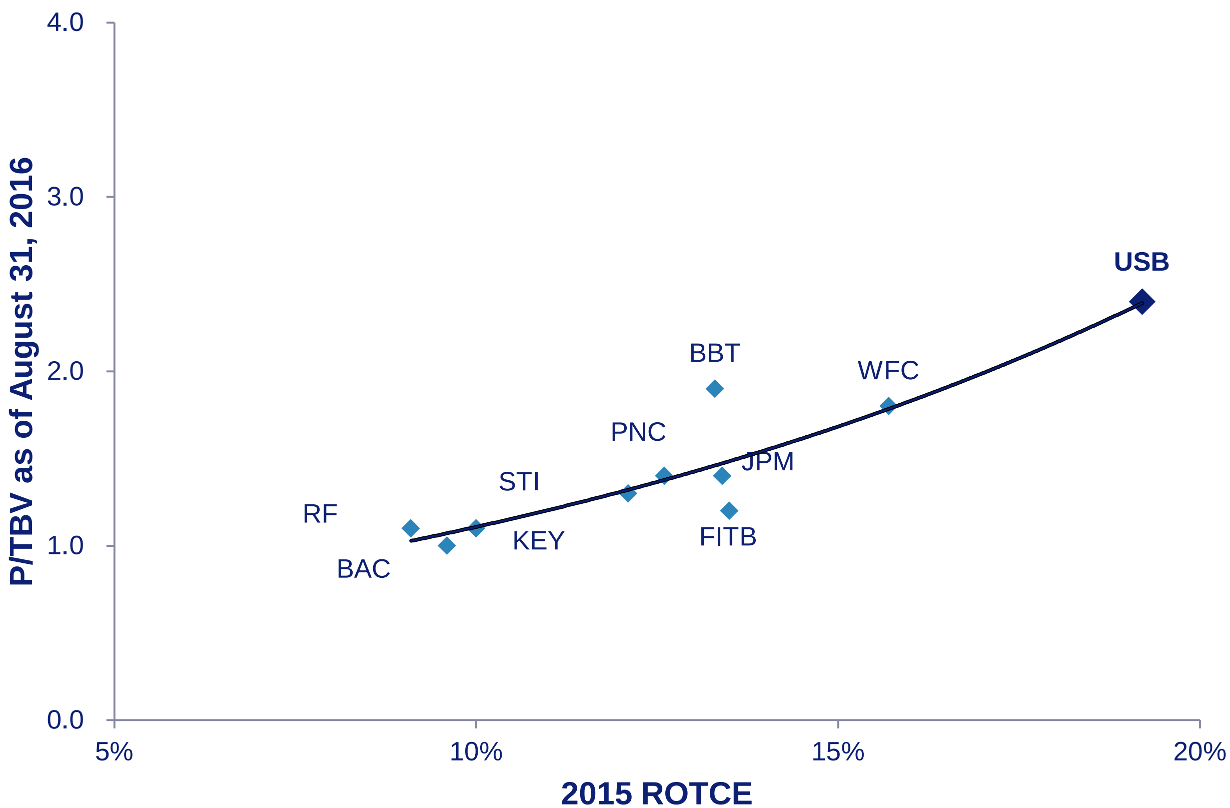
Hypothetical Earnings Distribution Example			
Dividends	30%	Reinvestment	30%
Share Repurchases	40%	Assumed ROTCE	20%
Discretionary Distributions	70%	Balance Sheet Grow th	6%

Source: Company filings

Long-term Strategy

Valuation creation

Returns Drive Growth and Valuation



Source: FactSet, company filings

Appendix

Non-GAAP financial measures

Line of business financial performance

$ in millions		Revenue
Line of Business Financial Performance		2015
Wholesale Banking and Commercial Real Estate	$	2,924
Consumer and Small Business Banking		7,114
Wealth Management and Securities Services		1,852
Payment Services		5,301
Treasury and Corporate Support		3,115
Consolidated Company		20,306
Less Treasury and Corporate Support		3,115
Consolidated Company excluding Treasury and Corporate Support	$	17,191
Percent of Total		
Wholesale Banking and Commercial Real Estate		15%
Consumer and Small Business Banking		35%
Wealth Management and Securities Services		9%
Payment Services		26%
Treasury and Corporate Support		15%
Total		100%
Percent of Total excluding Treasury and Corporate Support		
Wholesale Banking and Commercial Real Estate		17%
Consumer and Small Business Banking		41%
Wealth Management and Securities Services		11%
Payment Services		31%
Total		100%

Taxable-equivalent basis, excluding securities gains (losses) net

Non-GAAP Financial Measures

(Dollars in Millions, Unaudited)	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Total equity	$48,029	$47,393	$46,817	$45,767	$45,231
Preferred stock	(5,501)	(5,501)	(5,501)	(4,756)	(4,756)
Noncontrolling interests	(639)	(638)	(686)	(692)	(694)
Goodwill (net of deferred tax liability) (1)	(8,246)	(8,270)	(8,295)	(8,324)	(8,350)
Intangible assets, other than mortgage servicing rights	(796)	(820)	(838)	(779)	(744)
Tangible common equity (a)	32,847	32,164	31,497	31,216	30,687
Tangible common equity (as calculated above)	32,847	32,164	31,497	31,216	30,687
Adjustments (2)	133	99	67	118	125
Common equity tier 1 capital estimated for the Basel III fully implemented standardized and advanced approaches (b)	32,980	32,263	31,564	31,334	30,812
Total assets	438,463	428,638	421,853	415,943	419,075
Goodwill (net of deferred tax liability) (1)	(8,246)	(8,270)	(8,295)	(8,324)	(8,350)
Intangible assets, other than mortgage servicing rights	(796)	(820)	(838)	(779)	(744)
Tangible assets (c)	429,421	419,548	412,720	406,840	409,981
Risk-weighted assets, determined in accordance with prescribed transitional standardized approach regulatory requirements (d)	351,462	346,227	341,360	336,227	333,177
Adjustments (3)	3,079	3,485	3,892	3,532	3,532
Risk-weighted assets estimated for the Basel III fully implemented standardized approach (e)	354,541	349,712	345,252	339,759	336,709
Risk-weighted assets, determined in accordance with prescribed transitional advanced approaches regulatory requirements	271,495	267,309	261,668	248,048	245,038
Adjustments (4)	3,283	3,707	4,099	3,723	3,721
Risk-weighted assets estimated for the Basel III fully implemented advanced approaches (f)	274,778	271,016	265,767	251,771	248,759
Ratios					
Tangible common equity to tangible assets (a)/(c)	7.6 %	7.7 %	7.6 %	7.7 %	7.5 %
Tangible common equity to risk-weighted assets (a)/(d)	9.3	9.3	9.2	9.3	9.2
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (b)/(e)	9.3	9.2	9.1	9.2	9.2
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (b)/(f)	12.0	11.9	11.9	12.4	12.4

(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.