

**U.S. Bancorp Investor Conference**

# Financial Management

**Andy Cecere**

***Vice Chairman and CFO***

*September 5, 2007*



# Forward-looking Statements

This 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. These statements often include the words “may,” “could,” “would,” “should,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook” or similar expressions. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of the Company. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including changes in general business and economic conditions, changes in interest rates, legal and regulatory developments, increased competition from both banks and non-banks, changes in customer behavior and preferences, 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, legal risk, and regulatory and compliance risk. For discussion of these and other risks that may cause actual results to differ from expectations, refer to our Annual Report on Form 10-K for the year ended December 31, 2006, on file with the Securities and Exchange Commission, including the sections entitled “Risk Factors” and “Corporate Risk Profile.” Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

# Financial Management

## ✓ Profitability

✓ Balance Sheet Management

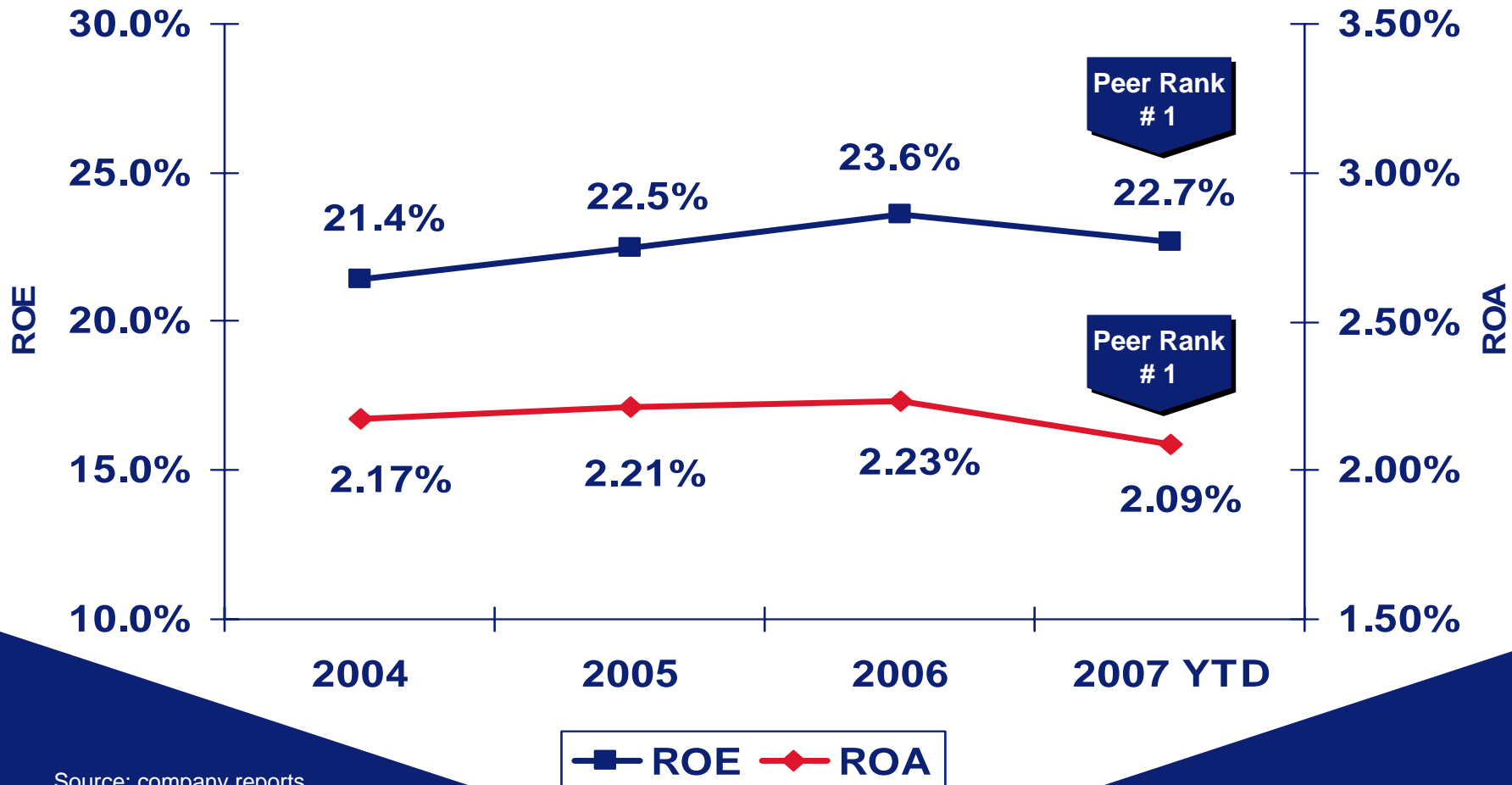
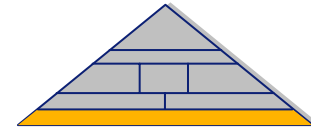
✓ Investing for Growth

✓ Long-term Growth Expectations

✓ Current Topics

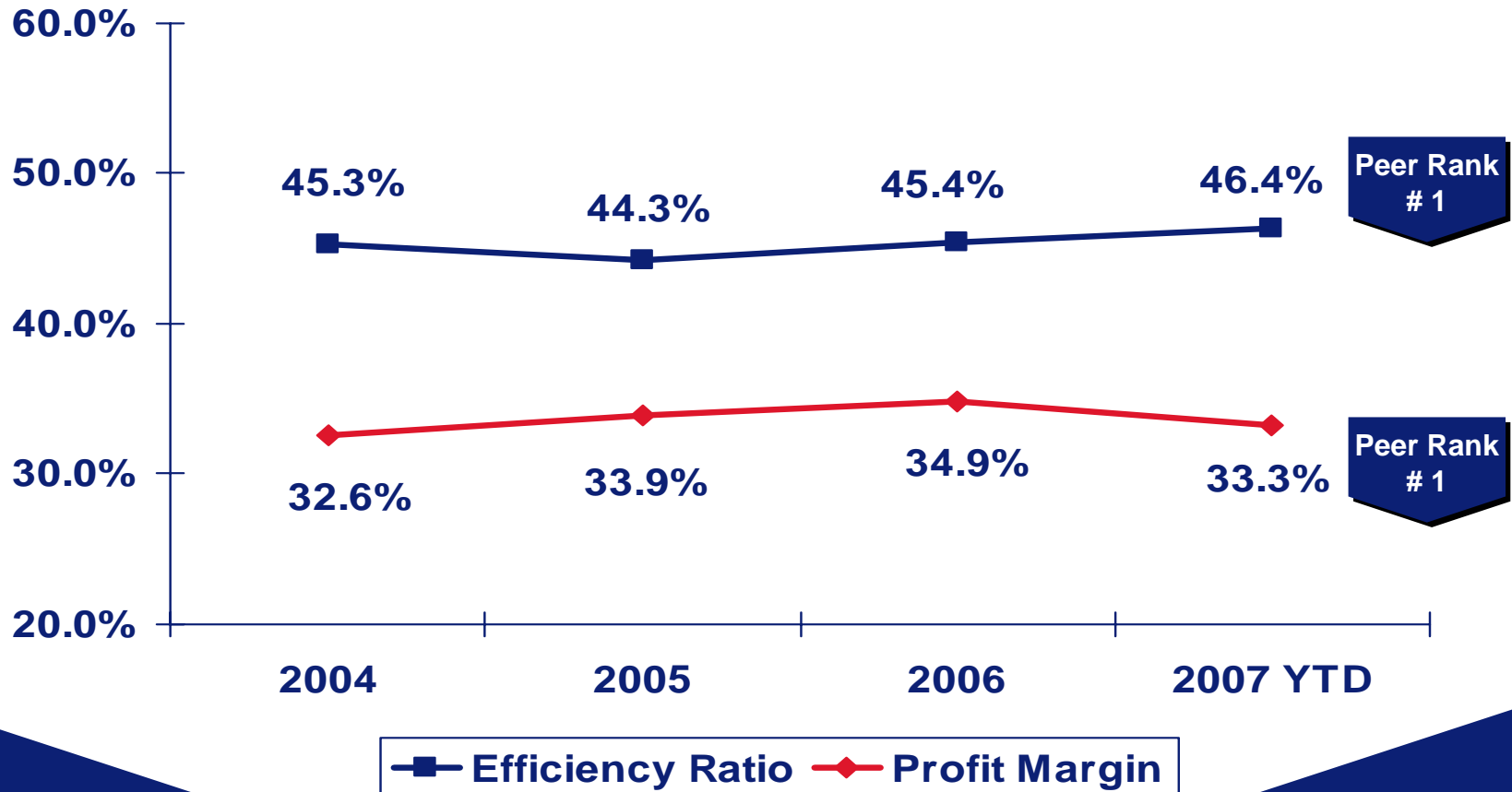
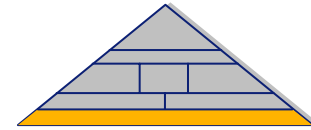


# Profitability



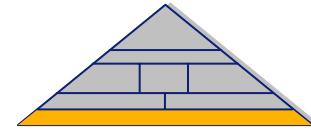
Source: company reports  
 Peer Banks: BAC, BBT, CMA, FITB, KEY,  
 NCC, PNC, RF, STI, WB, WFC and WM

# Profitability

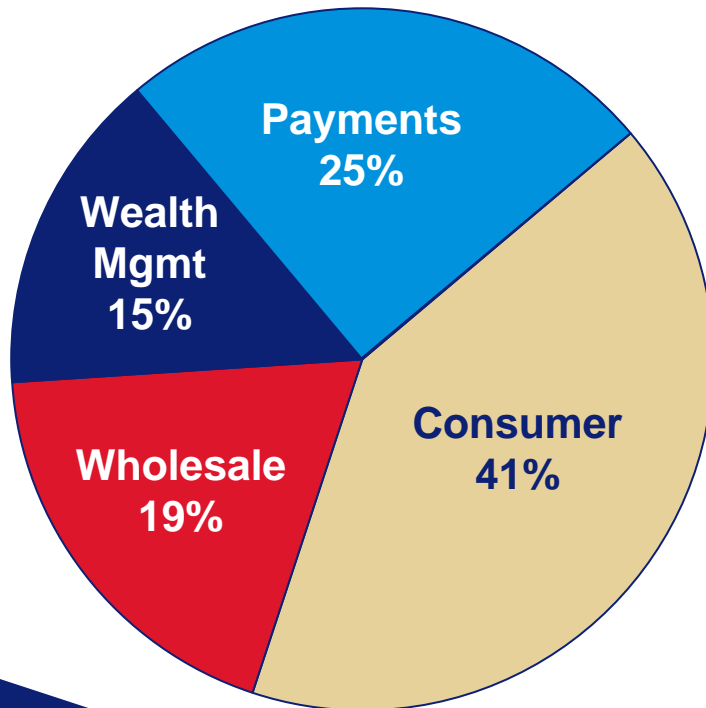


Profit Margin excludes securities gains (losses) net  
Peer Banks: BAC, BBT, CMA, FITB, KEY, NCC, PNC, RF, STI, WB, WFC and WM

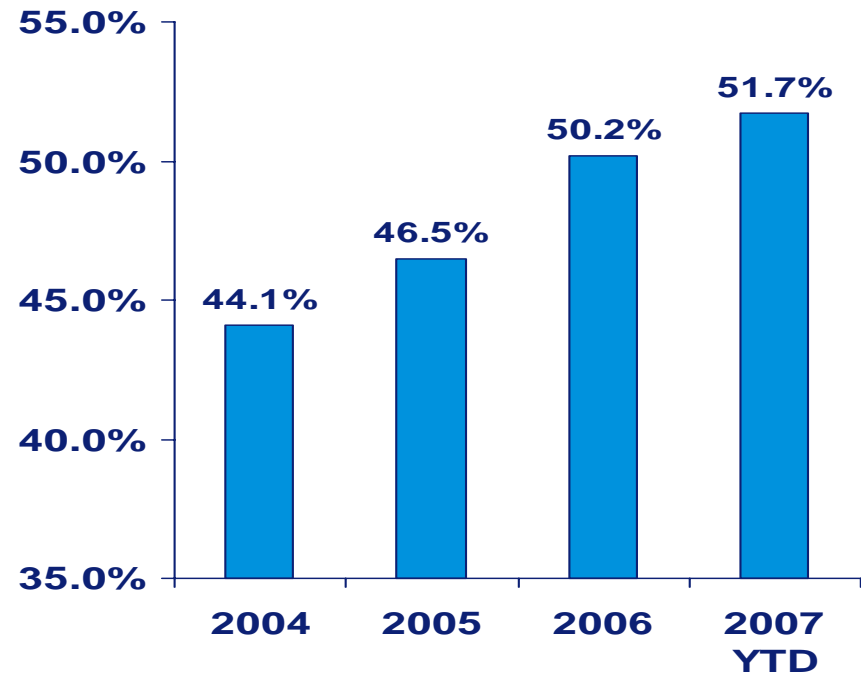
# Revenue Mix



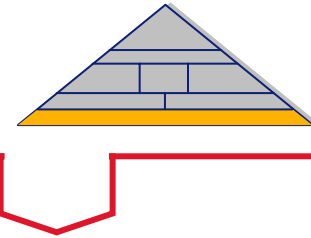
## Revenue Mix By Business Line



## Fee Income / Total Revenue

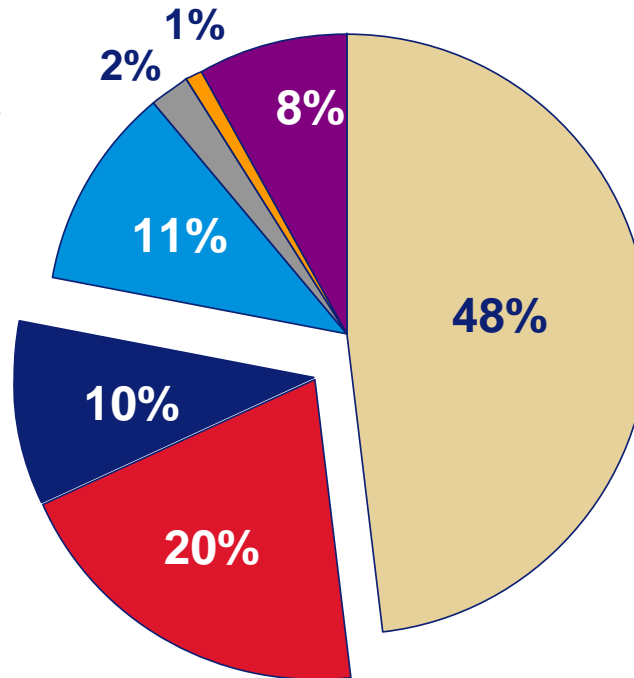


# Revenue Mix vs Peer Banks

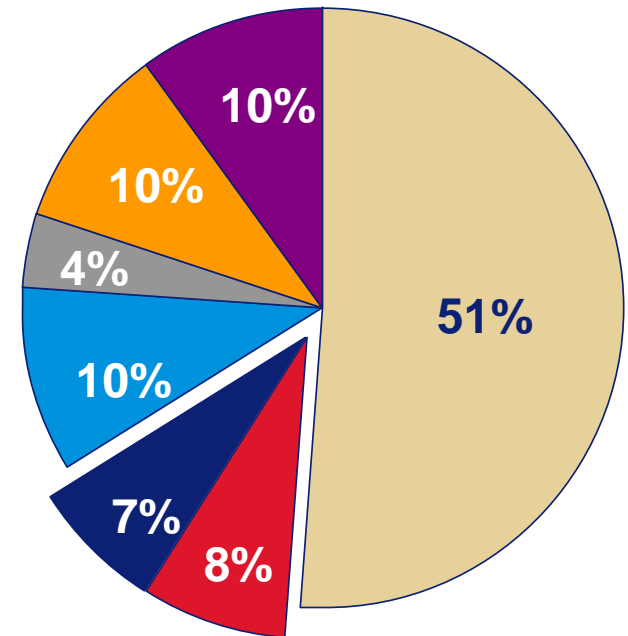


- Net Interest Income
- Payment Fee Revenue
- Trust Fee Revenue
- Service Charges
- Mortgage Fees
- Inv Bking, Trading, Equity Invest
- All Other Fee Income

## U.S. Bancorp

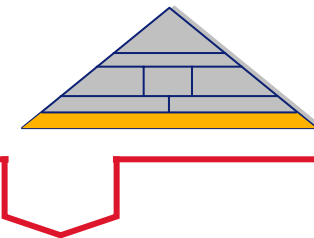


## Peer Composite



2Q07 YTD, Source: company reports  
 Peer Banks: BAC, BBT, CMA, FITB, KEY,  
 NCC, PNC, RF, STI, WB, WFC and WM

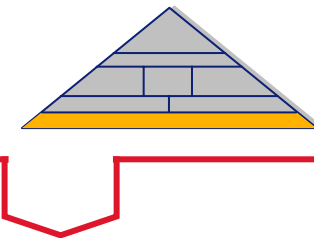
# Profitability



Profitability metrics reflect growth in business lines with more fee income, fewer assets and lower capital requirements

	Total U.S. Bancorp	Wealth Mgmt & Sec Svcs	Payment Services
ROA	2.09%	8.44%	5.25%
ROE	23.0%	27.4%	21.5%
Fee Income % of Revenue	52.9%	77.1%	81.5%
Revenue Growth	3.3%	12.8%	14.9%
Pre-Provision Income Growth	4.1%	19.1%	13.5%

# Profitability

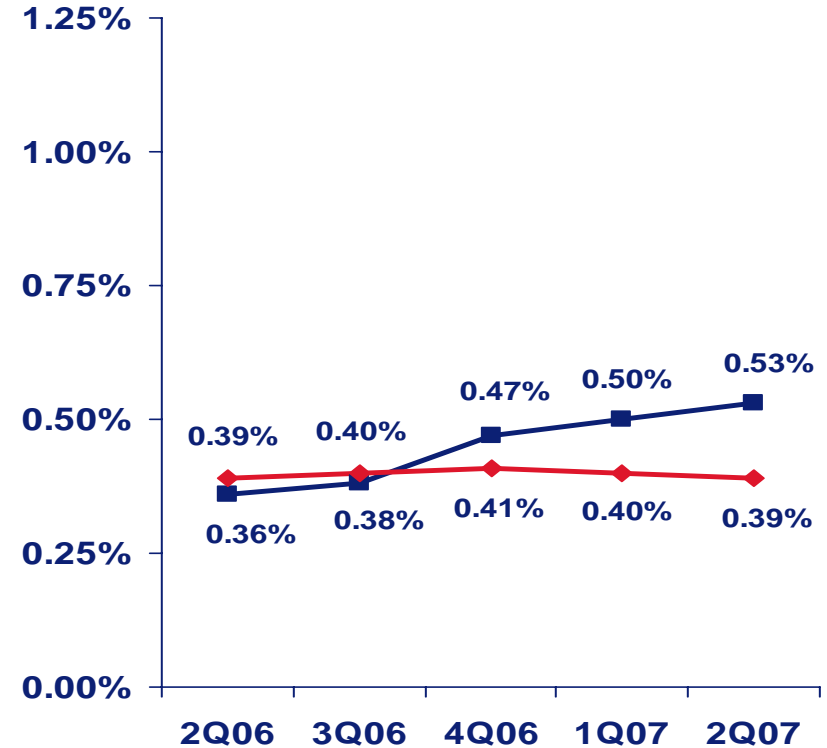
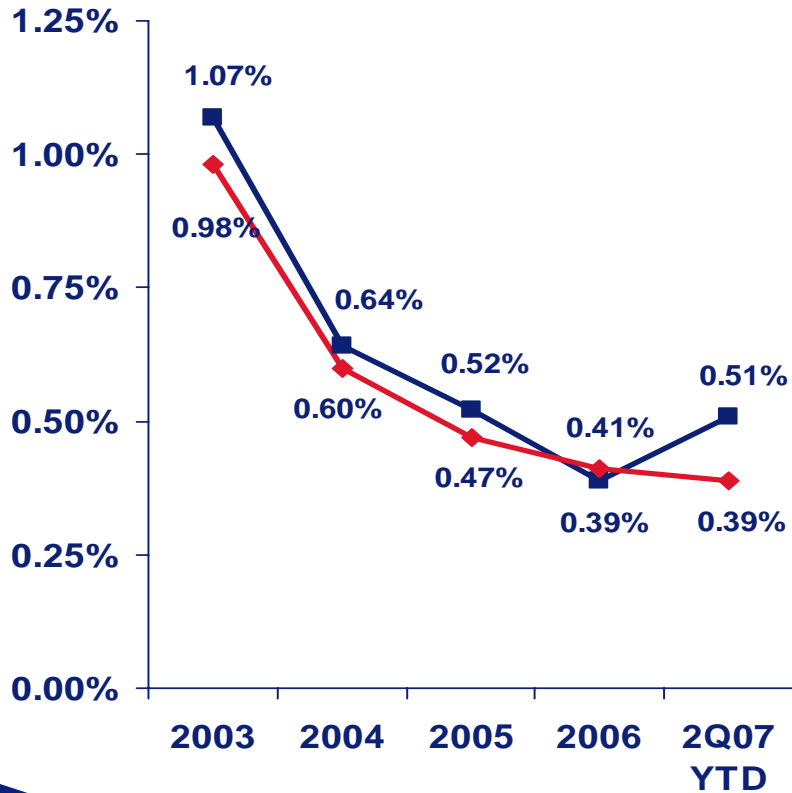
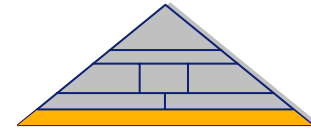


Efficiency ratio not a target. It is a result of:

- ✓ Business mix.....scale makes the difference
- ✓ Centralized technology & operations - one platform
- ✓ Disciplined integration approach
- ✓ In the company/employee's DNA

**Positive operating leverage = lower efficiency ratio**

# Credit Quality



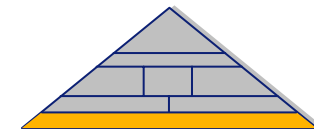
■ Charge-off Ratio    ◆ NPA Ratio

# Financial Management

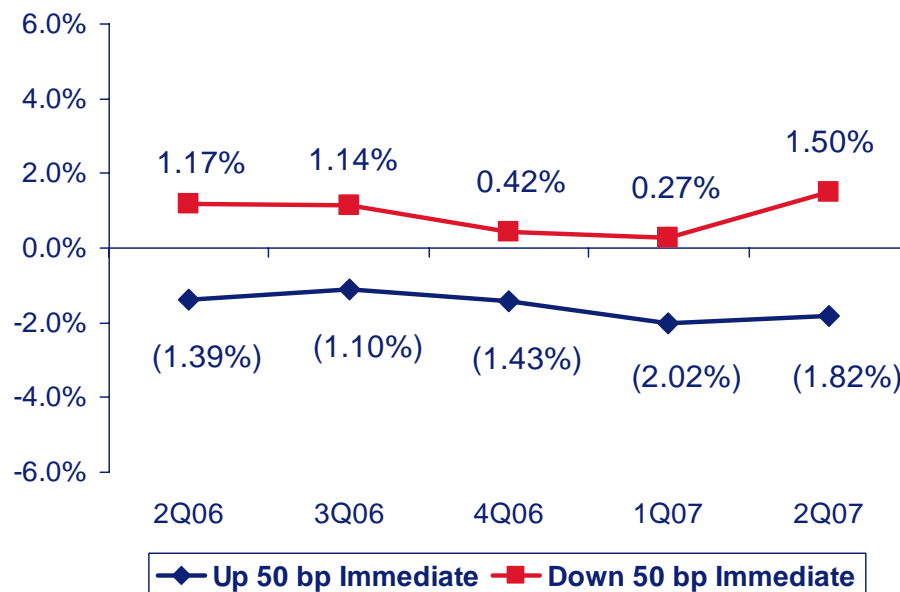
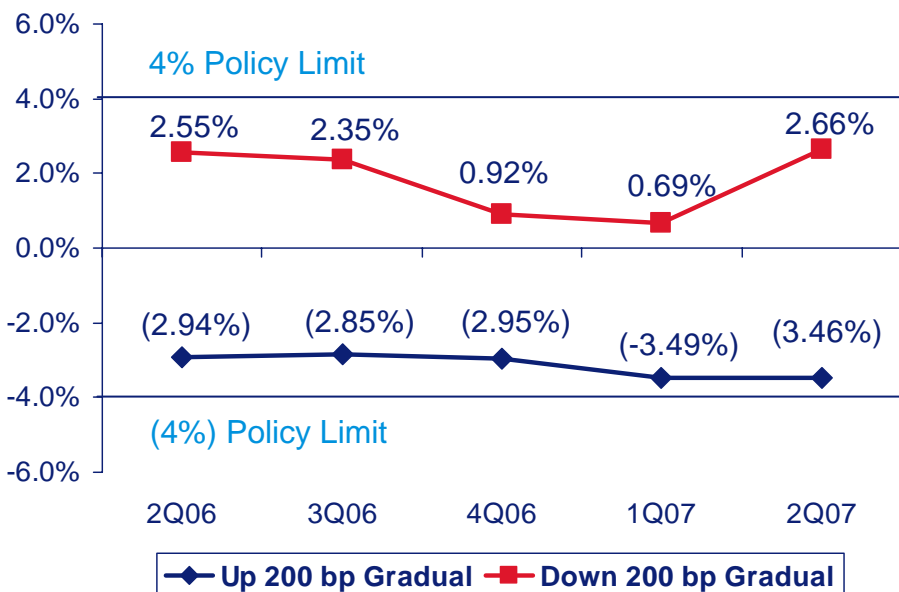
- ✓ Profitability
- ✓ Balance Sheet Management
- ✓ Investing for Growth
- ✓ Long-term Growth Expectations
- ✓ Current Topics



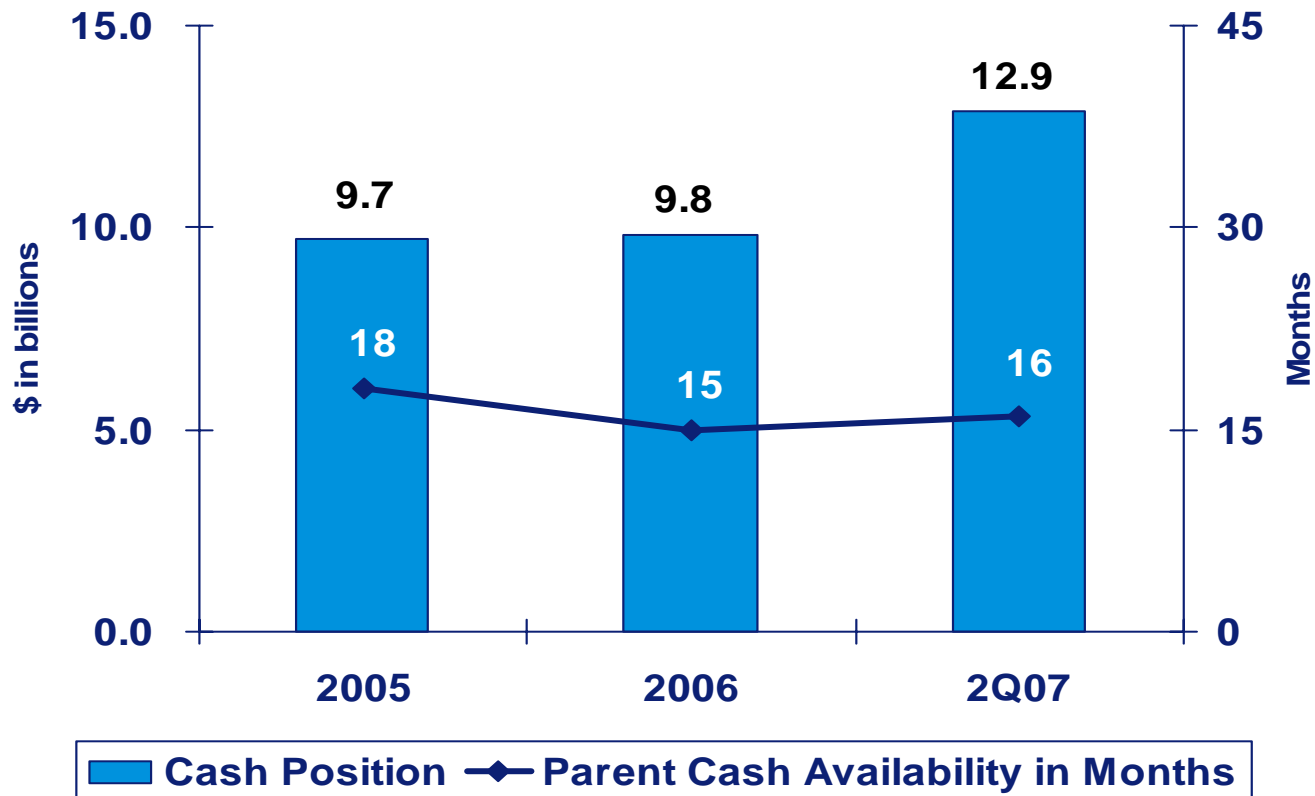
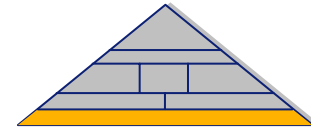
# Interest Rate Risk Management



## Sensitivity of Net Interest Income

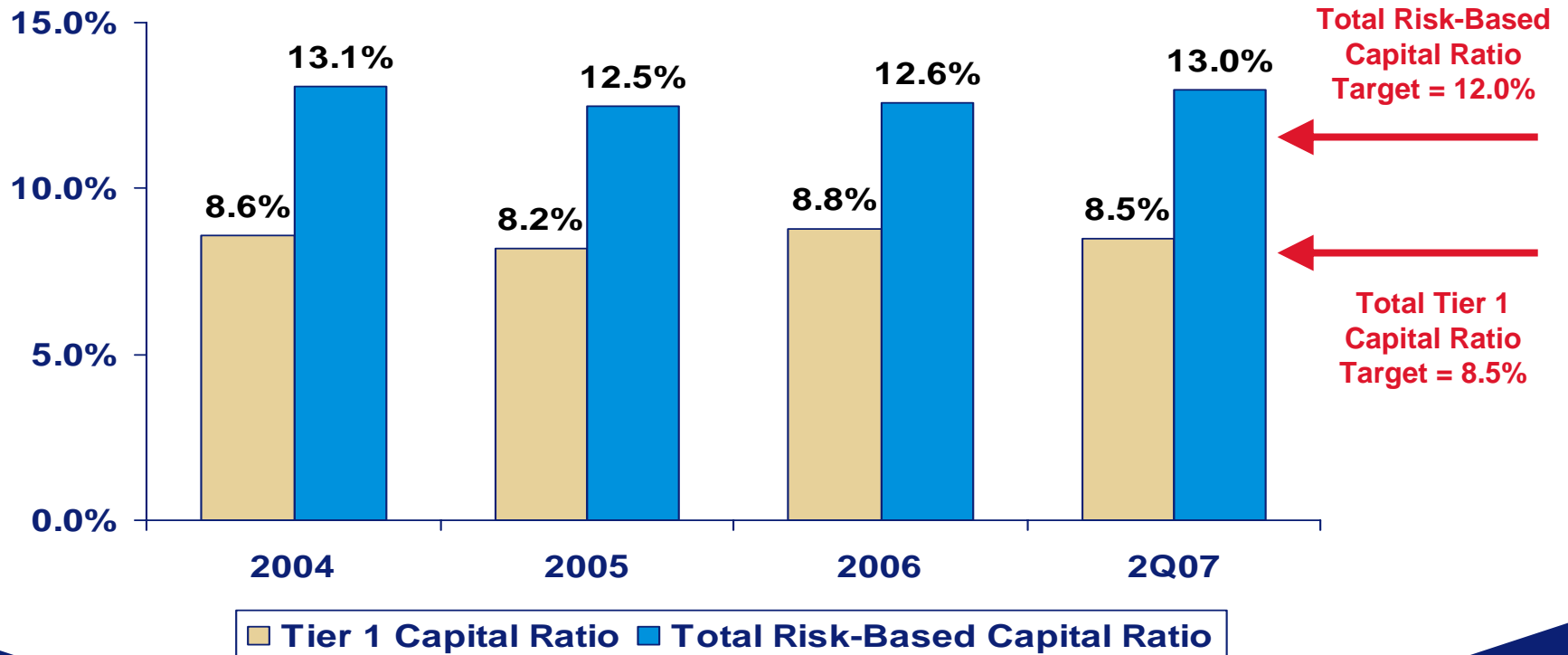
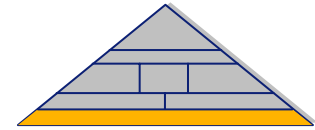


# Liquidity Position

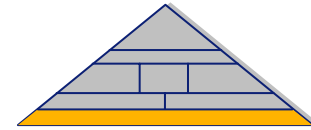


Assumes no debt issuance and no dividends from bank subsidiaries

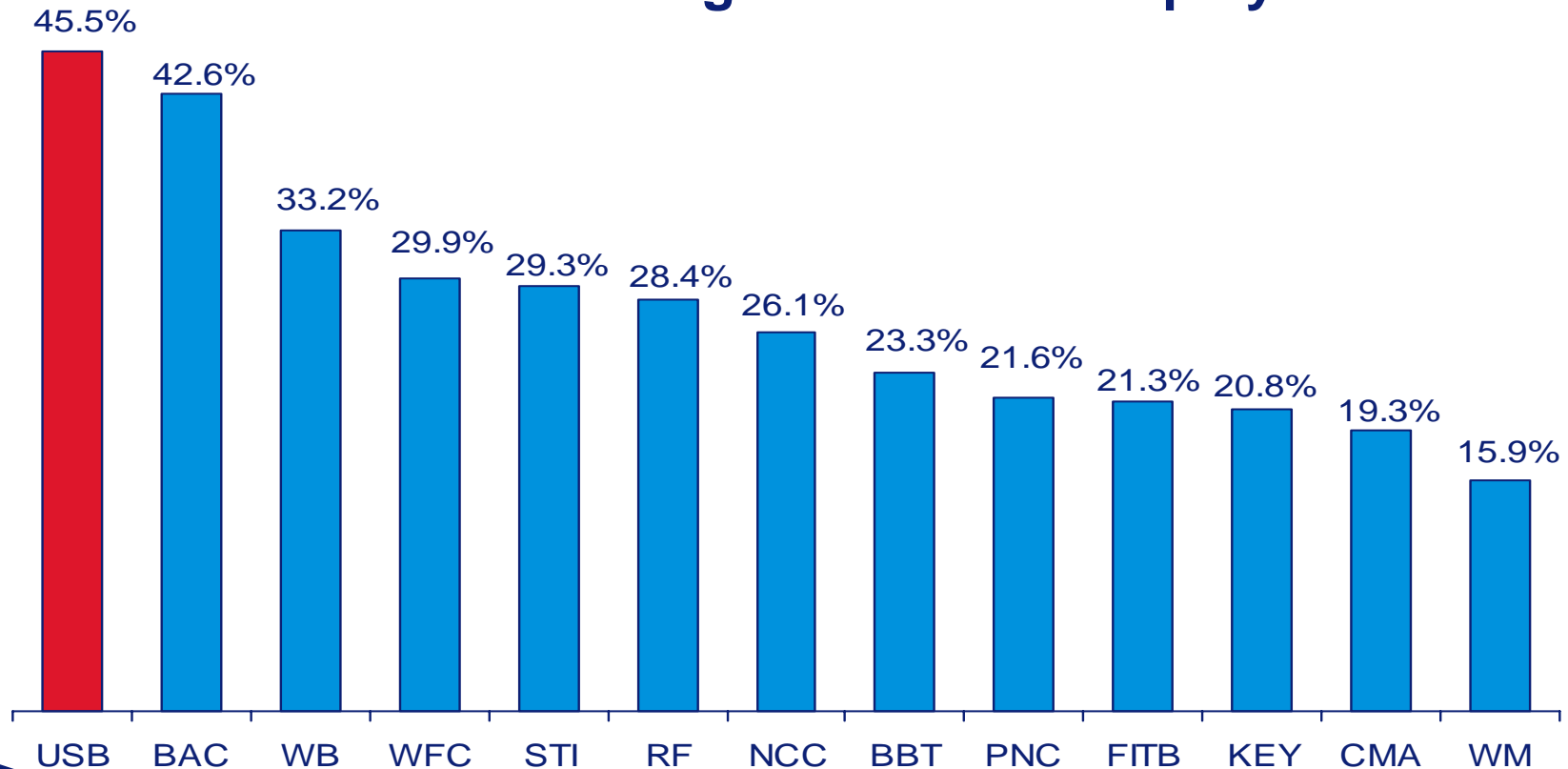
# Capital Ratios



# Industry Leading Capital Generation

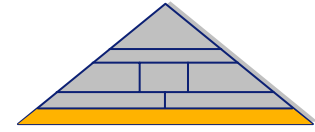


## Return on Tangible Common Equity



2Q07, Source: company reports  
Net income adj for tax-affected amortization

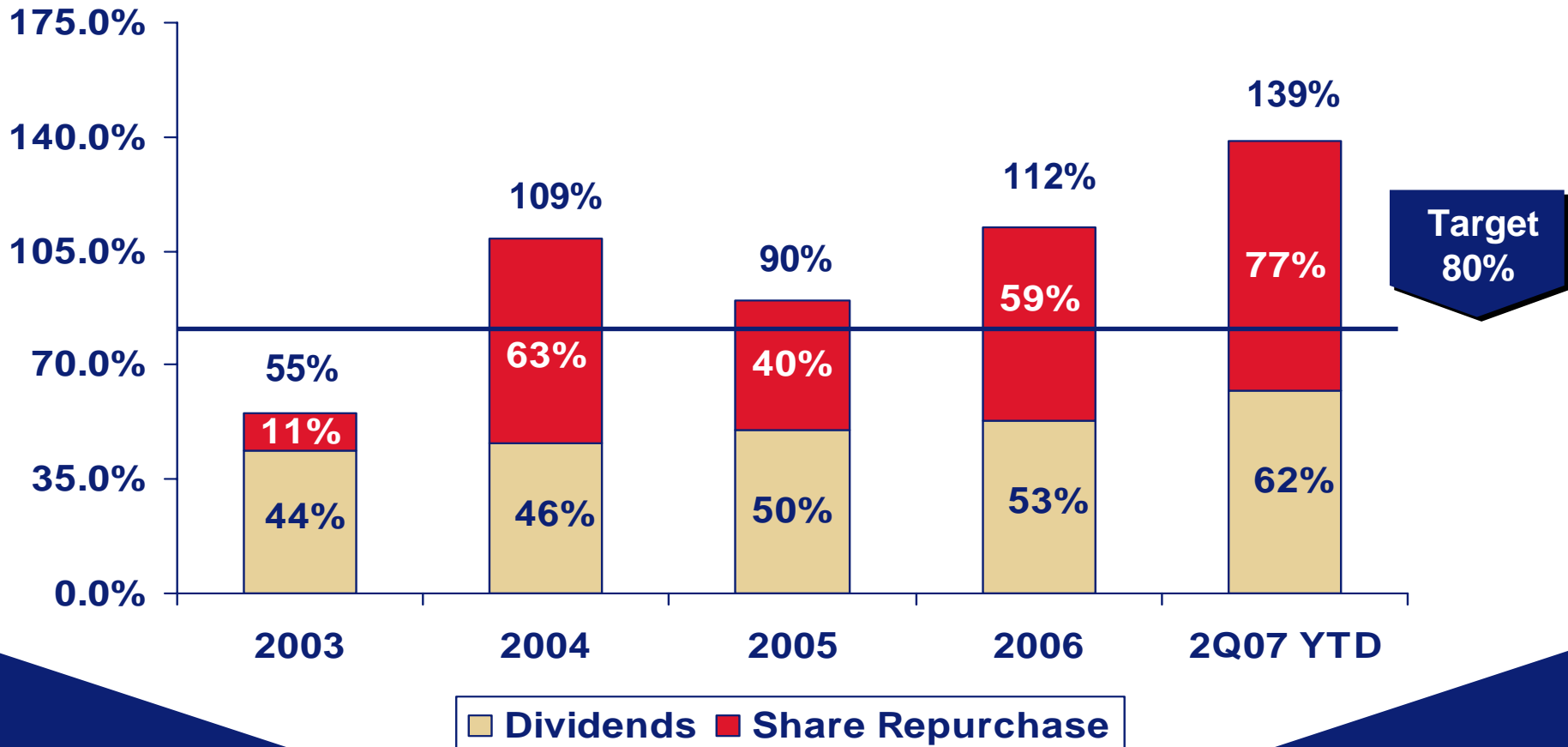
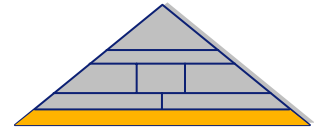
# Return of Earnings



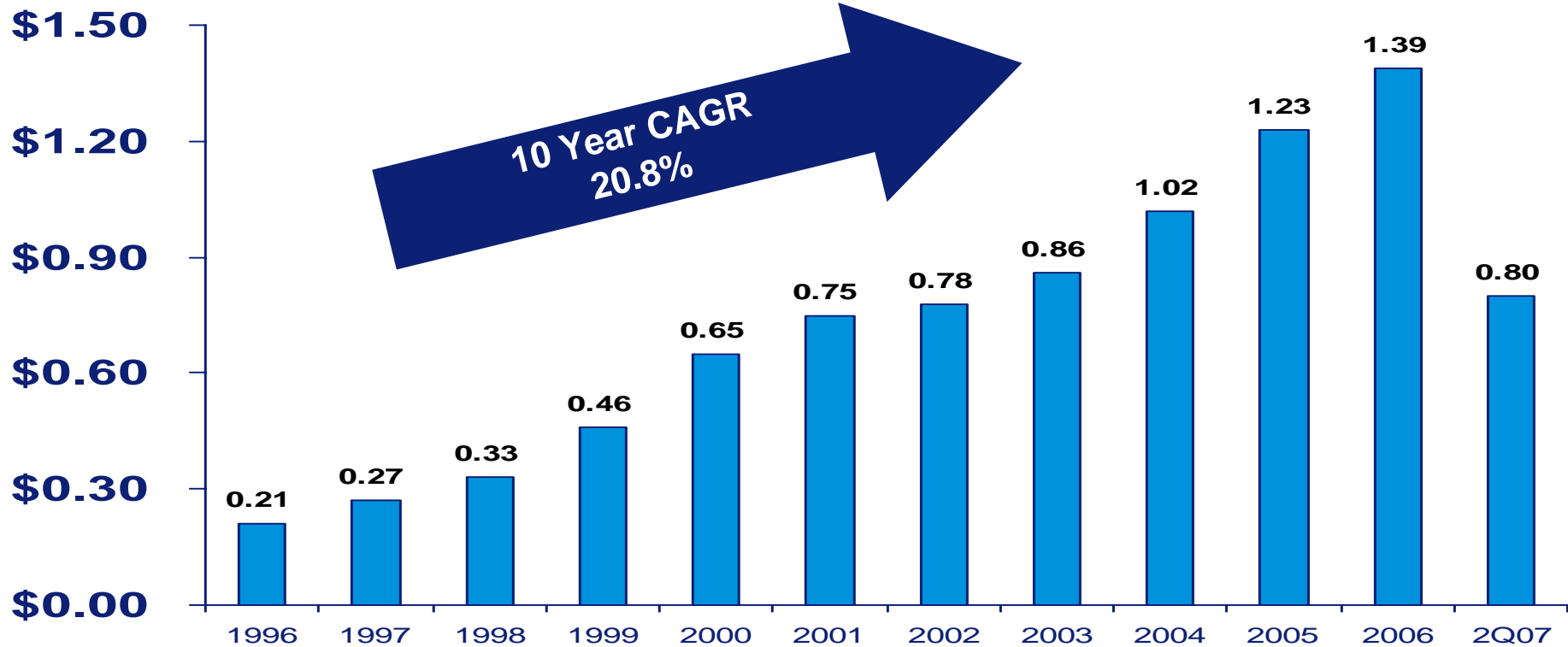
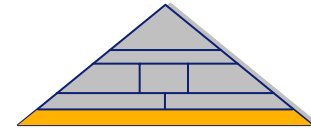
## Rationale For 80% Return:

- ✓ Capital levels at or above targets
- ✓ Industry-leading capital generation
- ✓ Higher growth business units are less capital intensive

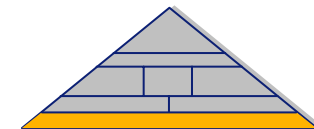
# Earnings Distributed to Shareholders



# Dividends per Share



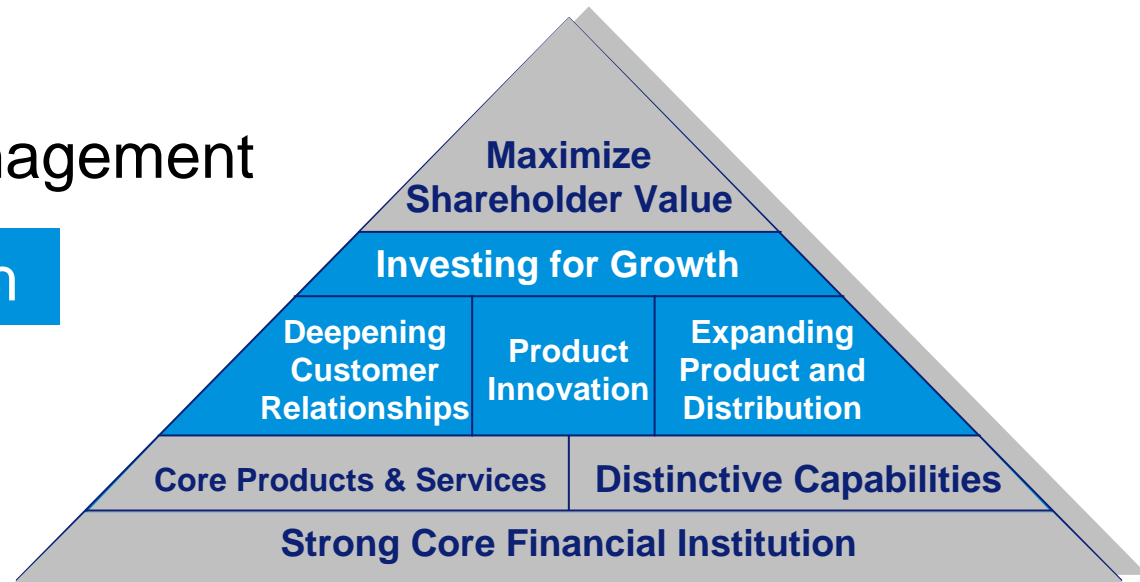
# Debt Ratings



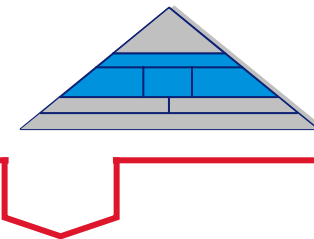
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>	<u>DBRS</u>
Ratings Outlook	Stable	Stable	Positive	Stable
<u>U.S. Bancorp</u>				
Senior Debt & MTNs	Aa2	AA	AA-	AA
<u>U.S. Bank N.A.</u>				
Long-term Deposits	Aa1	AA+	AA	AA (high)

# Financial Management

- ✓ Profitability
- ✓ Balance Sheet Management
- ✓ Investing for Growth
- ✓ Long-term Growth Expectations
- ✓ Current Topics



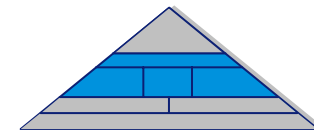
# Investing for Growth



## Disciplined Decision-making Approach to Acquisitions

- ✓ Centrally managed review process, which includes data gathering, USB business line “expert” review and valuation analysis
- ✓ Acquisition sponsored by business line Vice Chairman
- ✓ Investment Committee reviews strategic rationale and financial analysis
- ✓ Due diligence performed and managed centrally
- ✓ Investment Committee gives final approval of acquisition based on results of due diligence

# Acquisition Investments



**Invested \$4 Billion Since 2002**

## ✓ **Consumer Banking**

- United Financial Corp
- Vail Banks, Inc
- Bay View Bank
- Leader Mortgage Co

## ✓ **Wealth Management**

- LaSalle Bank Corporate Trust
- SunTrust Corporate Trust
- Wachovia Corporate Trust and Institutional Custody
- National City Corporate Trust
- State Street Corporate Trust

## ✓ **Merchant Payment Services**

- First Horizon Merchant Services
- Citibank Card Acceptance
- Certegy Merchant Acquiring
- SouthTrust Merchant Portfolio
- euroConex
- Union Bank Merchant Portfolio

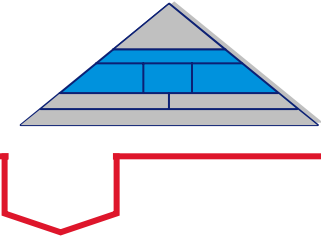
## ✓ **Corporate Payment Systems**

- Schneider Payment Services
- Multi Service Aviation Business
- Advent Business Systems

## ✓ **Transaction Services**

- Genpass, Inc

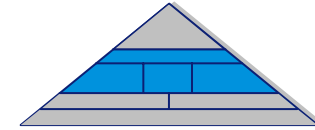
# Investing for Growth



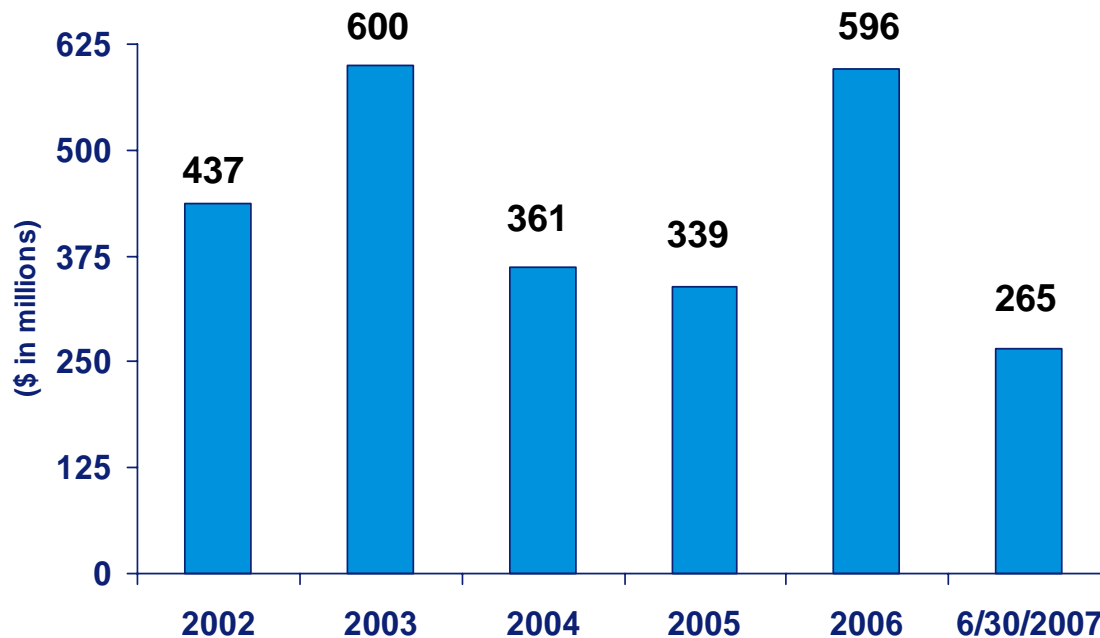
## Disciplined Decision-making Approach Replicated for Organic Growth Initiatives

- ✓ Added review time with Investment Committee for organic growth initiatives
- ✓ Investments sponsored by business line Vice Chairman
- ✓ Investment Committee reviews strategic rationale and financial analysis
- ✓ Investment Committee approves or asks for additional support and due diligence
- ✓ Investment Committee gives final approval of investment based on results of due diligence

# Capital Investments



**Average \$467 Million per Year Since 2002**

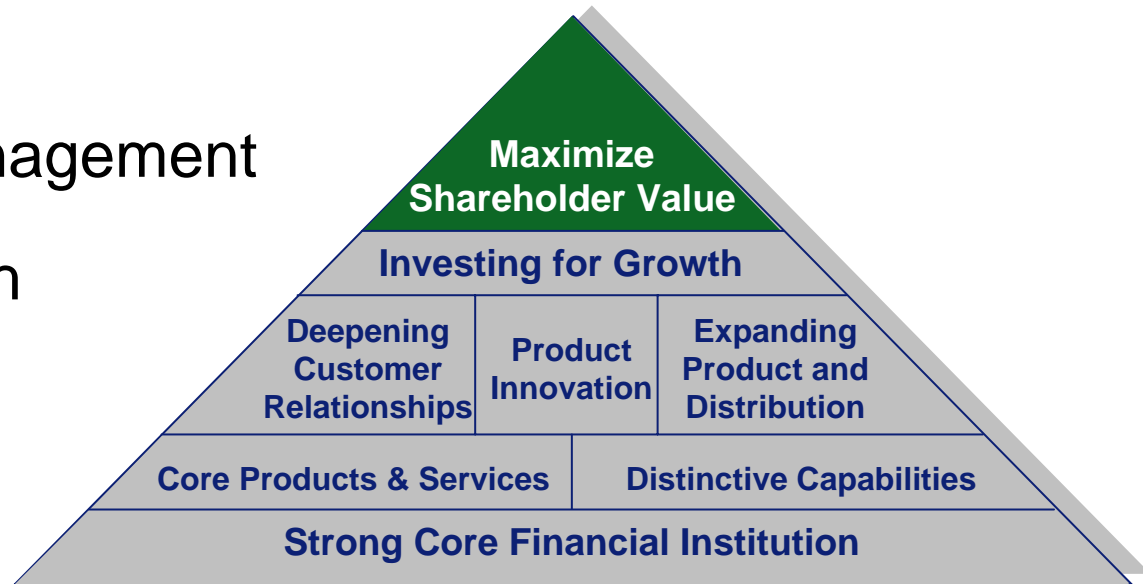


## Recent Investments

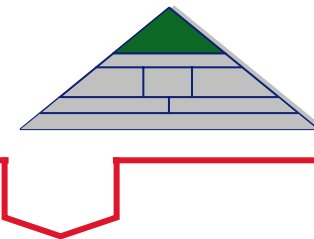
- ✓ PowerBank
- ✓ In-store branch expansion
- ✓ Treasury Management technology (Single Point)
- ✓ Elavon-International Processing Platform
- ✓ FAF third party distribution
- ✓ National Corporate Banking initiative
- ✓ Electronic Check Service
- ✓ Healthcare Payments initiatives
- ✓ Retirement Planning Centers

# Financial Management

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- ✓ Current Topics

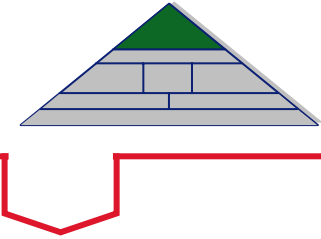


# Long-term Growth Expectations

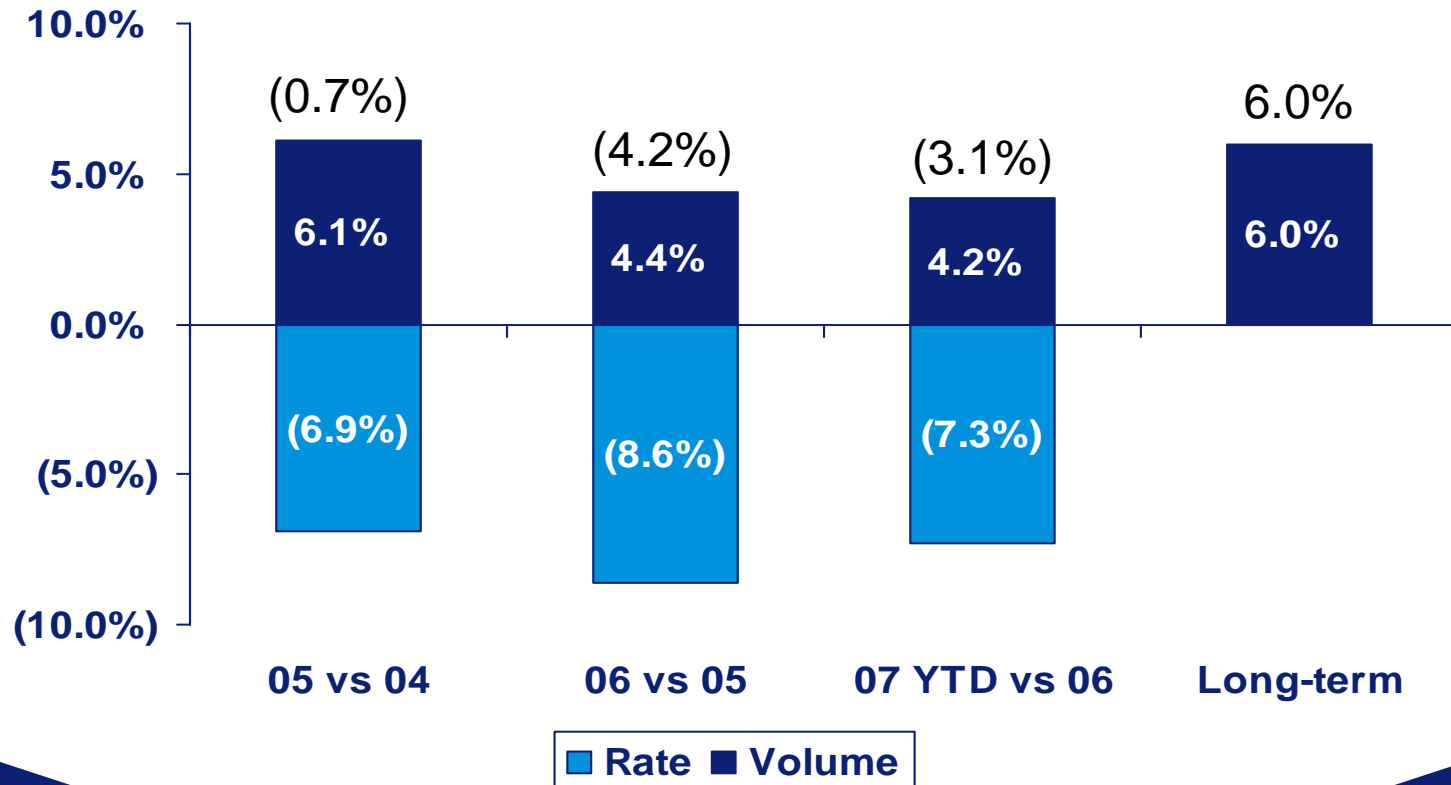


	<u>Long-term</u>
Net Interest Income (TEB)	5 – 7%
Noninterest Income	9 – 11%
<b>Total Revenue</b>	<b>7 – 9%</b>
Noninterest Expense	5 – 6%
Provision for Credit Losses	7 – 9%
Net Income	8 – 10%
<b>EPS</b>	<b>9 – 11%</b>

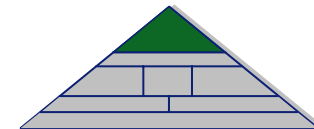
# Growth Components



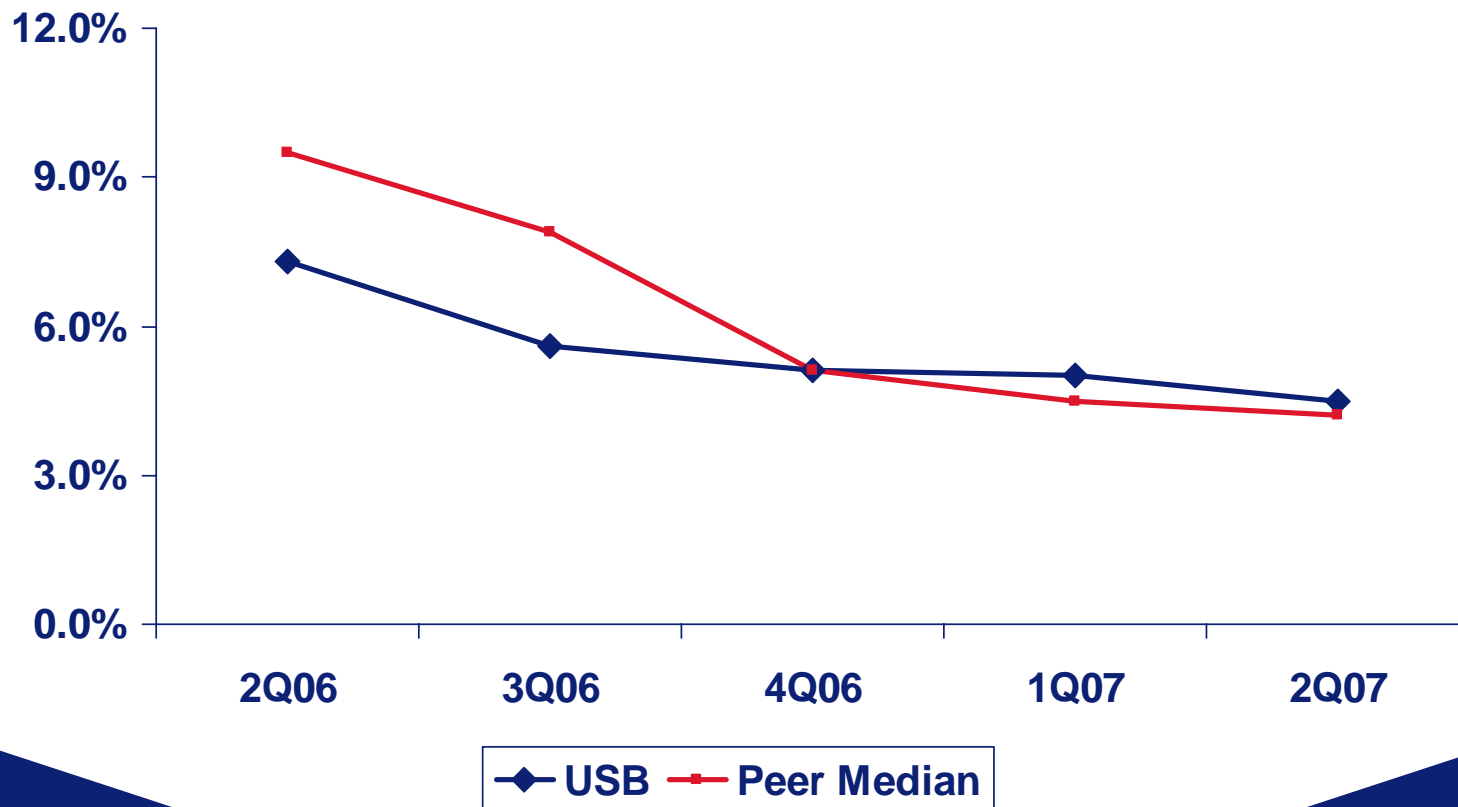
## Spread Revenue Growth



# Loan Growth

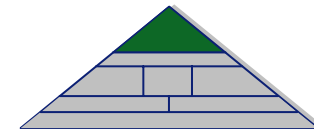


Versus the Same Period of the Prior Year

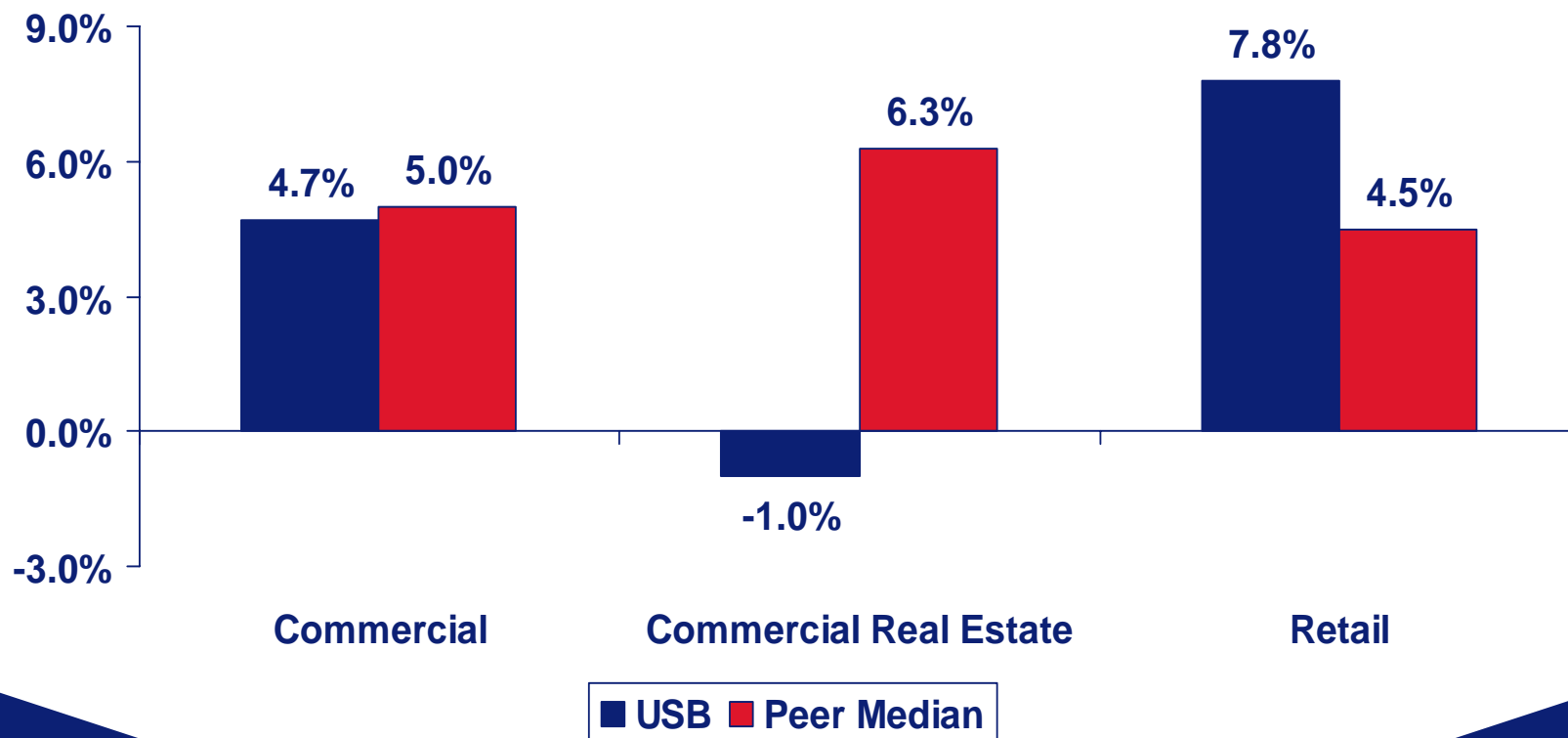


Source: company reports, average balance, adjusted for large acquisitions  
Peer Banks: BAC, BBT, CMA, FITB, KEY, NCC, PNC, RF, STI, USB, WB, WFC and WM

# Loan Growth

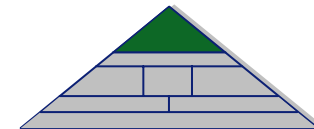


## 2Q07 vs 2Q06

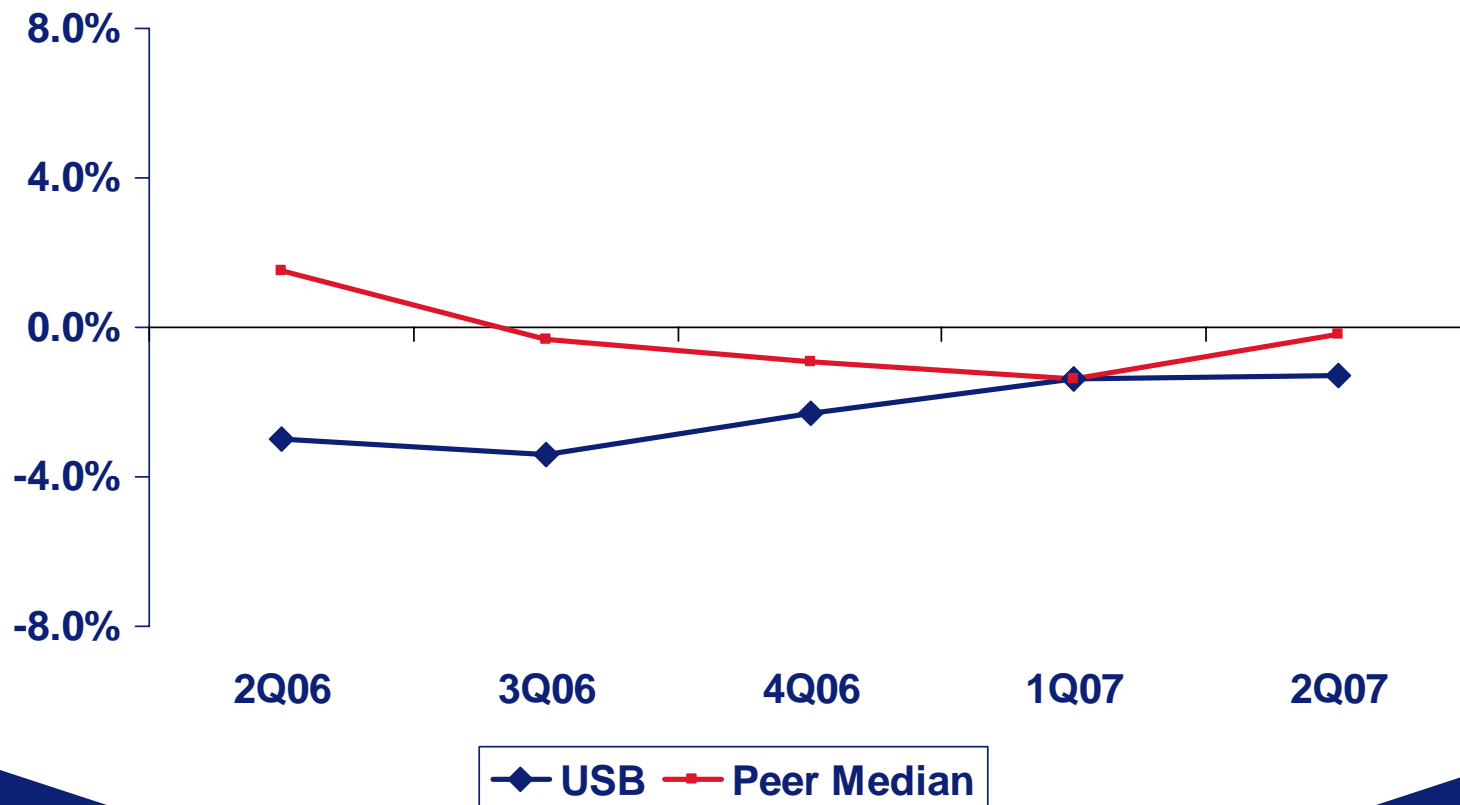


Source: company reports  
Average balance, adjusted for large acquisitions  
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# Low Cost Deposit Growth

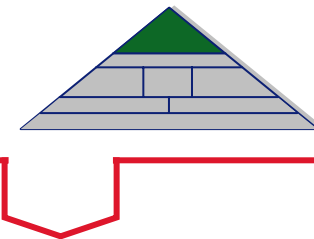


Versus the Same Period of the Prior Year

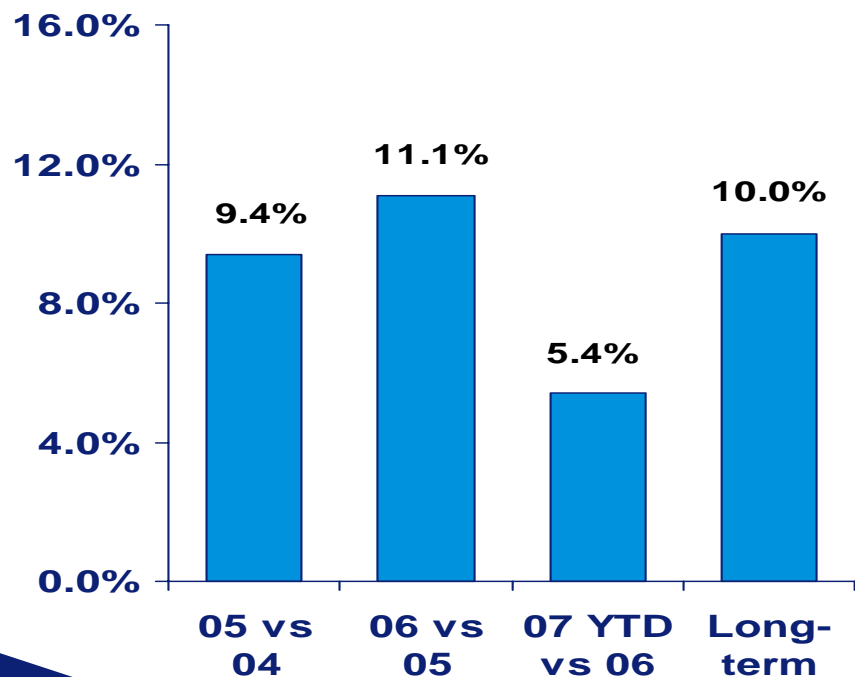


Source: company reports  
Average balance, NIB, NOW,  
Savings and Money Market  
Adjusted for large acquisitions  
Peer Banks: BAC, BBT, CMA, FITB, KEY, NCC,  
PNC, RF, STI, USB, WB, WFC and WM

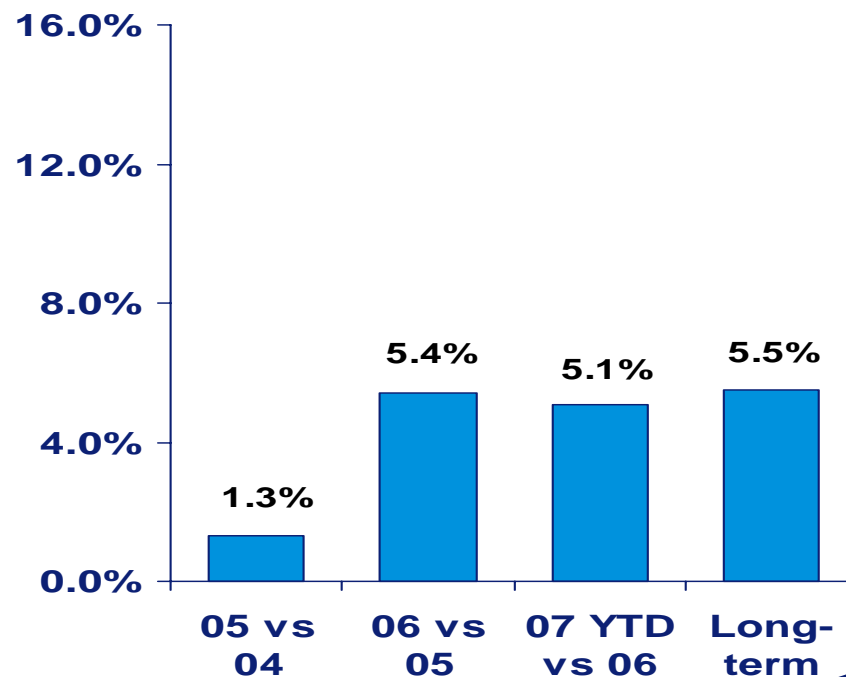
# Growth Components



## Fee Revenue



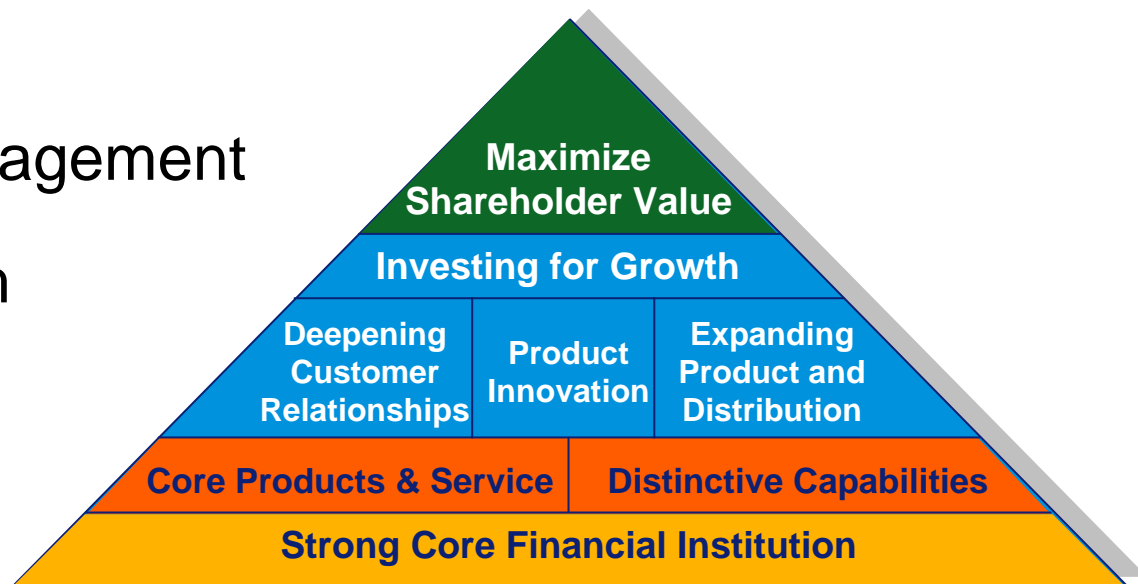
## Noninterest Expense



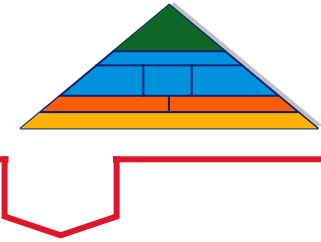
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✓ Current Topics



# Current Banking Environment

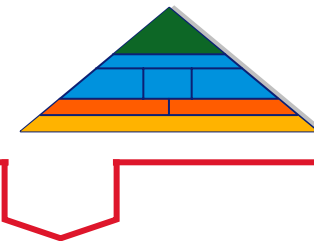


## Industry Concerns

- ✓ Subprime Mortgage Lending
- ✓ Bridge Loan Exposure
- ✓ Asset-backed Commercial Paper Credit Support
- ✓ Commercial Mortgage Banking
- ✓ ABCP - Money Market Fund Exposure
- ✓ Liquidity and Capital

USB Position	
<u>Exposure</u>	<u>Risk</u>
Limited	Limited
N/A	N/A
N/A	N/A
Moderate	Limited
Moderate	Manageable
N/A	N/A

# Financial Management



## Shareholder Focus:

- ✓ Strong liquidity and capital positions
- ✓ Industry-leading profitability statistics
- ✓ High return of earnings to shareholders
- ✓ Excellent cost control
- ✓ Strong asset quality
- ✓ Advantageous mix of fee-based businesses
- ✓ Lower risk, lower volatility in earnings stream given current market environment

# U.S. Bancorp Investor Conference

# Financial Management

**Andy Cecere**

*Vice Chairman and CFO*

*September 5, 2007*

