U.S. Bancorp Investor Day
Financial Management

Terry Dolan
Vice Chair, Chief Financial Officer

September 12, 2019

Agenda

- **What we have achieved**

Growth

Efficiency

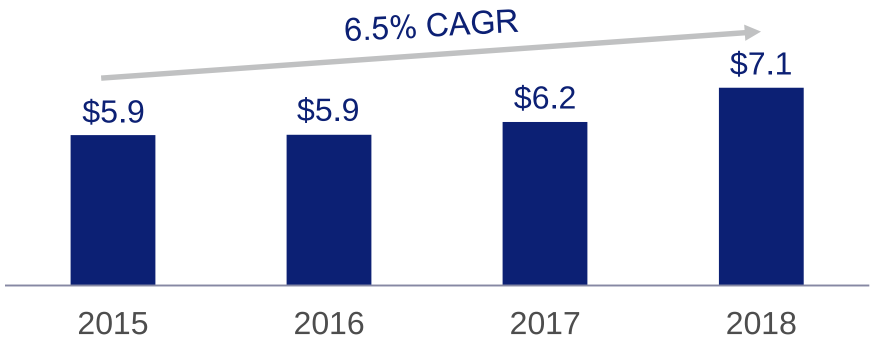
Returns

Sustainability

- Review of U.S. Bank's performance and positioning
- Long-term strategic expectations

What We Have Achieved — Growth

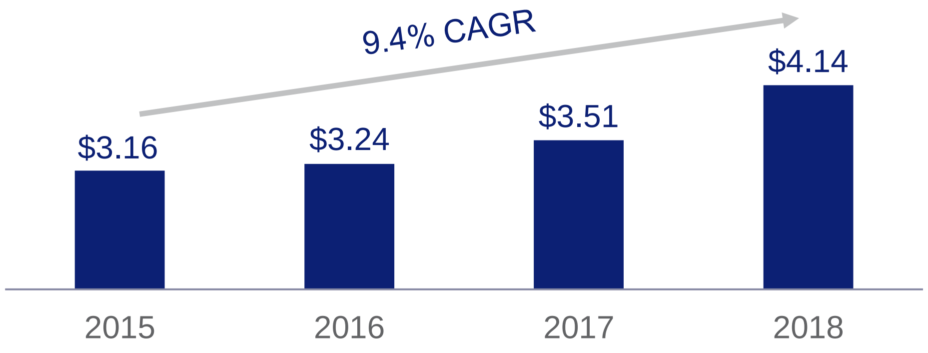
Net Income ($bn)



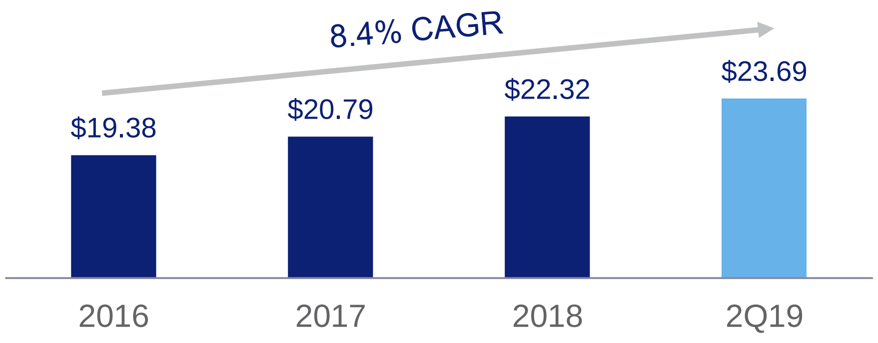
Observations

- Rising rates since 2016
- Elevated compliance costs through 2017
- Regulatory environment moderating
- 2017 Tax Reform legislation
- Reliable capital generation/payout

Earnings Per Share (diluted)



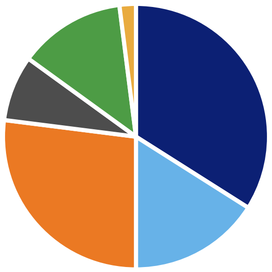
Tangible Book Value Per Share



Growing Balance Sheet

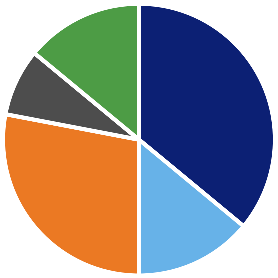
Average Loans

2016 Average Loans
$268 billion



- Commercial – **34%**
- Commercial Real Estate – **16%**
- Res Mtg and Home Equity – **27%**
- Credit Card – **8**%
- Other Retail – **13**%
- Covered – **2**%

2Q19 Average Loans
$289 billion

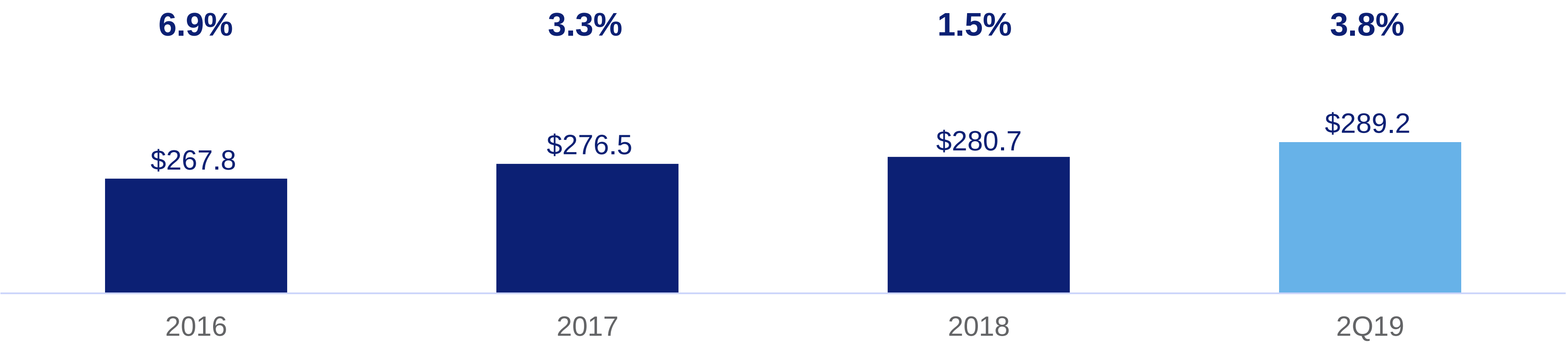


- Commercial – **36%**
- Commercial Real Estate – **14%**
- Res Mtg and Home Equity – **28%**
- Credit Card – **8**%
- Other Retail – **14**%
- Covered – **0**%

8.0% Growth USB

8.0% Growth Peer Median

Year-Over-Year Growth ($bn)

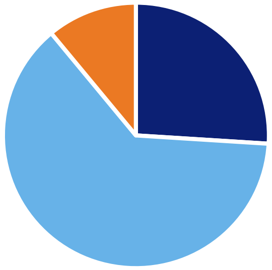


Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC
All excluding significant acquisitions

Growing Balance Sheet

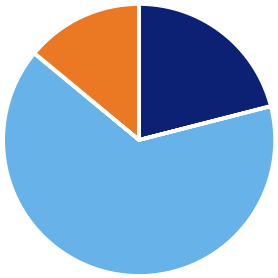
Average Deposits

2016 Average Deposits
$313 billion



Noninterest-bearing – **26%**
Checking and Savings – **63%**
Time – **11%**

2Q19 Average Deposits
$345 billion



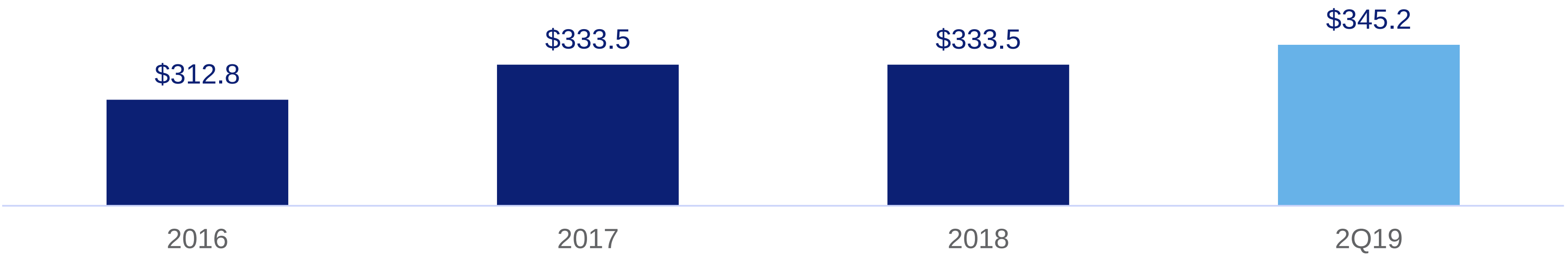
Noninterest-bearing – **21%**
Checking and Savings – **65%**
Time – **14%**

10.4% Growth USB

8.8% Growth Peer Median

Year-Over-Year Growth ($bn)

2016	2017	2018	2Q19
8.9%	**6.6%**	**0.0%**	**3.1%**

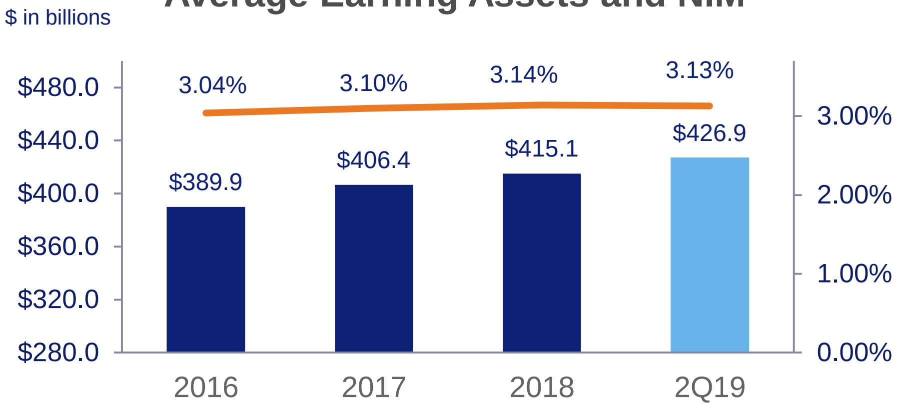


Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC

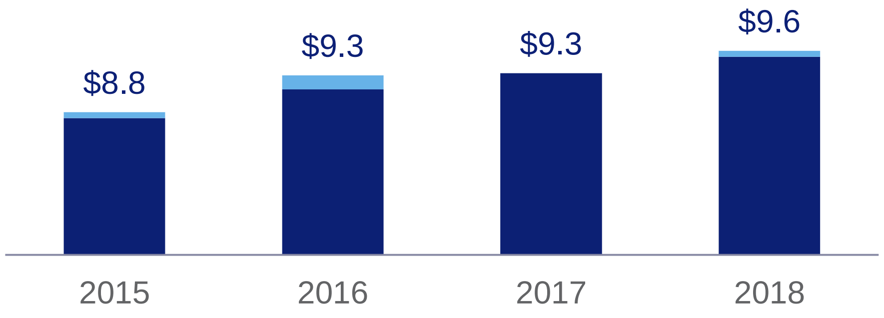
Revenue Growth

Net Interest Income ($bn) CAGR: 5.0%

Average Earning Assets and NIM



Fee Income ($bn) CAGR: 2.9%

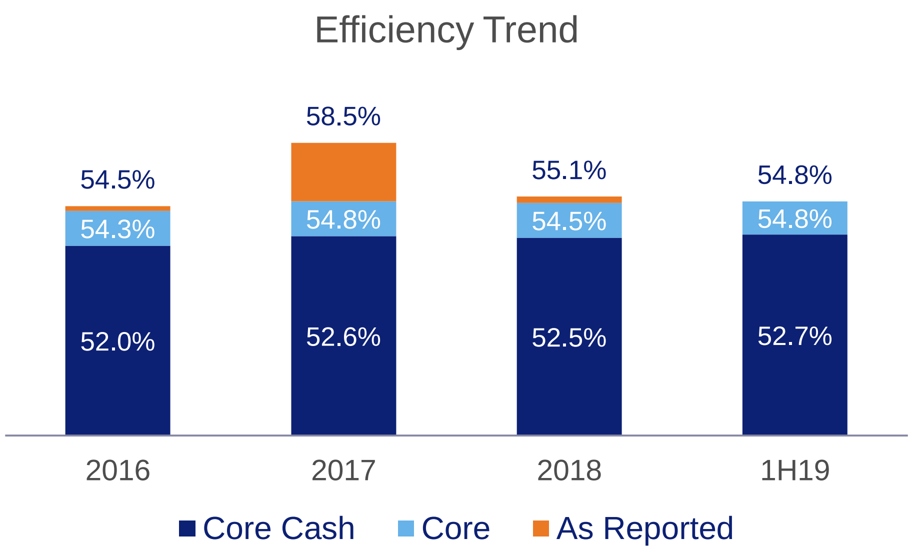


Despite a challenging environment

- Modest economic growth
- Rising rates through 2018
- Yield curve flattening
- Revenue growth of 3.9% CAGR

Fee income notable items: ATM servicing business sale ($340MM) and asset impairments (-$264MM) in 2018; Visa Europe sale ($180MM) in 2016; Visa stock sale ($135MM) and student loan market adjustment (-$58MM) in 2015

Efficiency



Strategic business investments

- Digital-first strategies
- Personalization
- Payments capabilities
- B2B capabilities
- Physical asset optimization
- Agile studios
- IT and operations rationalization
- Cybersecurity

Peer leading efficiency ratio

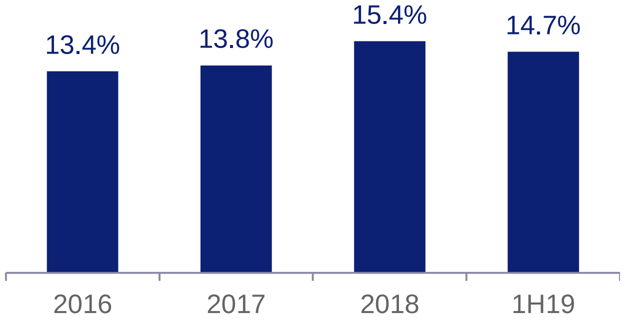
Elevated compliance costs through 2017

Scale and single process platform

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); see slide 6 in the Agenda, Forward-looking Statements and Non-GAAP Financial Measures presentation for calculations
Core = Excluding notable items; Core cash = Excluding notable items and amortization/depreciation

Returns

ROE Trend



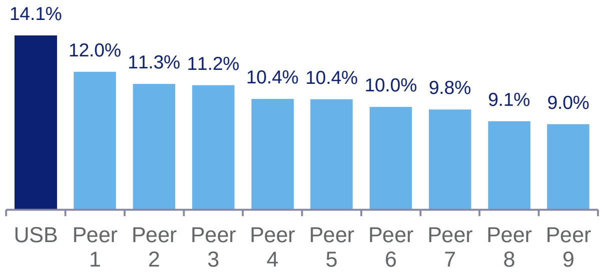
Industry leading profitability

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

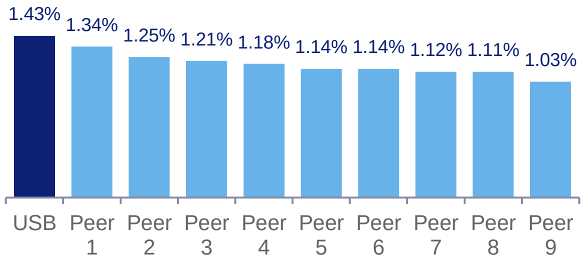
Changing regulatory environment

- Tax reform legislation in 2017
- Regulatory capital requirements
- Moderating regulatory regime

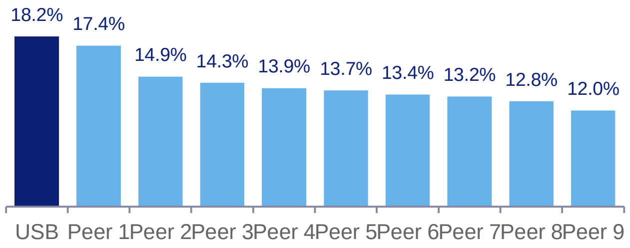
ROE vs Peers - 2016 to 1H19 Average*



ROA vs Peers - 2016 to 1H19 Average*



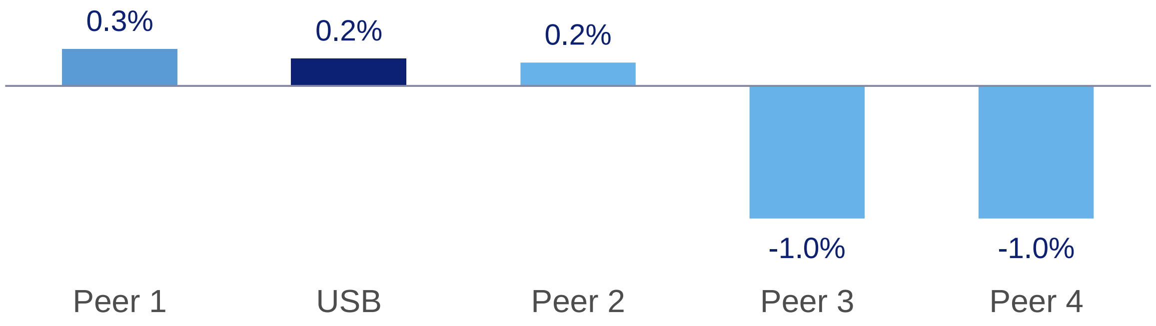
ROTCE vs Peers - 2016 to 1H19 Average*



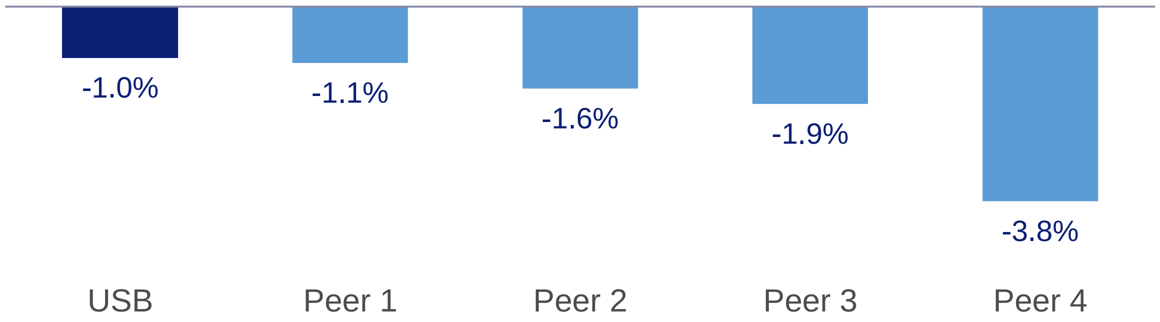
Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC
ROE = Return on Average Common Equity; ROA = Return on Average Assets; ROTCE = Return on Average Tangible Common Equity
*Non-GAAP; excluding notable items; see slides 5 and 7 in the Agenda, Forward-looking Statements and Non-GAAP Financial Measures presentation for calculations

Sustainability — Earnings and Capital

Net Income before Taxes as Percent of Average Assets
(CCAR Cycles 2017-19, 3-year Average)



Common Equity Tier 1 (CET1) Change 2019 CCAR Severely Adverse vs. 4Q18



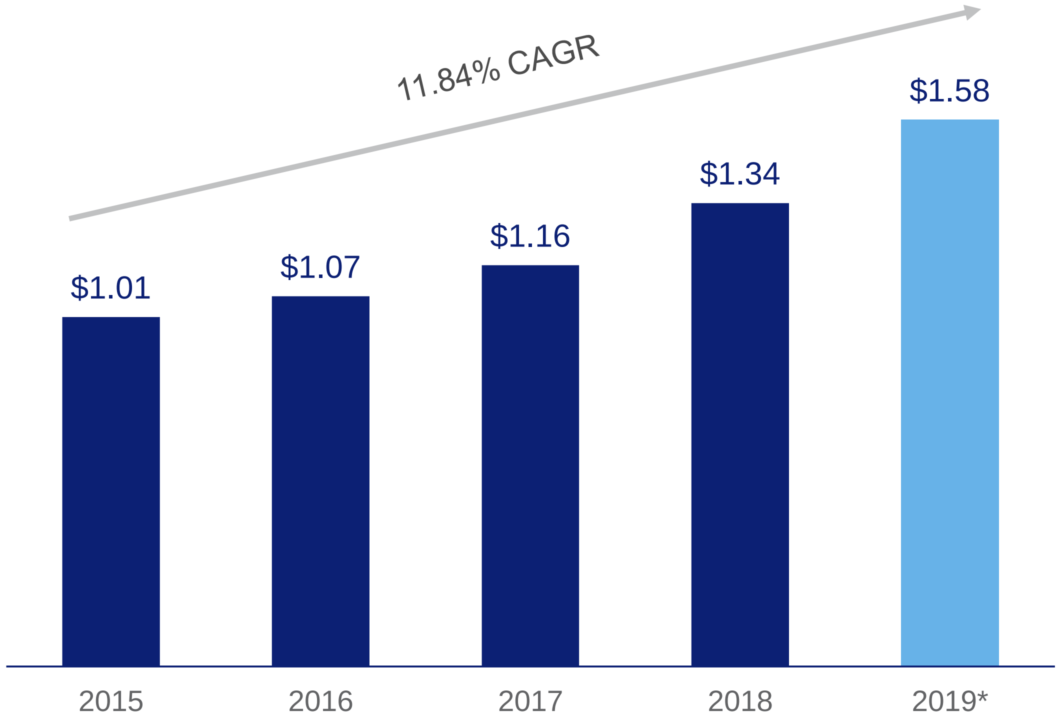
Ability to Perform through the Cycle

- Diversified business mix
- Lower earning volatility through cycle
- Flight to quality given credit ratings
- Credit risk profile under stress
- Sustainability of dividends

Source: Company filings and SNL Financial. Federal Reserve estimates under supervisory severely adverse scenario
Peers include: BAC, JPM, PNC, and WFC

Growth in Dividends

Dividend Growth



- Capacity for dividend growth
- Quarterly dividend raised to $0.42 per share in 3Q19
- 13.5% increase in 2019

*2019 dividend based on CCAR planned distributions

Agenda

- What we have achieved
- **Review of U.S. Bank's performance and positioning**

Diversified revenues

Efficiency as a competitive advantage

Funding as a competitive advantage

Preferred mix of businesses

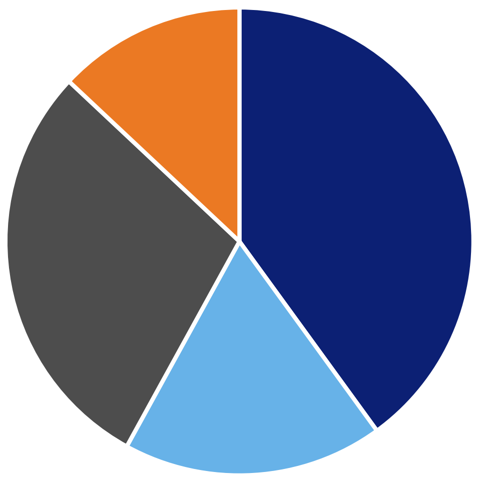
Asset sensitivity and liquidity

Capital flexibility

- Long-term strategic expectations

Diversified Revenues

Revenue Mix by Business

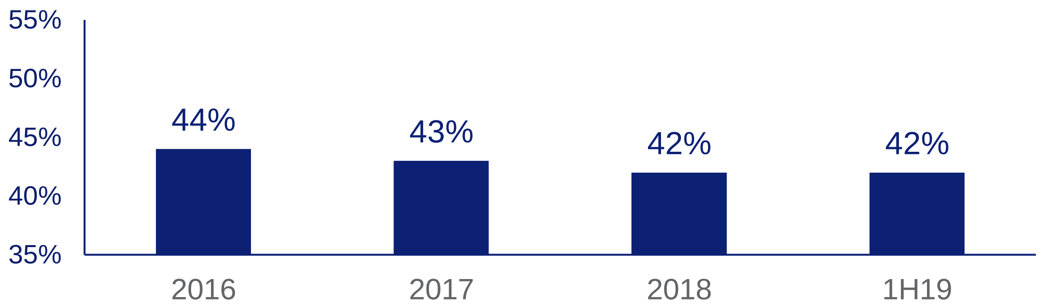


Consumer and Business Banking – **40%**
Corporate and Commercial Banking – **18%**
Payment Services – **29**%
Wealth Management & Investment Services – **13%**

Differentiators

- Corporate trust business
- Payments business capabilities
- Leveraging payments for B2B opportunity
- Fee businesses with higher growth opportunities

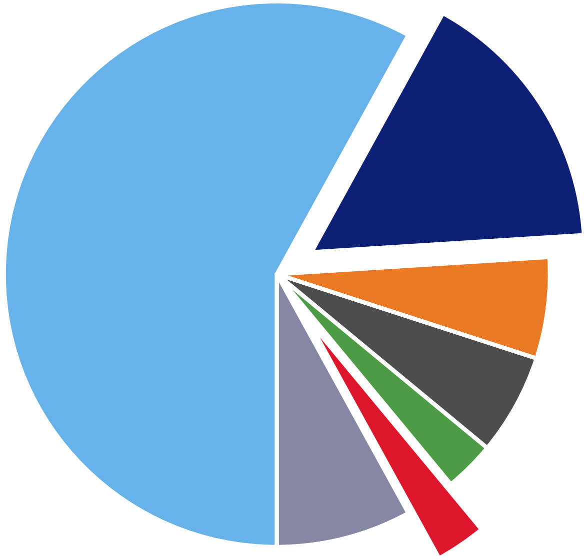
Fee Income/Total Revenue



Full year 2018, taxable-equivalent basis;
Business line revenue percentages exclude Treasury and Corporate Support; see slide 4 in the Agenda, Forward-looking Statements and Non-GAAP Financial Measures presentation for calculations

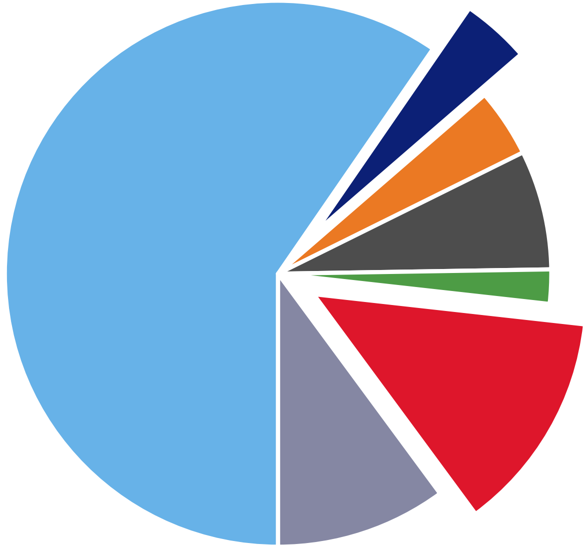
Preferred Mix of Businesses

U.S. Bancorp Revenue Mix



Interest Income – 58%
Payments Revenue – 16%
Fiduciary Activities – 6%
Service Charges – 6%
Mortgage Fees – 3%
Trading, Brokerage, Investment Banking – 3%
Other Income Fees – 8%

Peer Bank Average Revenue Mix



Interest Income – 59%
Payments Revenue – 5%
Fiduciary Activities – 4%
Service Charges – 7%
Mortgage Fees – 2%
Trading, Brokerage, Investment Banking – 13%
Other Income Fees – 10%

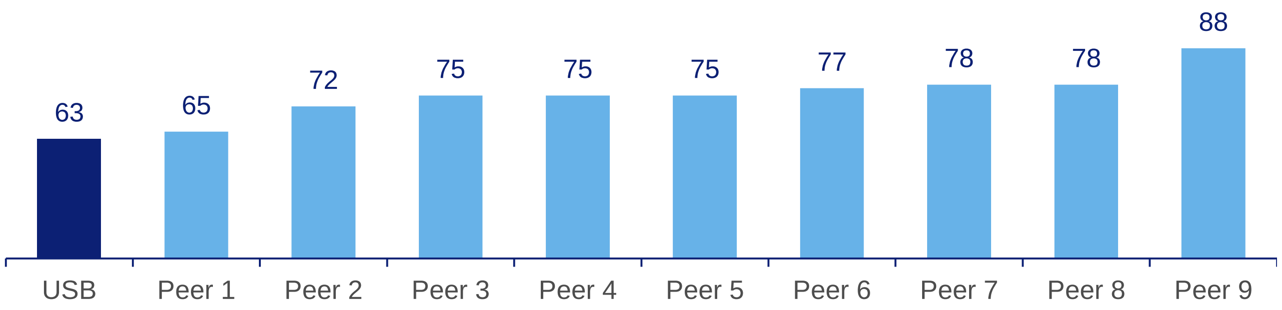
Full year 2018, taxable-equivalent basis; Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC
Source: SNL Financial

Credit Ratings

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
JPM	A2	s	A-	s	AA-	s	AA (Low)	s
WFC	A2	on	A-	on	A+	s	AA (Low)	s
BBT	A2	wn	A-	s	A+	s	A (High)	op
BAC	A2	s	A-	s	A+	s	A (High)	s
PNC	A3	s	A-	s	A+	s	A (High)	s
STI	Baa1	wp	BBB+	wp	A-	wp	A	wp
FITB	Baa1	s	BBB+	s	A-	s	A	s
KEY	Baa1	s	BBB+	s	A-	s	A (Low)	op
RF	Baa2	op	BBB+	s	BBB+	s	A (Low)	s

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



Competitive Advantages

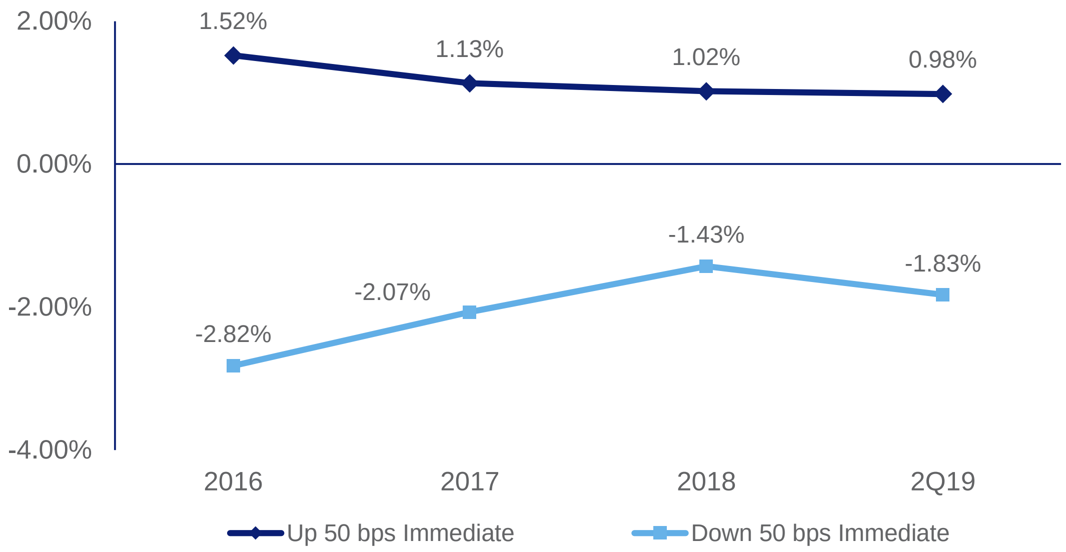
- Lower cost of funding
- Pricing advantage
- Flight to quality
- Customer confidence

Holding company, as of July 31, 2019. op = outlook positive; on = outlook negative; s = outlook stable; wu = watch uncertain; wn = watch negative; wp = watch positive
Debt spread as of September 3, 2019. Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC

Asset Sensitivity and Liquidity

Interest Rate Sensitivity Position

- Relatively neutral asset sensitivity
- Balanced short-term / long-term position
- Industry-wide challenge for near-term

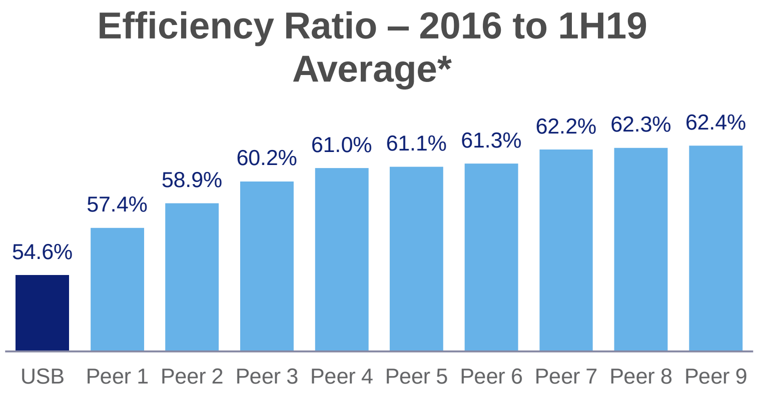


Liquidity Position

- Reliable source of core deposits
- Strong liquidity position
- Diversified sources of liquidity

Cost Structure

Efficient platform



Primary Drivers

- Single processing platforms
- Operating scale in all significant businesses
- Capital / investment process
- Full integration of deals
- Business line reviews

Driver of higher returns

Future drivers of success

- Agile studios/process redesign
- Digitization of products and services
- Financial discipline
- Cost structure rationalization
- Physical asset optimization
- IT and operations rationalization

Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC
*Non-GAAP; excluding notable items; see slide 6 in the Agenda, Forward-looking Statements and Non-GAAP Financial Measures presentation for calculations

Agenda

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

Our Changing Environment

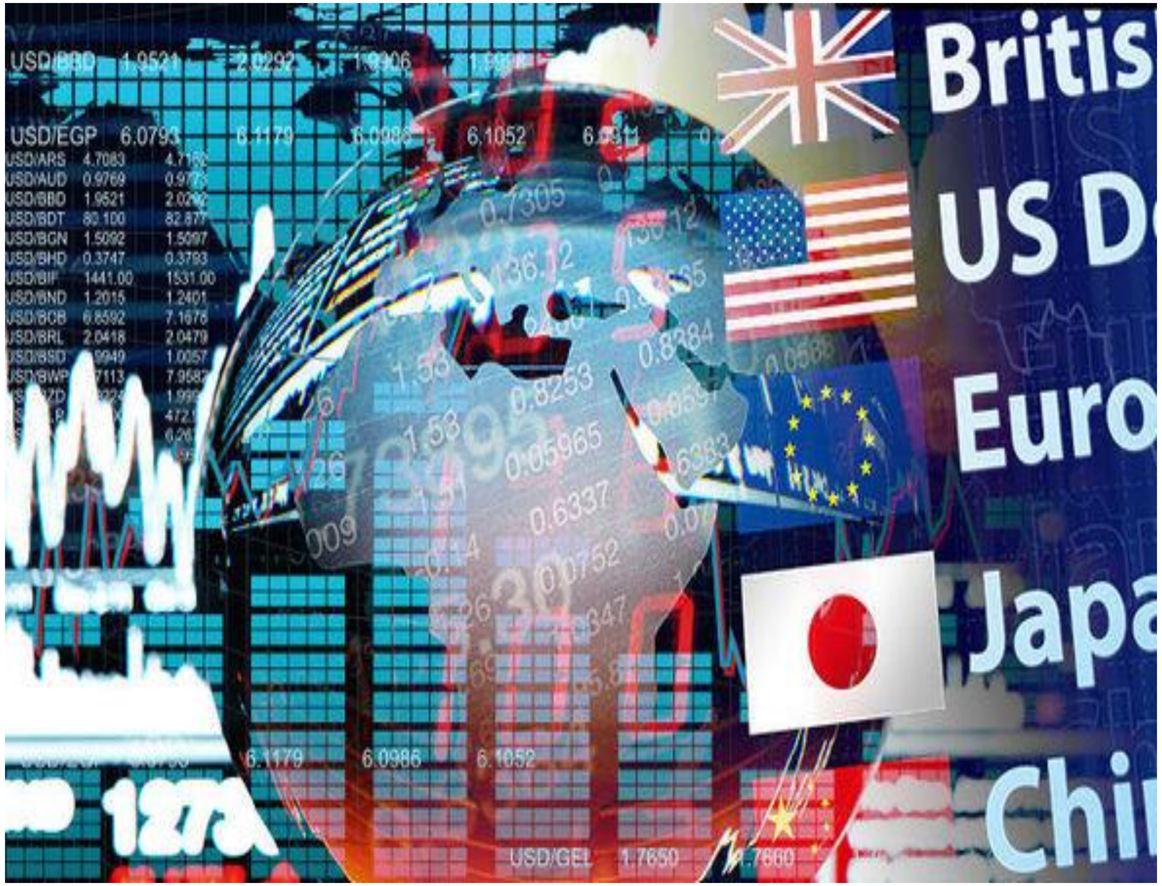
Advantages will drive strong relative performance

Recent competitive challenges	Become opportunities
Lower asset sensitivity	Stronger relative NIM as rates decline
Elevated risk and compliance costs	Risk and compliance costs have moderated
AML / BSA restrict branch optimization	Optimization of physical assets and distribution channels can accelerate
Credit profile moderates growth	Credit portfolio that performs well in recessionary business cycle
Significant capital payouts by peers	Capital levels normalizing / “tailoring rules”

Key Considerations

Macro-economic factors

- Modest GDP growth of 1.5% to 2.0%
- Unemployment stable around 3.5% to 4.0%
- Low inflation in foreseeable future
- Stable consumer confidence
- Fed cuts rates to 1.50% target by early 2020
- Long-end rates:
  - Flat to Aug month end rates in 2019
  - Steepening modestly during fiscal 2020
- Credit quality stable



Optimization and Business Investment

Portfolio management of businesses

- Holistic business review
- Market attractiveness
- Business performance
- Growth opportunity/returns
- Capital required

Recent actions

- Elan ATM processing
- Gaming
- Retail lockbox
- Student lending
- FDIC covered loans

Physical asset optimization accelerating

- Digital focus
- Redesigning employee roles
- Rethinking branch format
- Reinvesting in higher growth locations
- Enhancing the branch experience

Why the change?

- Opportunity to accelerate changes
- Enabling branch redesign/investment
- Digital-first market expansion strategies

Optimization and Business Investment

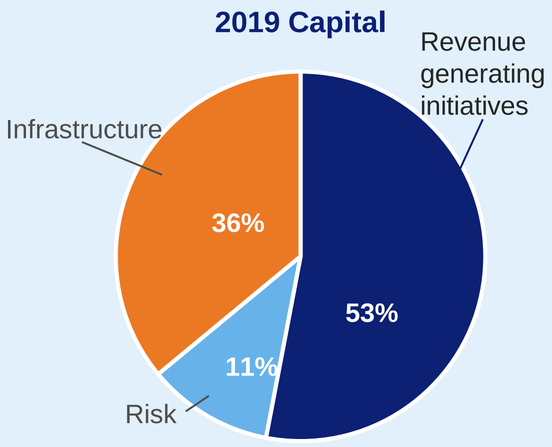
Focusing on sustainable cost structures

- Agile Studios
- Business automation and Artificial Intelligence
- Cloud computing and technology stack
- Organizational design

Recent actions

- Workforce initiatives
- Consumer market structure
- Spans and layers
- Procurement spend management

Disciplined investment for growth



CapEx: $1.2B | Technology $2.5B

Key initiatives

- Digital transformation
- Small business
- Payments capabilities
- Agile Studios
- Data and analytics
- Multicultural/brand
- Cybersecurity

Recent actions

- Investment levels
- Multi-cultural programs
- Brand development
- Digital-first focus
- Revenue-generating initiatives

Current Expected Credit Losses Standard ("CECL")

Cumulative Effect – Day 1 Implementation

- Estimated $1.2 to $1.6 billion impact
- Driven by card, mortgage and retail lending
- Estimates dependent on:
  - Macro-economic environment
  - Portfolio characteristics
  - Models, methods and judgments

Capital Implications

- 25 to 35 bps of capital - Day 1 impact
- 3 year phase-in; no permanent relief
- Included in our 2020 CCAR submission

Effects

- Greater volatility of provision under stress
- Potential impacts to credit availability and pricing

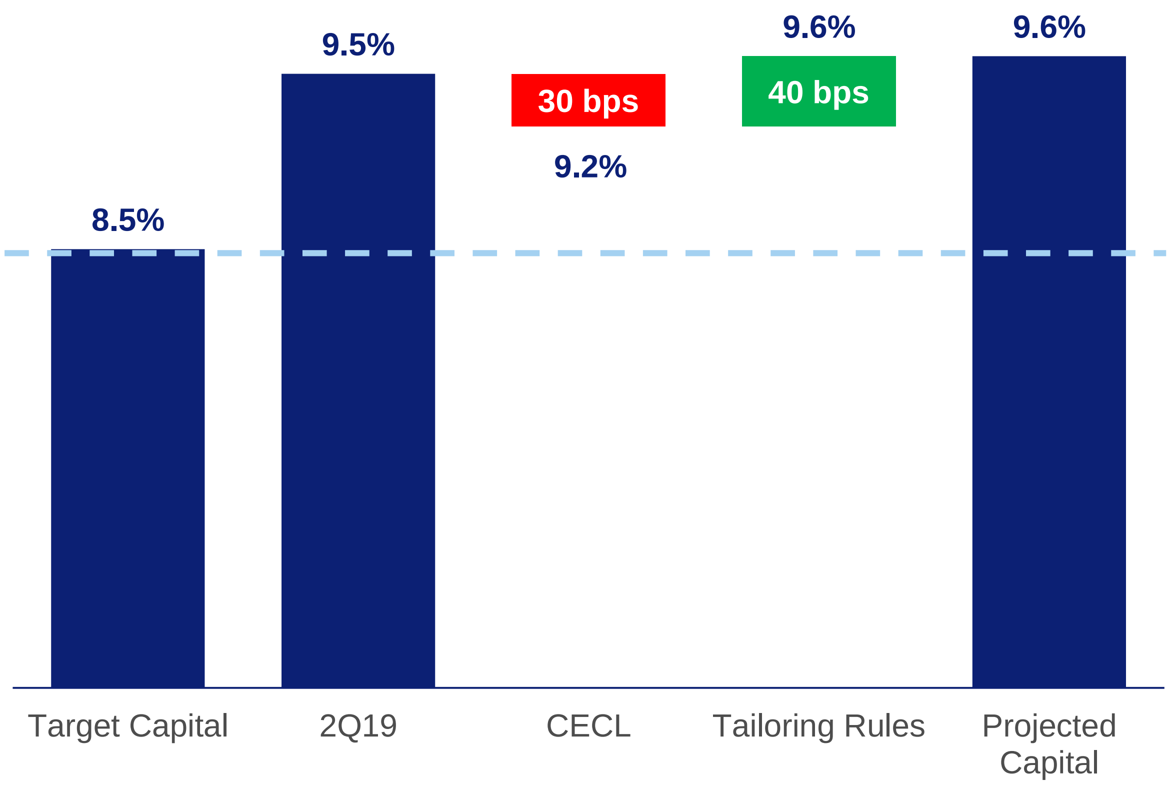
Cumulative Adjustment ***($bn)***

	2Q19	Estimated Change
Credit card	55-70%	**1 Year to Expected Life**
Residential/ Home Equity	20-50%	**Longer terms**
Installment/ Retail	60-95%	**1 Year to Expected Life**
CRE	(10)-15%	Less significant
Wholesale	(5)-10%	
Total Allowance **% change** **% of ending loans**	**$4.5** **1.53%**	**$1.2-1.6** **25% to 35%** **1.9% to 2.0%**

Provision for Credit Losses – Day 2

- Industry–wide 2020 implications
- **Provision in future is higher due to 1.9% to 2.0% reserve build for loan growth**
- Credit quality assumed stable

Capital Management



Capital Objectives:

- Well-capitalized company
- Maintain top quartile credit ratings
- Sustainability through business cycles

Capital Flexibility:

- Manage capital levels to 8.5% to 9.0%
- Buyback opportunity

Long-term Growth Expectations

	2016 Growth Expectations	Revised Long-term Growth Expectations
Revenue	**6-8%**	**5-7%**
Expense	3-5%	**2-4%**
Net Income	**6-8%**	**5-7%**
EPS	**8-10%**	**7-10%**

Notes: Revised growth expectations represent growth rates by end of 3 year time frame. CAGR's will be impacted by short-term impacts of interest rates and adoption of CECL in 2020.

Key Considerations

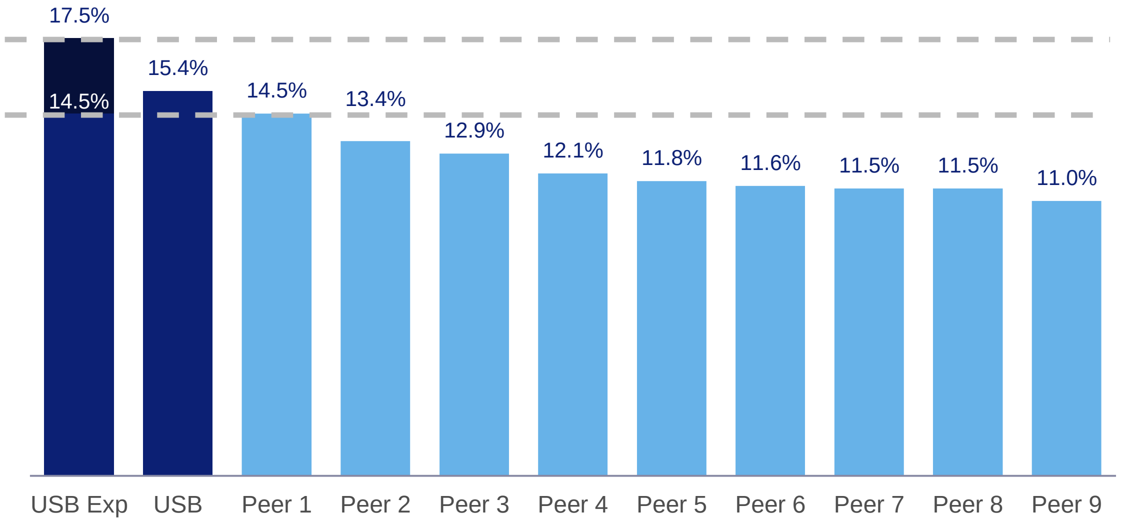
- Modest GDP growth of 1.5% to 2.0%
- Unemployment stable around 3.5% to 4.0%
- Low inflation in foreseeable future
- Stable consumer confidence
- Fed cuts rates to 1.50% target by early 2020
- Long-end rates:
  - Flat to Aug month end rates in 2019
  - Steepening modestly during fiscal 2020
- CECL adoption in 1Q 2020
- Credit quality stable

Long-term Profitability Expectations

	2016 Long-term Expectations	Revised Long-term Expectations
Return on Assets	1.35-1.65%	**1.35-1.65%**
Return on Equity	13.5-16.5%	**14.5-17.5%**
Return on Tangible Common Equity	17.5-20.0%	**17.5-20.0%**
Efficiency Ratio	Low 50s	**Low 50s**

2018 Return on Equity

Industry Leading Returns



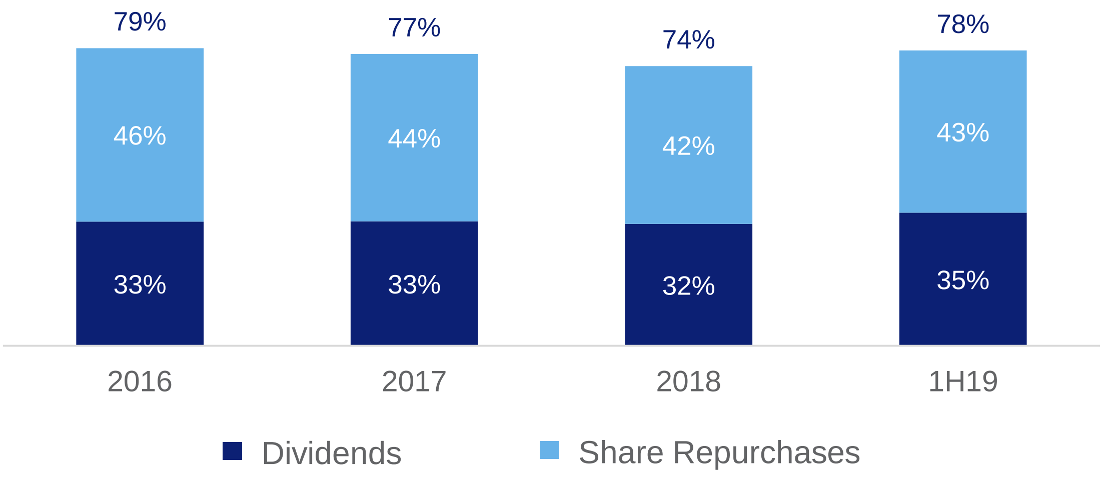
Long-term expectations are developed considering

- Challenging rate environment through 2020
- Adoption of CECL in 1Q 2020
- Managing capital levels to meet objectives

Source: Company filings, SNL Financial
Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC

Capital Management

Payout Ratio



Earnings Distribution Target

15–35%
Reinvest and Acquisitions

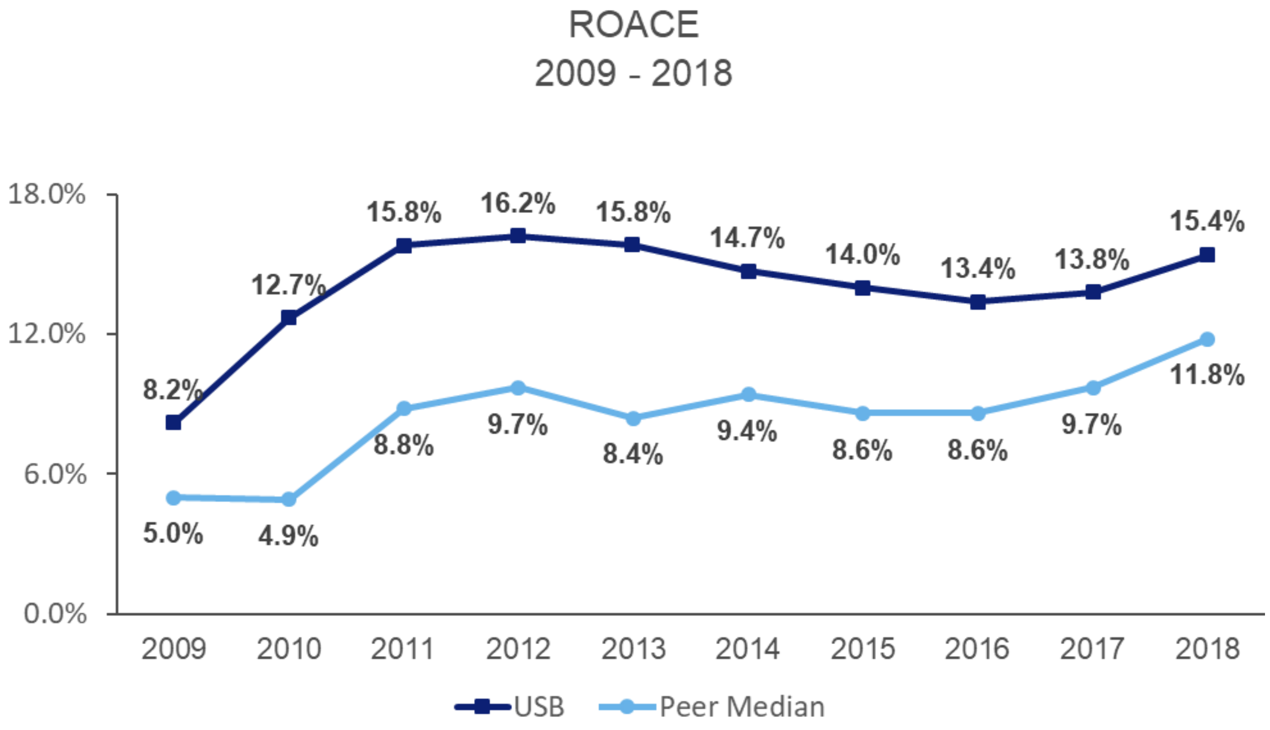
35–45%
Dividends

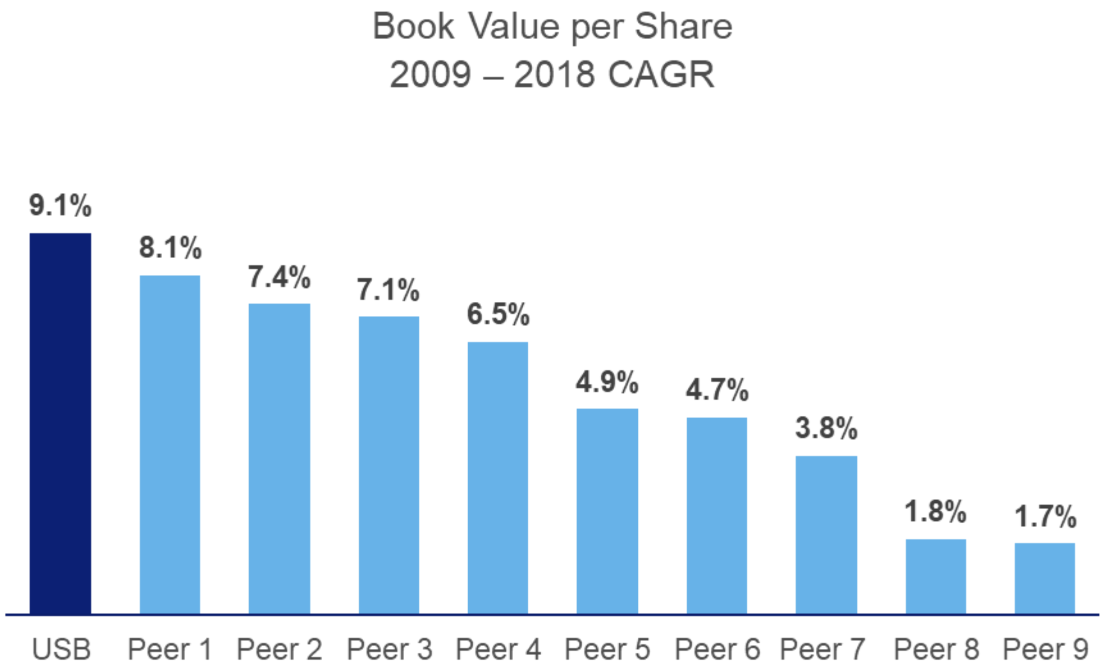
30–40%
Share Repurchases

Hypothetical Earning Distribution Example

Dividends	40%	Reinvestment	25%
Share Repurchases	35%	Assumed ROTCE	20%
Discretionary Distributions	**75%**	Balance Sheet Growth	**5%**

Long History of Industry-leading Returns and Financial Discipline





Source: Company filings, SNL Financial
Peers include: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI, and WFC

3Q19 Guidance Update

- Net interest income
- Noninterest income
- Operating leverage
- Tax rate
- Credit Quality