



Risk Management

Investor Day 2016



Risk Management at U.S. Bancorp

Risk and governance starts at the top



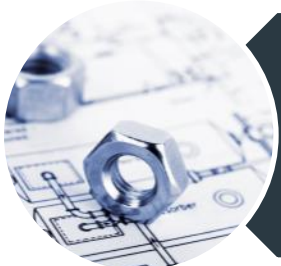
The Risk Management Committee of the Board of Directors approves and oversees the risk management framework and risk appetite statement

Investments in people, processes and technology



Implemented a collaborative “Three Lines of Defense” system of checks and balances; experienced risk management team, including integrated risk officers in each business line

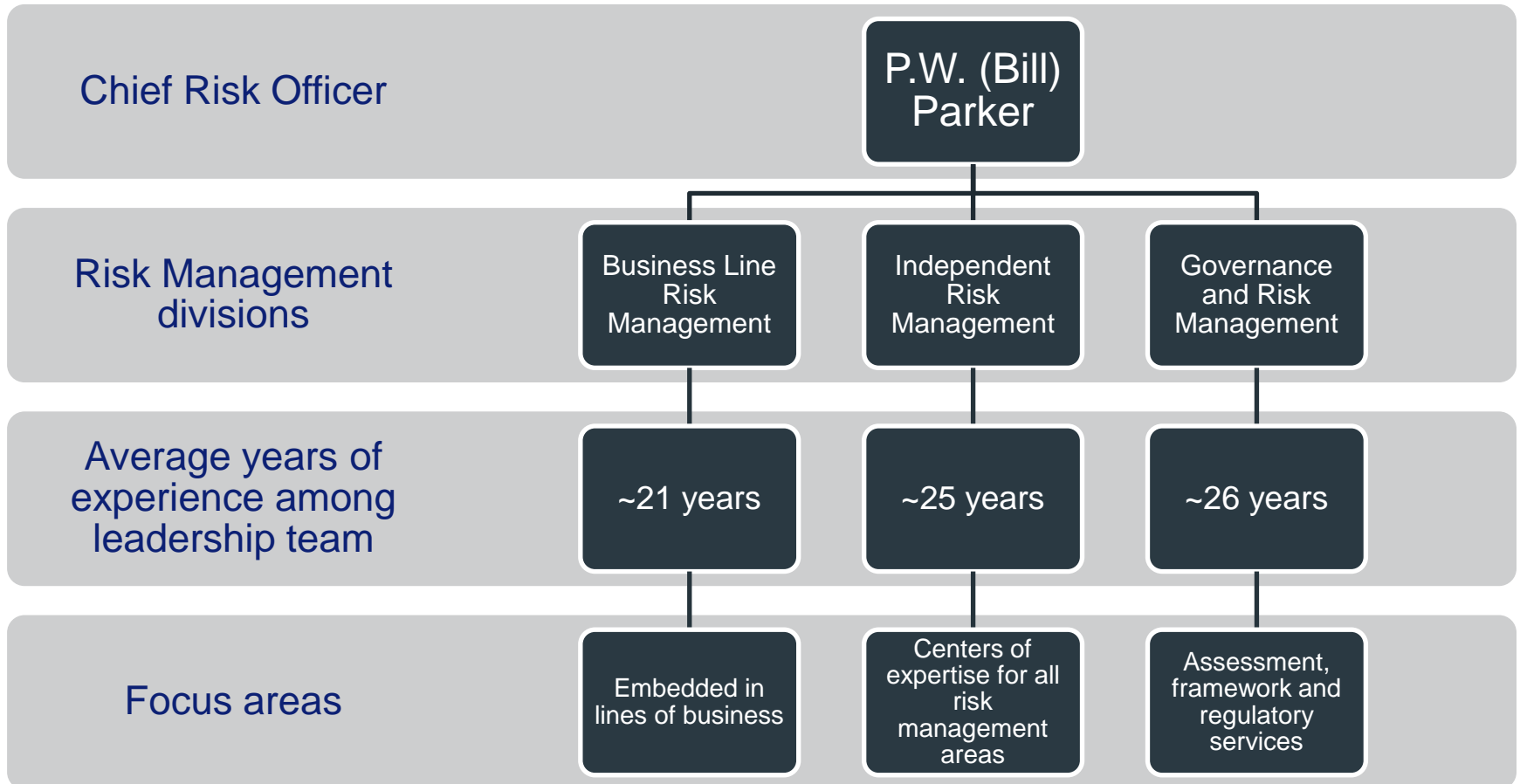
Infrastructure largely in place and reflected in our run rates



Continue to enhance “Know Your Customer” and anti-money laundering program to address consent order

Risk Management Leadership

We have a seasoned leadership team.



Consumer Compliance

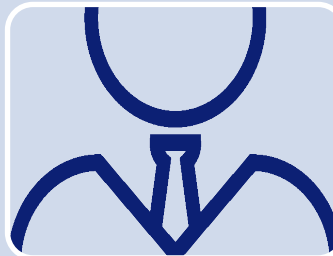
Significant investments were made to meet exacting “zero defect” standards for consumer compliance

Residential Mortgage
Default Management

Flood Disaster Protection
Compliance

Fair and Responsible
Banking

Military Lending Act and
Service Members' Civil
Relief Act



People

- Leadership, technical expertise and engagement are keys to success



Process

- Quality must be engineered and measured from start to finish



Systems

- Automation is critical to support scalability and quality

Operational Risk Management

We established an effective program for operational risk

Third party risk management	Cybersecurity and information technology	New and modified products and services	Innovation activities
Monitoring and verification activities throughout all phases of the lifecycle	Independent risk management coverage; second line of defense over critical operations	Comprehensive independent risk assessments	Customized independent risk evaluations
Payment systems	Business continuity and crisis management programs	Complaint management	Ethics Oversight
End-to-end coverage by independent risk management	Preparedness at all levels of the organization	Timely response to customer and regulator concerns	Ensuring we do the right thing



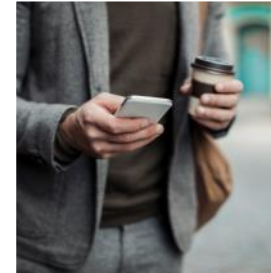
Credit Risk Management

Strong Credit Risk Management Culture



Supports and enables prudent long-term growth

Enhances position as the most trusted choice

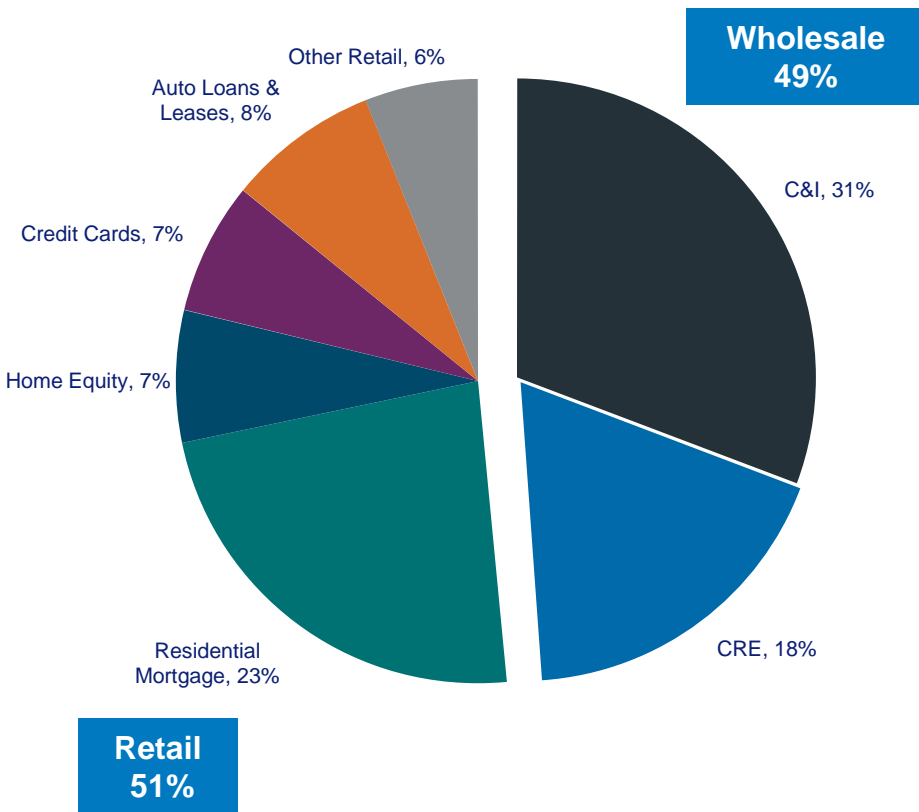


Produces consistent, predictable and repeatable results

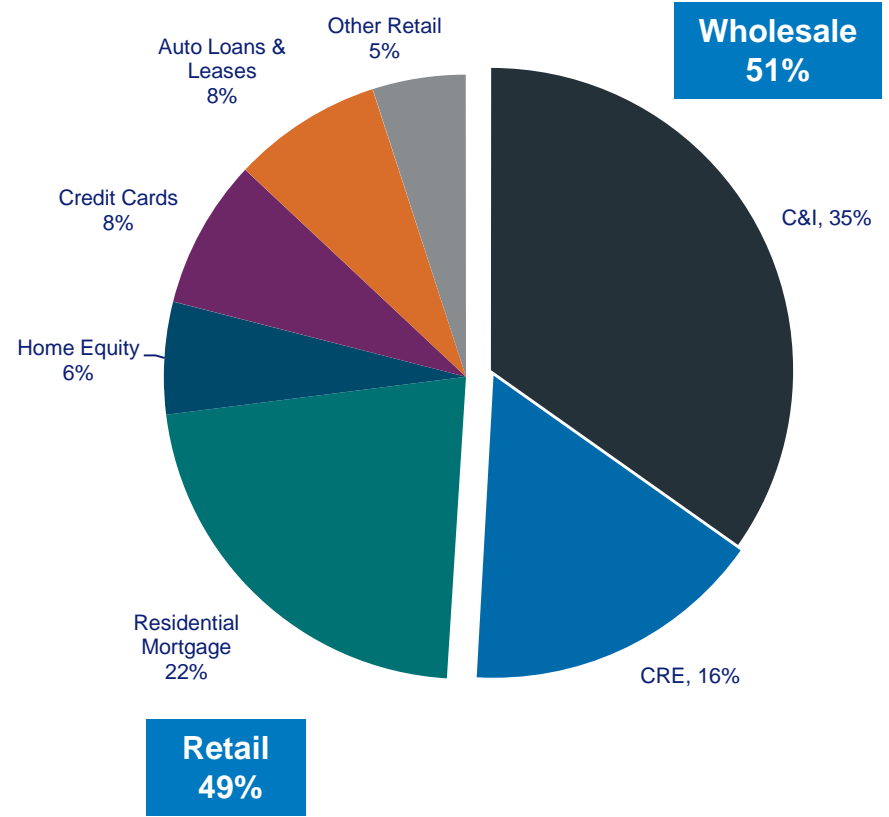
Consistent Loan Growth

Maintained balanced and diversified portfolio of wholesale and retail loans

2013: \$227B



2Q16: \$267B



*Includes covered loans

Retail Credit

Portfolio overviews

Residential Mortgage	2Q13	2Q16
WA FICO at origination	749	754
WA LTV at origination	71%	70%



Residential mortgage:

Repositioned post-recession by focusing on prime jumbo mortgages

- No sub-prime or near-prime real estate originations
- Restrictive guidelines on interest-only, condos and investment properties

Retail Credit

Portfolio overviews

Home Equity	2Q13	2Q16
WA FICO at origination	748	752
WA LTV at origination	73%	72%



Home equity:

Predominantly originated through the branch channel to existing customers for non-purchase money purposes

- End-of-draw exposure remains low, with only 7% of balances scheduled to begin amortizing within the next 36 months

Retail Credit

Portfolio overviews



Auto Loans	2Q13	2Q16
WA FICO at origination	770	770

Auto loans:

- Continued high credit quality originations
- Refined non-prime indirect auto lending to shift focus to near-prime while eliminating sub-prime

Auto leases:

Strategic partnership with high-end manufacturer driving high-quality originations

Auto Leases	2Q13	2Q16
WA FICO at origination	769	785

Retail Credit

Portfolio overviews



Credit Cards	2Q13	2Q16
WA FICO at origination	763	758

Credit cards:

Well-diversified portfolio between bank brand and partner/co-brand

Private student lending and manufactured housing businesses exited

Retail Credit Enablers

Leverage technology to improve credit process:

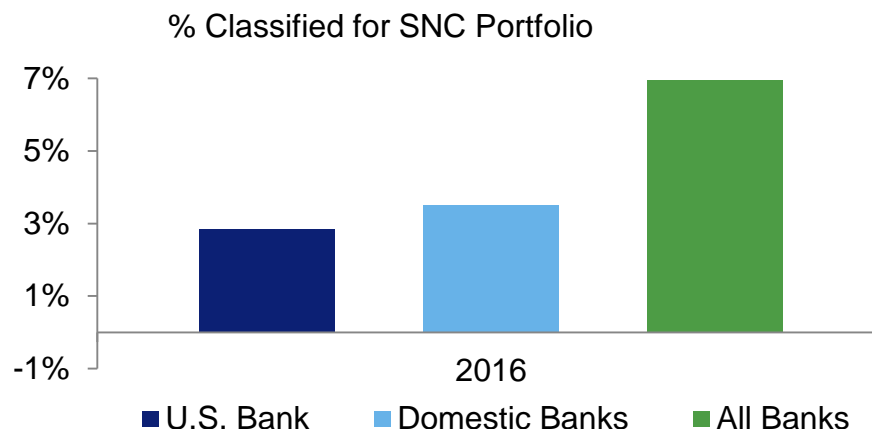
- Expanding automated decisioning with indirect auto portfolio
- Testing big data/advanced analytics techniques, such as machine-learning algorithms

Wholesale Credit

Commercial and industrial

Strong commercial and industrial origination quality:

- Diversified industry mix with average credit quality equivalent to BBB- or Baa3 (inv. grade)
- Stronger credit quality compared to industry's Shared National Credit (SNC) portfolio
- Smaller leveraged lending market share



Energy exposure:

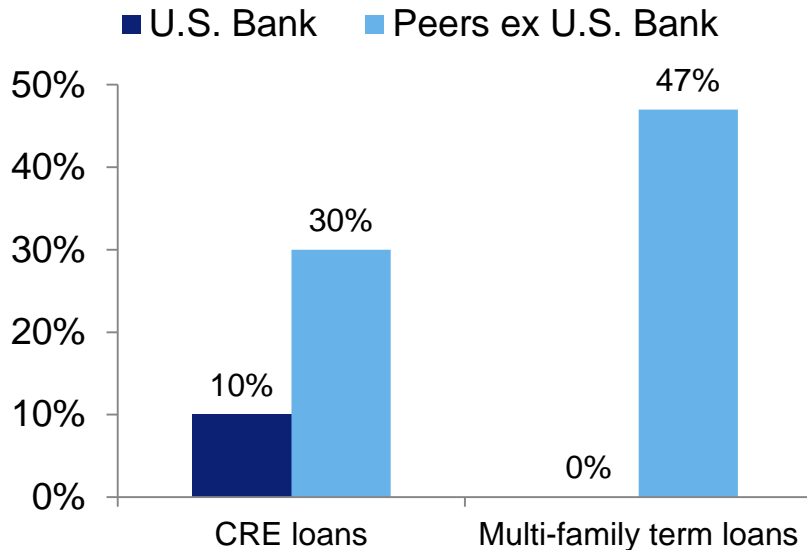
Low exposure (1% of loans) with non-performing loan % among lowest within peer group

Energy	2Q16	1Q16
% of total loans	1.1%	1.3%
Allowance % of energy loans	8.8%	9.1%

Wholesale Credit

Commercial Real Estate

CRE Secured: Loan Growth 2Q13 to 2Q16



- Strong origination quality, diversified by property type and supported by strong guarantors
 - Maintained underwriting discipline in construction and Commercial Real Estate secured loans
 - Have not focused growth on multi-family term loans or non-recourse lending
- Growth achieved through institutional investment grade REITs

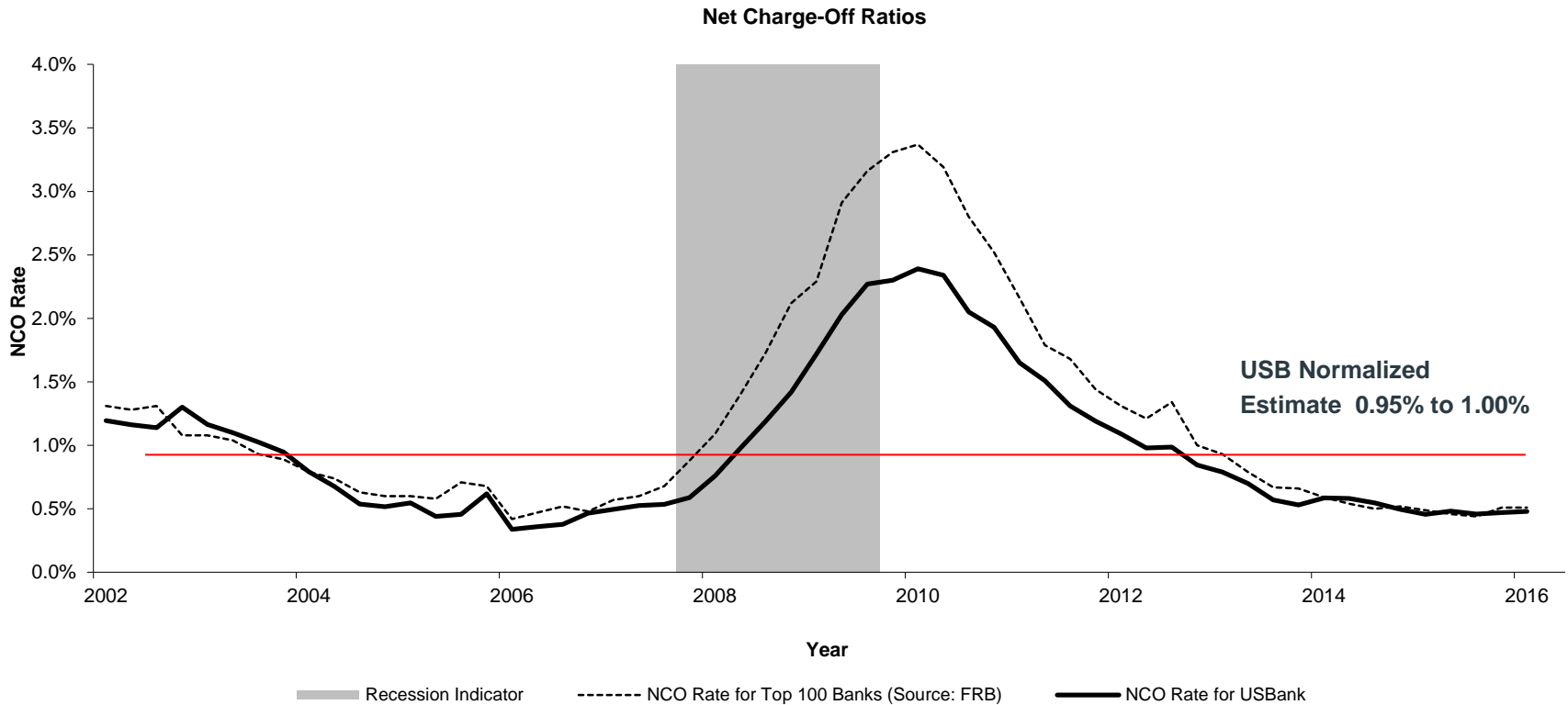
Wholesale Credit Enablers

- Leveraging technology to improve credit process: new Wholesale and Small Business underwriting platforms
- Client advocacy training for all Wholesale staff to ensure right product at the right time and to deepen relationships by presenting “one” U.S. Bank to the client



Strong Credit Culture

Consistent and disciplined underwriting performs better than the industry during times of stress



Through-the-Cycle Normalized Charge-offs

U.S. Bancorp Normalized (95-100 bps)

Investor Day 2Q13		Investor Day 2Q16	
Loan Portfolio	Normalized NCO%	Loan Portfolio	Normalized NCO%
Commercial	0.45%	Commercial	0.40%
Commercial Real Estate	0.50%	Commercial Real Estate	0.60%
Small Business*	1.75%	Small Business*	2.00%
Residential Mortgages	0.60%	Residential Mortgages	0.45%
Credit Cards	5.00%	Credit Cards	4.65%
Other Retail	1.00%	Other Retail	0.95%
Total	1.00%	Total	0.95%

Updated through-the-cycle analysis

Mix shift due to growth in small business cards

Mix shift to newer (better) vintages at 25 bps

Improved credit quality through portfolio acquisition

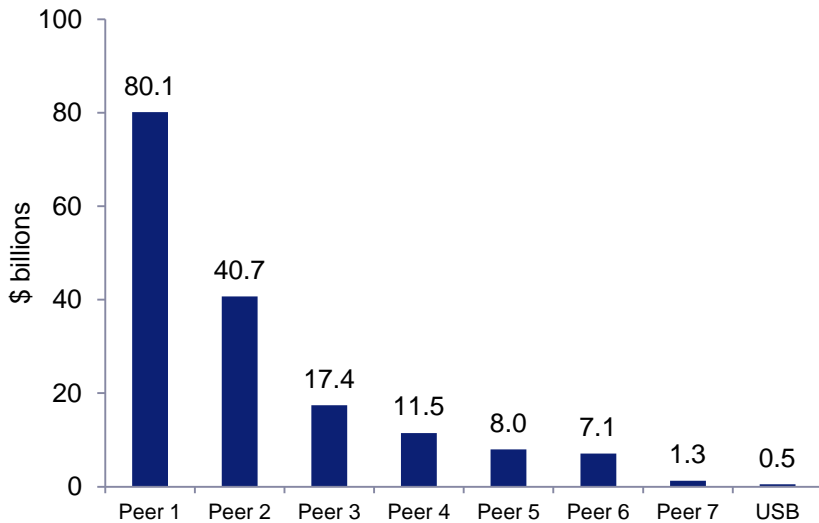
Elimination of subprime auto program

* Includes commercial and commercial real estate

Strong Risk Management

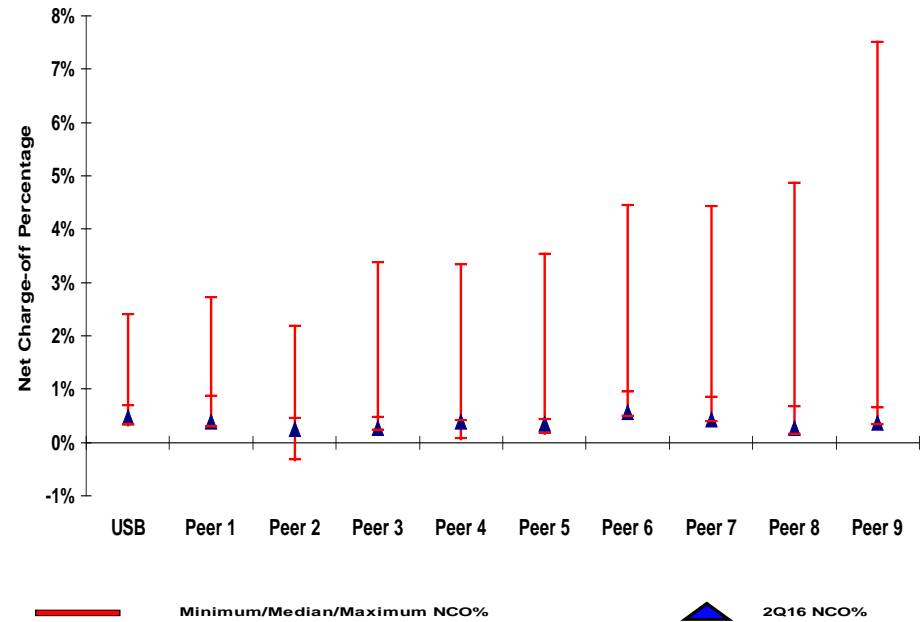
Strong risk management produces prudent long-term growth with low volatility and consistent, predictable and repeatable results.

Financial Crisis-Related Settlement Outlays Since 2010



Peer banks: BAC, BBT, FITB, JPM, KEY, PNC, RF, STI and WFC

Net Charge-off Volatility Since 2003



Data from published analysis by SNL Financial, The Wall Street Journal, and other external sources, and includes banks' 2010-January of 2016 settlements with GSEs; the national mortgage settlements; settlements and fines imposed by the Fed and OCC in connection with the independent foreclosure review; settlements with shareholders and investors over acquisitions, transactions and offering disclosures; settlements on derivatives, RMBS, and other securities matters; and mortgage fair lending settlements with the U.S. government.