



# ***Lehman Brothers***

***2003 Financial Services Conference***

***September 10, 2003***

***Jerry A. Grundhofer***  
***Chairman, President and CEO***



# Forward-looking Statement

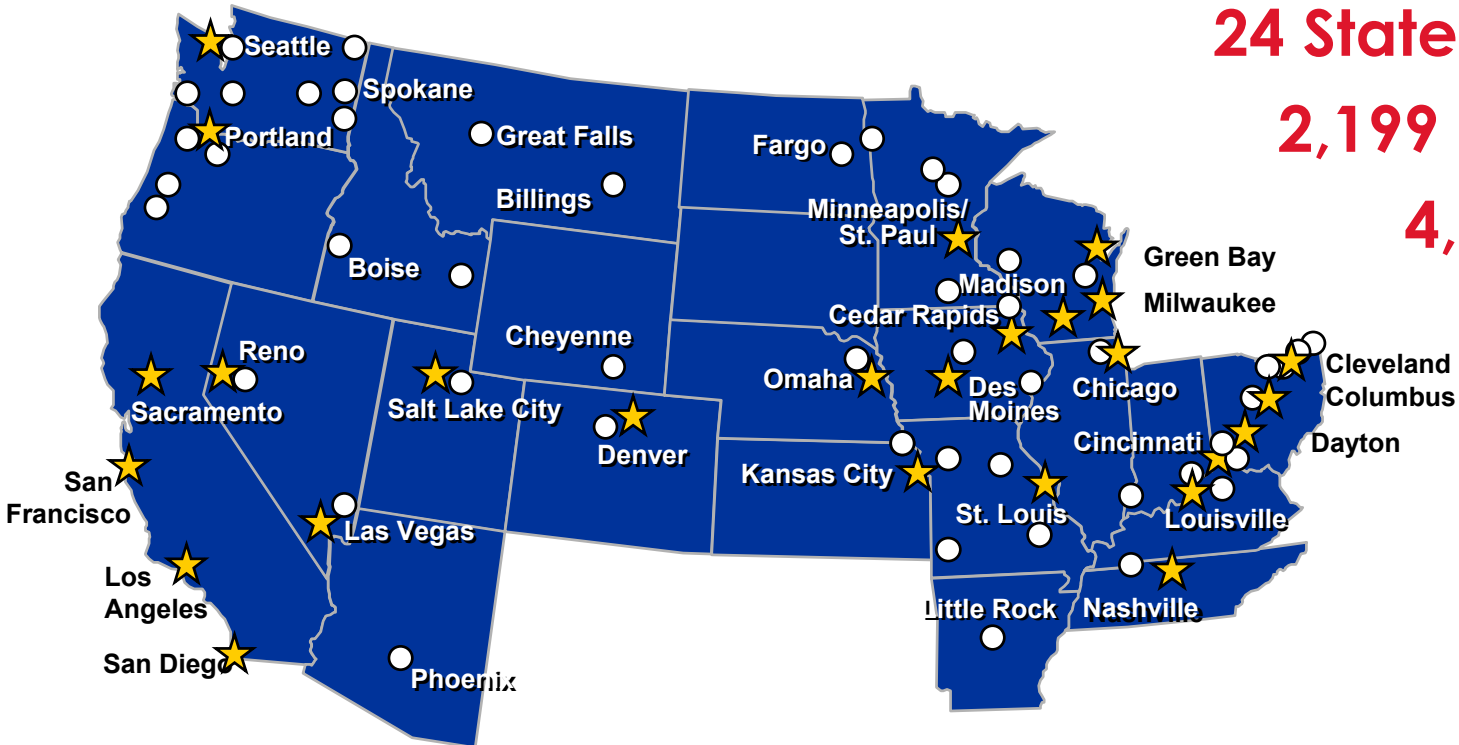
This presentation and corresponding material contain forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words “may,” “could,” “would,” “should,” “believes,” “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 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 the following, in addition to those contained in the Company’s reports on file with the SEC: (i) general economic or industry conditions could be less favorable than expected, resulting in a deterioration in credit quality, a change in the allowance for credit losses, or a reduced demand for credit or fee-based products and services; (ii) changes in the domestic interest rate environment could reduce net interest income and could increase credit losses; (iii) the conditions of the securities markets could change, adversely affecting revenues from capital markets businesses, the value or credit quality of the Company’s assets, or the availability and terms of funding necessary to meet the Company’s liquidity needs; (iv) changes in the extensive laws, regulations and policies governing financial services companies could alter the Company’s business environment or affect operations; (v) the potential need to adapt to industry changes in information technology systems, on which the Company is highly dependent, could present operational issues or require significant capital spending; (vi) competitive pressures could intensify and affect the Company’s profitability, including as a result of continued industry consolidation, the increased availability of financial services from non-banks, technological developments, or bank regulatory reform; (vii) acquisitions may not produce revenue enhancements or cost savings at levels or within time frames originally anticipated, or may result in unforeseen integration difficulties; and (viii) capital investments in the Company’s businesses may not produce expected growth in earnings anticipated at the time of the expenditure. 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.

# The Most Convenient Bank in America

24 State Footprint - #1

2,199 Branches - #4

4,575 ATMs - #4

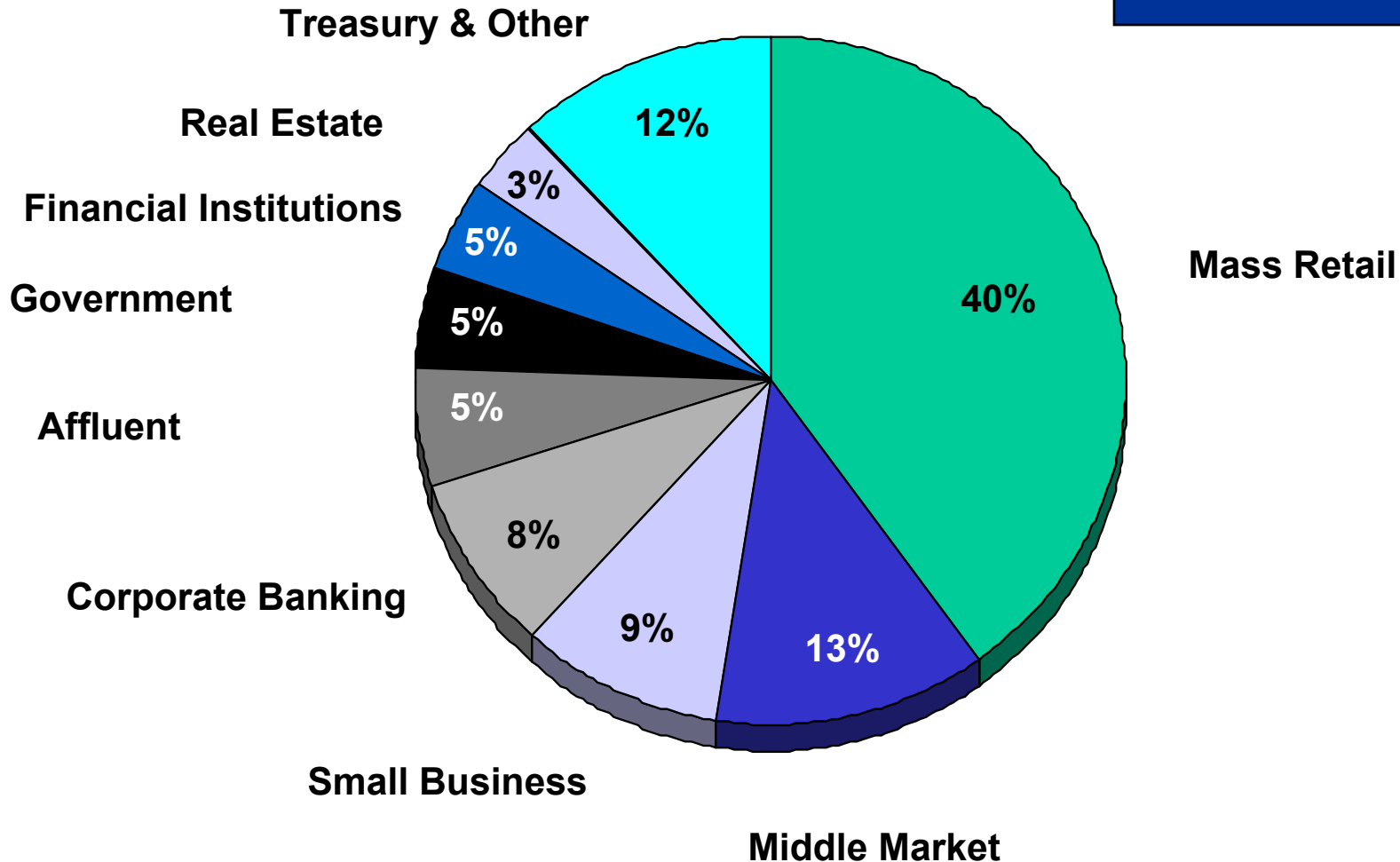


# ***Diversified Business Mix With Scale***

<b><u>Business Unit</u></b>	<b><u>% of USB Revenue <sup>(1)</sup></u></b>	<b><u>Footprint</u></b>	<b><u>Rank in Footprint</u></b>
Metropolitan Banking	15.3%	Regional	3
Community Banking	12.3%	Regional	2
Retail Payment Systems	10.5%	National	7
Corporate Banking	6.1%	National	8
Middle Market Banking	6.0%	Regional	3
NOVA Information Services	4.9%	National	3
Mortgage Banking	4.9%	National	17
Consumer Lending	4.3%	National	5
Private Client Group	4.0%	Regional	3
Commercial Real Estate	3.4%	National	3
Corporate Trust	2.4%	National	3
Asset Management	2.0%	National	45
Corporate Payment Systems	2.0%	National	1
Government Banking	1.7%	National	5
Transaction Payment Services	1.5%	National	7

# Serving Multiple Customer Segments

**% of USB Revenue (1)**



# **Industry Leading Performance Metrics <sup>(1)</sup>**






**Second Quarter 2003**

	<u>USB</u>	<u>Top 13 Median <sup>(2)</sup></u>	<u>USB Rank</u>
<b>Return on Equity</b>	<b>20.2%</b>	<b>15.7%</b>	<b>3</b>
<b>Return on Assets</b>	<b>2.06%</b>	<b>1.32%</b>	<b>1</b>
<b>Efficiency Ratio</b>	<b>45.7%</b>	<b>58.9%</b>	<b>2</b>
<b>Net Interest Margin</b>	<b>4.50%</b>	<b>3.78%</b>	<b>2</b>
<b>Tangible Return on Equity</b>	<b>37.2%</b>	<b>23.5%</b>	<b>1</b>
<b>Tangible Return on Assets</b>	<b>2.33%</b>	<b>1.49%</b>	<b>1</b>
<b>Tangible Efficiency Ratio</b>	<b>42.1%</b>	<b>58.4%</b>	<b>1</b>

(1) Excludes merger and restructuring charges and one-time items.

(2) Top 13 includes BAC, ONE, BBT, FITB, FBF, KEY, NCC, NTRS, PNC, STI, USB, WB, WFC.

# ***Achieving 2003 Financial Objectives***

	<b><u>Base Case</u></b>	
<b>Revenue Growth</b>	<b>4% to 6%</b>	
<b>Expense Growth</b>	<b>1% to 3%</b>	
<b>Net Interest Margin</b>	<b>4.47% to 4.49%</b>	
<b>Credit Costs</b>	<b>Flat</b>	
<b>Operating EPS (1)</b>	<b>\$2.00</b>	

(1) Excludes merger and restructuring charges and charges related to the expensing of stock options.

# ***Executing for Long-term Success***

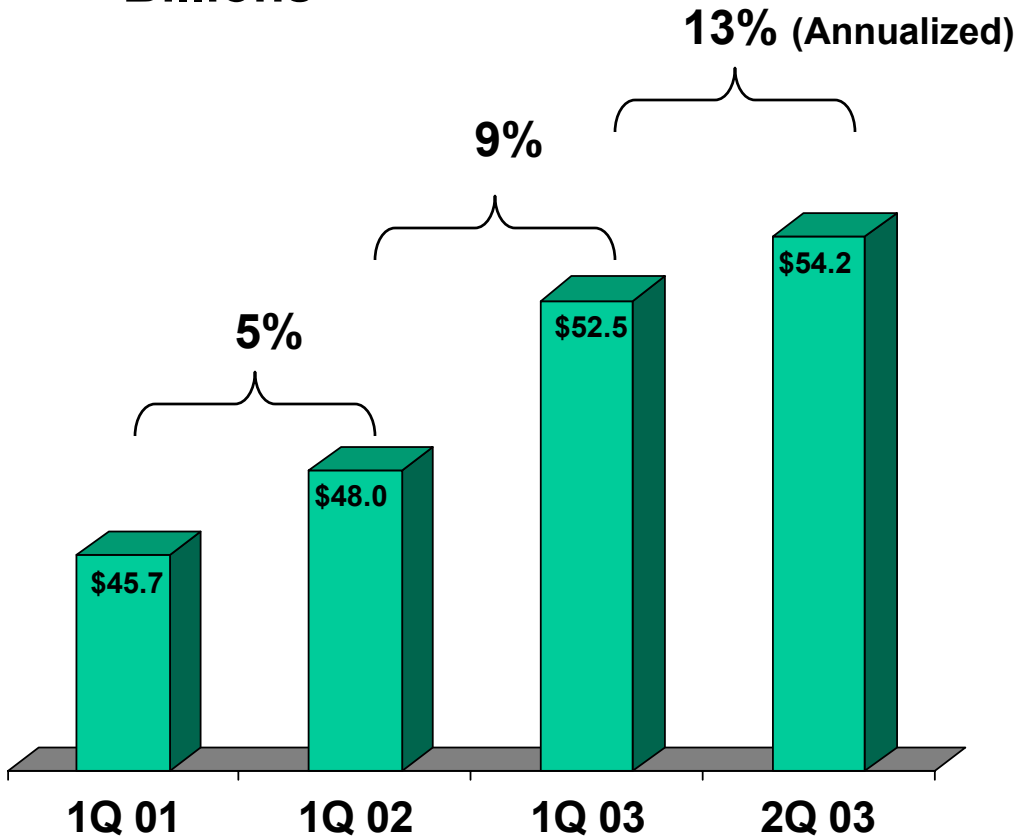
- ★ **Leveraging Consumer Banking model**
- ★ **Growing revenue faster than expense**
- ★ **Reducing volatility and improving returns**
- ★ **Focusing on customer service**
- ★ **Investing in distribution and scale**

# Leveraging Consumer Banking Model

## Introduction into Western Markets

### Low Cost Core Deposits (1)

Billions



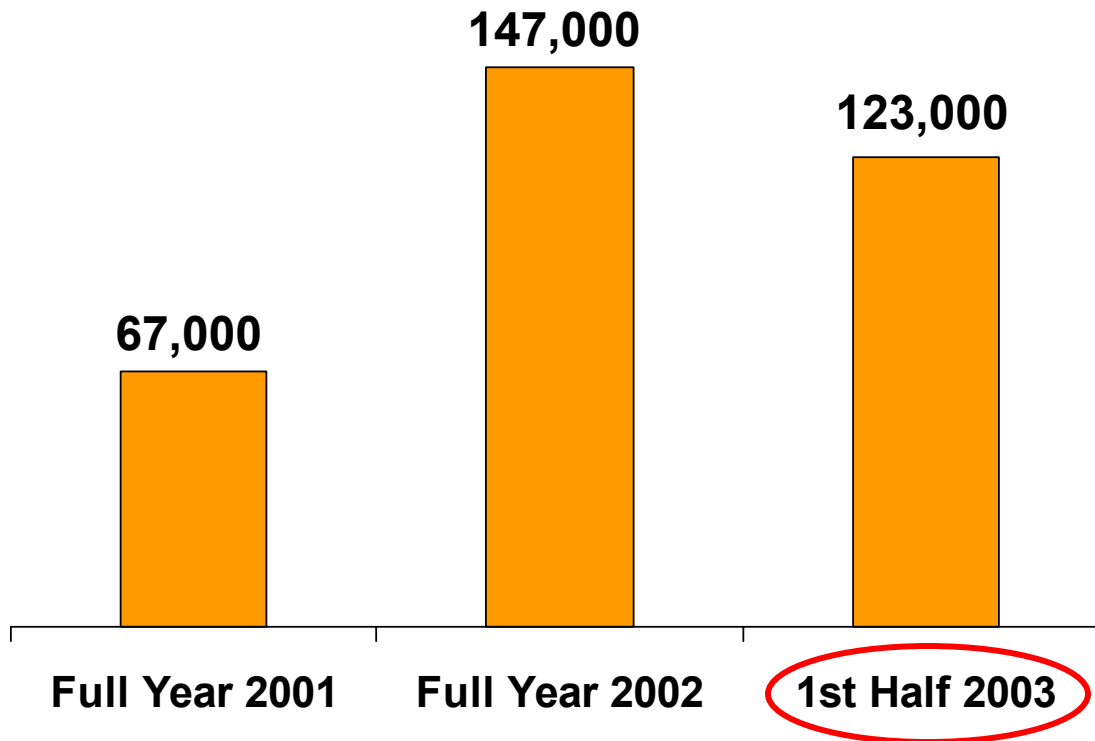
Low cost core deposit growth accelerates...

(1) Includes noninterest-bearing, NOW, money market and savings.

# Leveraging Consumer Banking Model

*Introduction into Western Markets*

## Net New Checking Accounts



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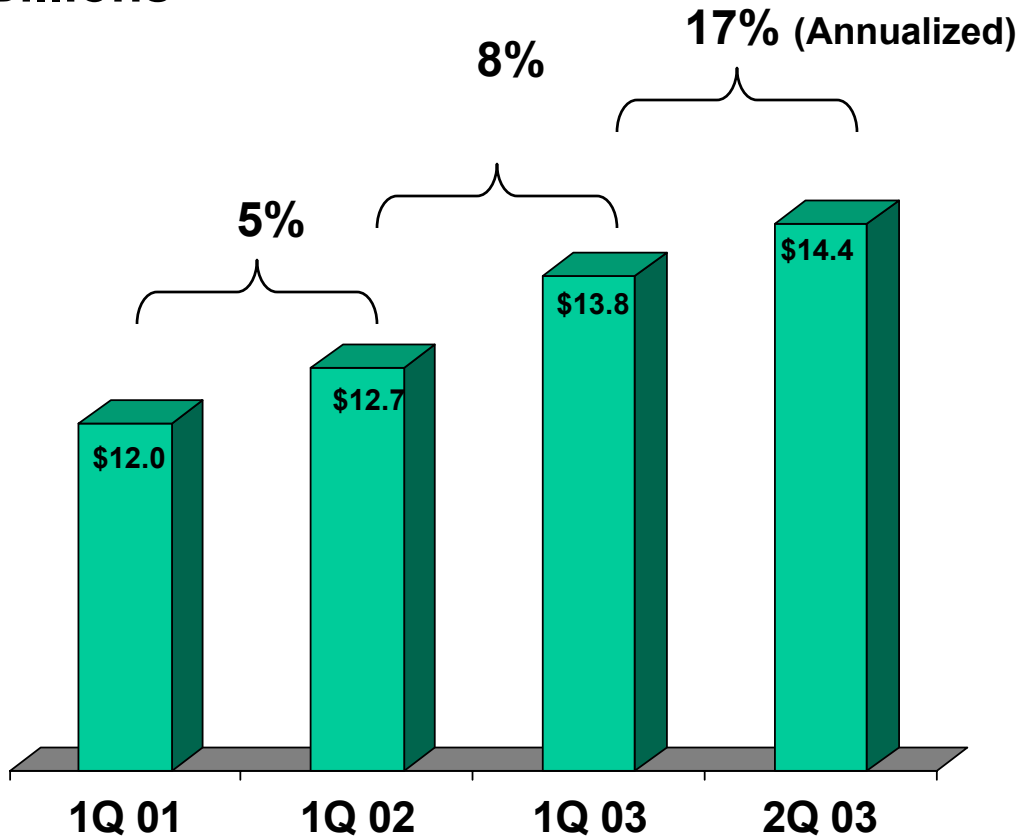
...driven by  
significant growth  
in net new  
checking  
accounts...

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# Leveraging Consumer Banking Model

## Introduction into Western Markets

### Branch Originated Consumer Loans Billions



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...while branch originated consumer loans show similar growth trends.

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# Leveraging Consumer Banking Model

*Percent of Customers Responding 7 or Higher on a 10 Point Scale (1)*

## **Strong Overall Ratings (2)**

★ Likely to Continue	89%
★ Would Recommend	82%
★ Customer Satisfaction	89%

## **Many Channels Significant Upward Trend**

★ Online Banking Satisfaction	
April 2003	95%
April 2002	93%
★ 24 Hour Customer Service	
April 2003	87%
April 2002	82%



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**Customer satisfaction levels are high and improving, with customer loyalty, as measured by 9 and 10s, very strong.**

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(1) U.S. Bank Satisfaction survey conducted by Market Probe. 10 = Superior.

(2) Last 12 month average.

# Leveraging Consumer Banking Model

Expansion in High Growth Markets

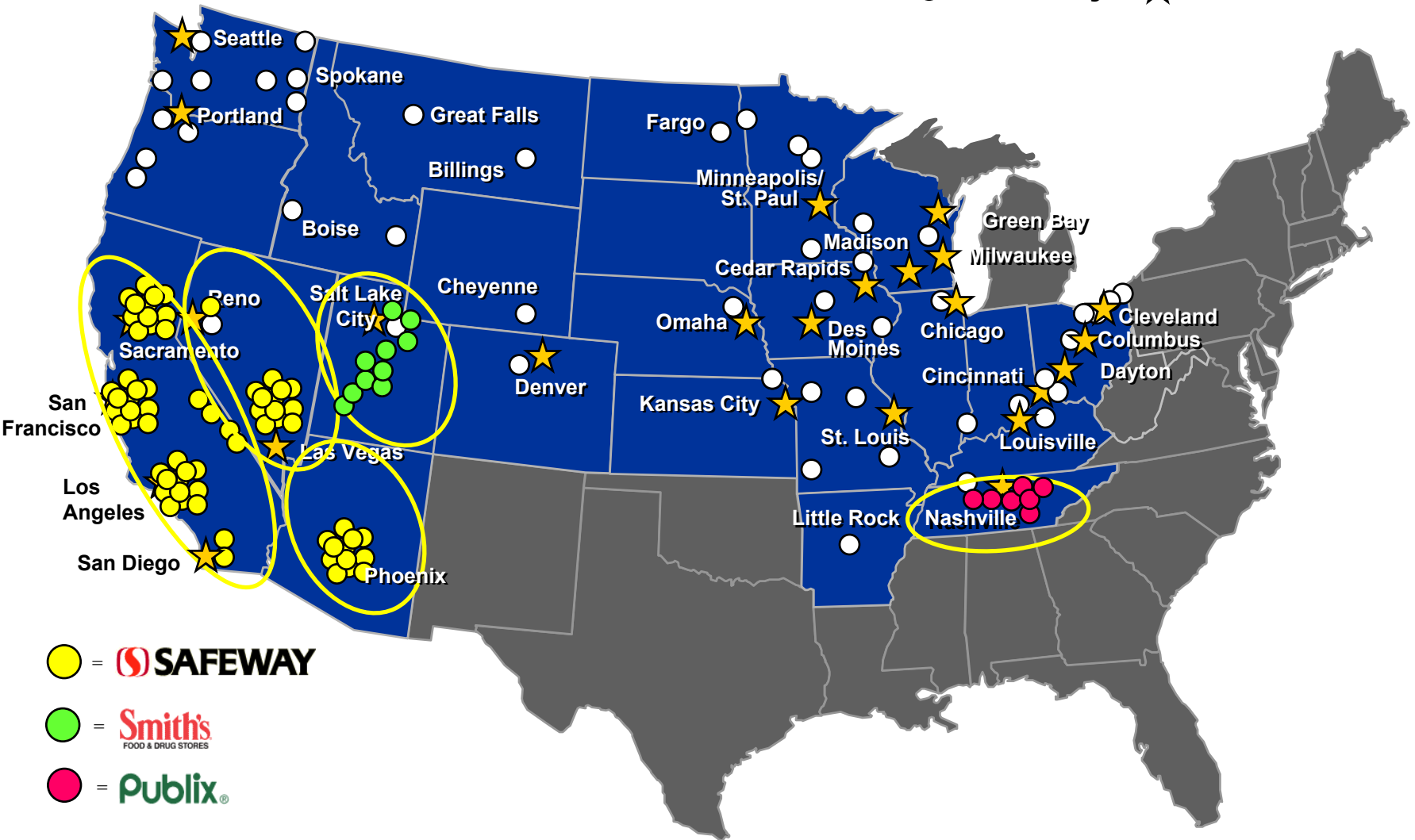
In-Stores Add to Existing Distribution



# Leveraging Consumer Banking Model

## Expansion in High Growth Markets

○ Community    ★ Metro & In-Store



# Leveraging Consumer Banking Model

## Expansion in High Growth Markets

### In-Stores Add to Existing Distribution

	<u>Current Branch Count</u>	<u>Pro Forma For In-store Investment</u>
Bay Area	84	127
Phoenix	8	48
Los Angeles	51	84
Sacramento	20	46
Salt Lake City	22	39
Tucson	0	10
Las Vegas	24	33
Nashville	26	33
San Diego	30	32

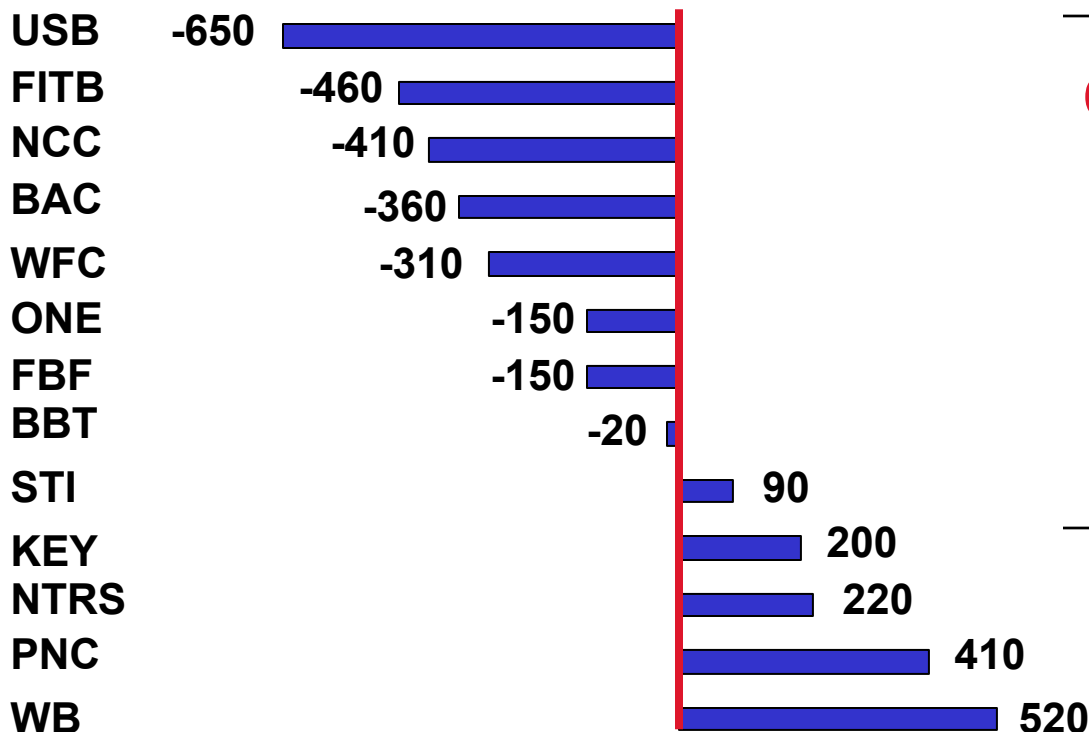
#### U.S. Bank In-Store Branches are *FULL SERVICE*

- ★ Cash (“tellers”)
- ★ New Accounts
- ★ Personal Customer Service
- ★ Personal Loans of all types
- ★ Small Business Services

# Growing Revenue Faster Than Expense

## Basis Point Change in Tangible Efficiency

1997 to 2002



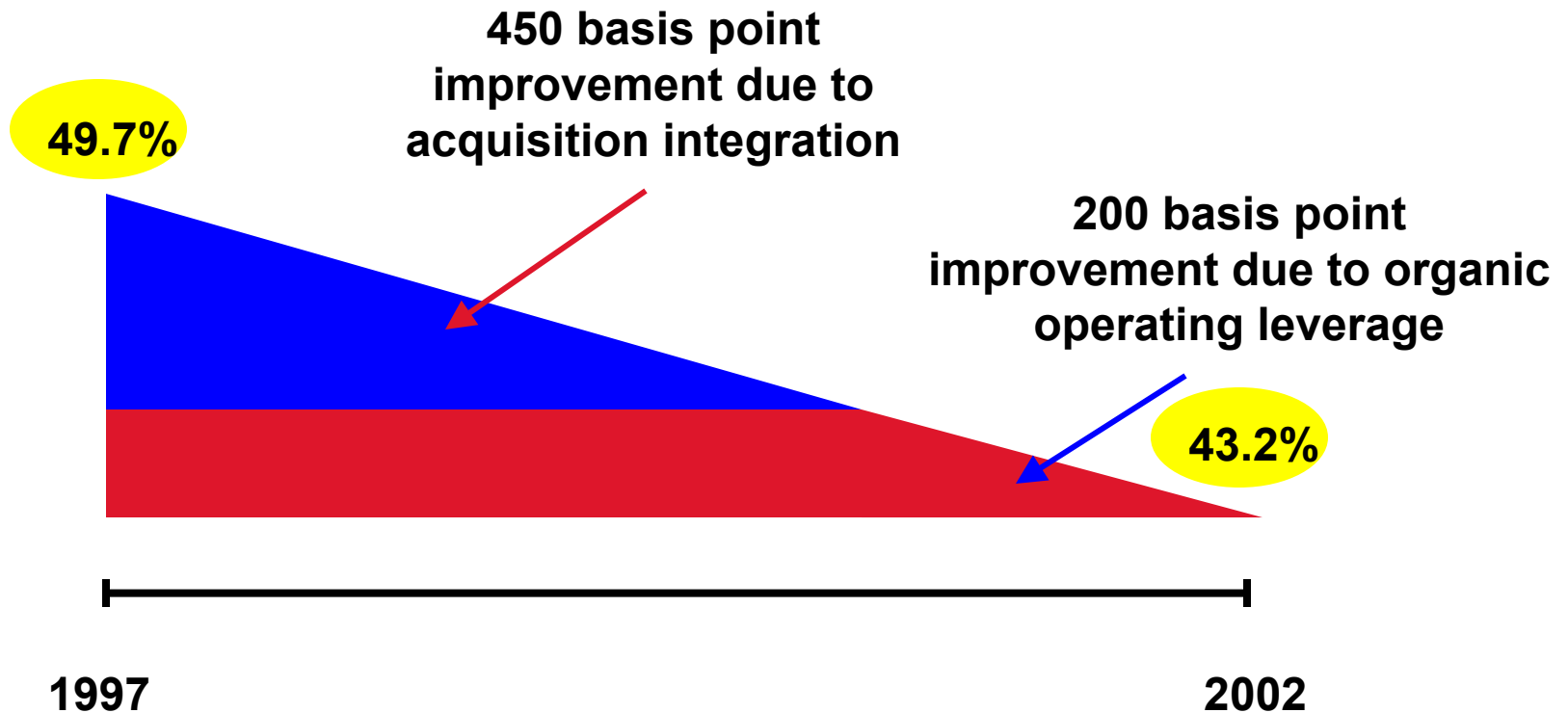
### Operating Leverage

Historically, USB has grown revenue faster than expense, driving profit growth in excess of revenue growth.

# Growing Revenue Faster Than Expense

## USB Tangible Efficiency Ratio

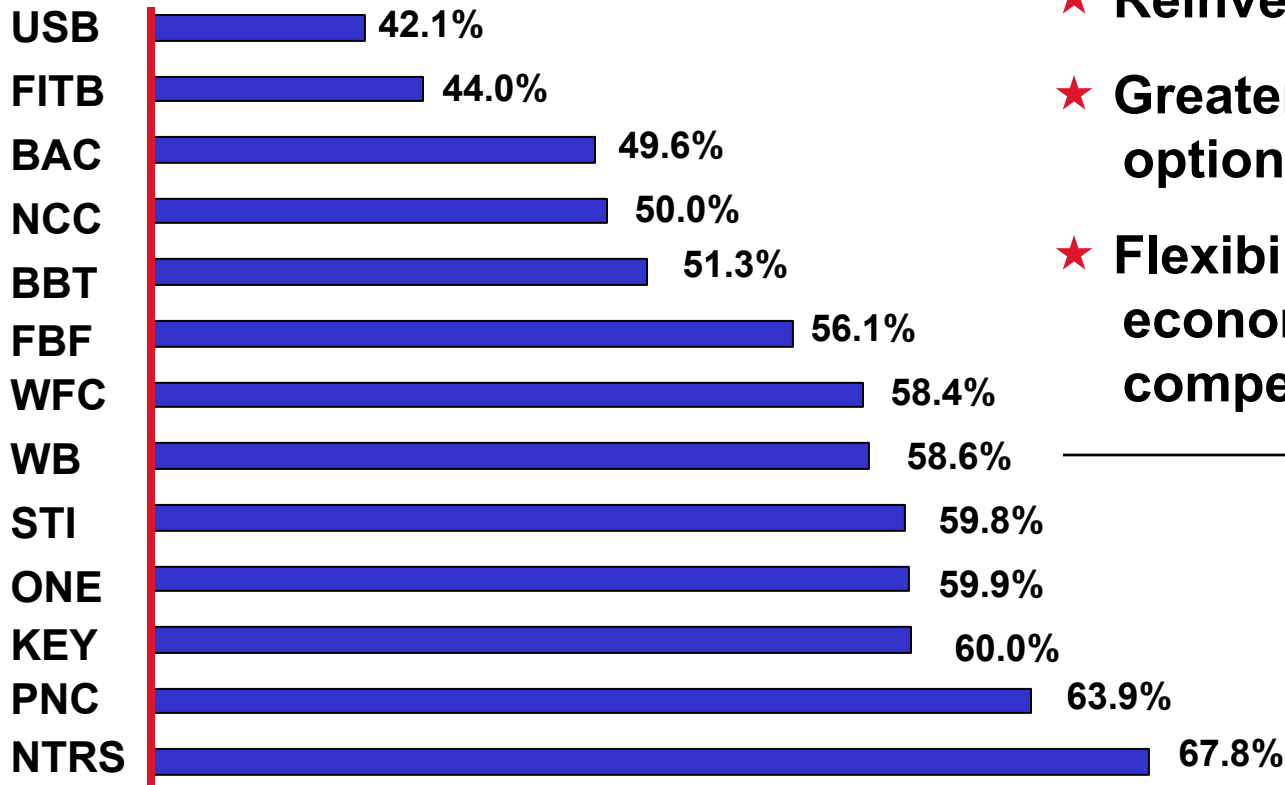
1997 to 2002



# Growing Revenue Faster Than Expense

## Tangible Efficiency Ratio

Second Quarter 2003



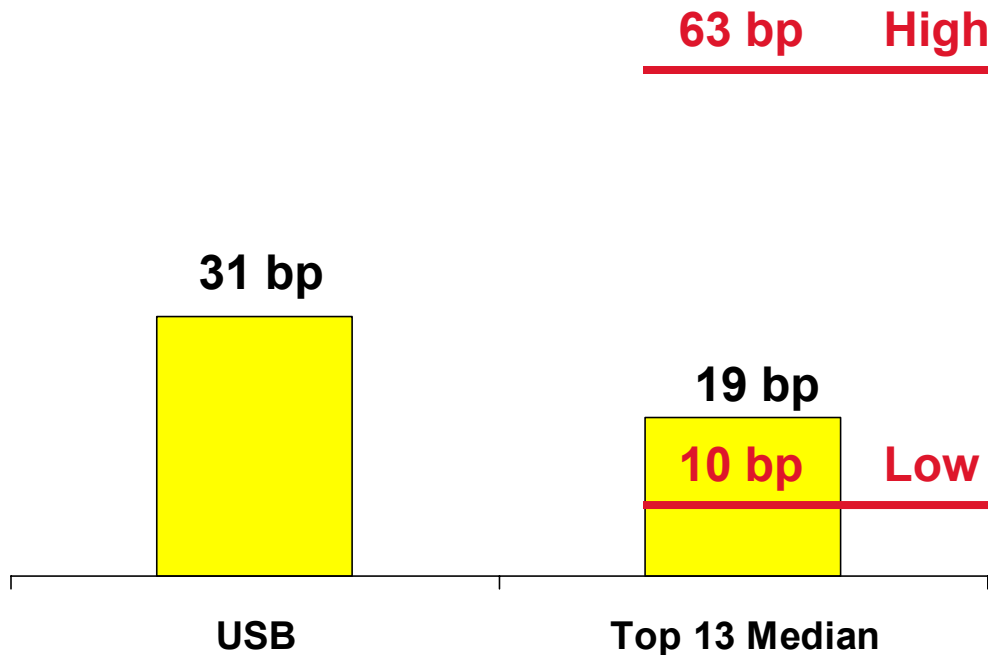
## Cost Leadership

- ★ Reinvestment advantage
- ★ Greater range of pricing options
- ★ Flexibility to weather economic downturn or competitor actions

# Reducing Volatility / Improving Returns

## Volatility of Net Charge-off Ratio

1998 to YTD 2003



USB Rank is 10 of 13

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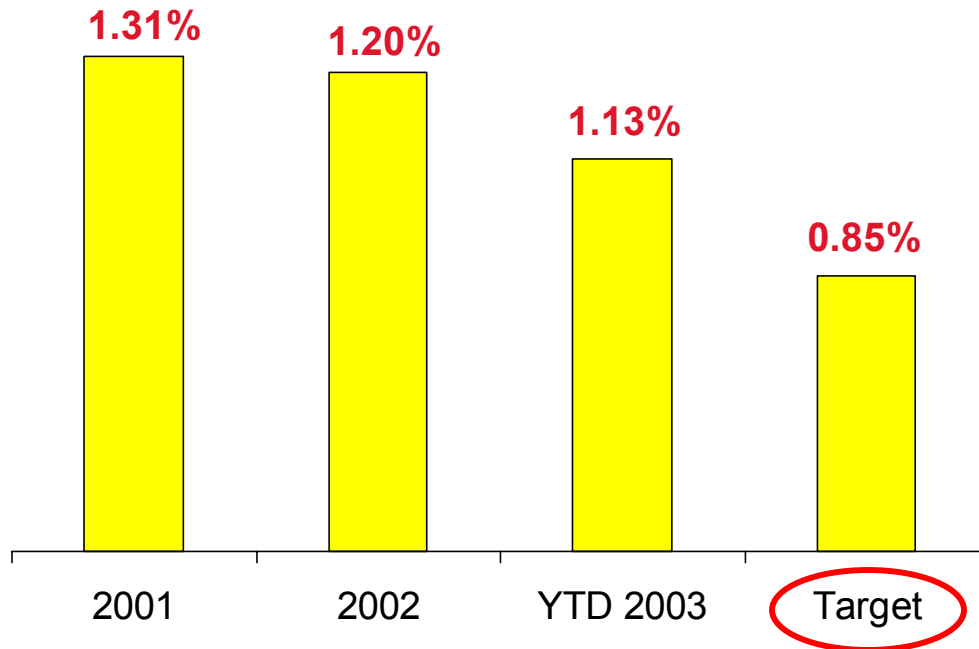
## Contributors to Volatility

- ★ Purchased portfolios
  - ★ Enterprise Value Reliant lending
  - ★ Multiple high-risk / high reward portfolios
-

# Reducing Volatility / Improving Returns

## Net Charge-off Ratio

2001 to YTD 2003



### Driving Improvement

- ★ Improved underwriting across the organization
- ★ Strengthened retail collections
- ★ Reducing exposure to Enterprise Value Reliant lending
- ★ Increased emphasis on cross-sell of fee products to commercial customers

# ***Reducing Volatility / Improving Returns***

- ★ **Current business mix is attractive with all business units generating returns in excess of cost of capital**
- ★ **Opportunities exist to improve returns through cross-sell, market segmentation, service improvements and increased distribution**
- ★ **Cost advantage will continue to allow competitive pricing and contribute to revenue generation**

# Focusing on Customer Service

## COMMON – CONSISTENT

*Customer Experience Tenets*

**Service is our Brand**



ship

Every interaction

Member Common

our edge



# ***Focusing on Customer Service***

- ★ **Continuous improvement**
- ★ **New internal tool developed to track service success... U.S. Bank Barometer**
- ★ **Corporate wide internal *Service Advantage* effort underway**
- ★ **More than increased customer satisfaction... focusing on increased customer *loyalty*.**



# ***Investing in Distribution and Scale***

- ★ **Investments in business units will be moderate in terms of expenditure and risk**
- ★ **Investments will focus on taking advantage of existing resources and capabilities**
- ★ **Although not a high priority, small acquisitions that enhance distribution and scale are possible**
- ★ **Unlikely to expand core banking geography**

# ***Investing in Distribution and Scale***

## ***State Street Corporate Trust***

- ★ **Strongly complemented U.S. Bank's existing corporate trust business**
- ★ **Achieved significant cost takeouts by leveraging existing platforms with added scale**
- ★ **Expanded distribution to northeast region of United States with new offices in Boston and Hartford**
- ★ **Placed U.S. Bank in the top tier of corporate trust providers**

# ***Investing in Distribution and Scale***

## ***State Street Corporate Trust***

- ★ **Announced acquisition in August 2002**
- ★ **Closed transaction in December 2002**
- ★ **Completed system conversion in February 2003**
- ★ **Have lost five customers with revenue of \$.5 million**
- ★ **Successfully retained key employees**
- ★ **Exceeding original financial projections**

# ***Investing in Distribution and Scale***

## ***Bay View Bank Branch Purchase and Deposit Assumption***

- ★ **Low risk transaction**
- ★ **Attractive branch network in affluent, high-growth markets with minimal overlap**
- ★ **Combined with existing USB branches to create an integrated network providing complete coverage of the entire Bay Area**
- ★ **Moved from #11 in Bay Area deposit share to #6**

# ***Investing in Distribution and Scale***

## ***Bay View Bank Branch Purchase and Deposit Assumption***

- ★ **Announced acquisition in July 2002**
- ★ **Closed transaction in November 2002**
- ★ **Completed system conversion in February 2003**
- ★ **Annualized growth since transaction close:**
  - **Core Deposits**                      **25%**
  - **Loans**                                      **21%**
  - **Non-interest Income**              **20%**

# ***Creating Value for Shareholders***

- ★ **Leveraging Consumer Banking model**
- ★ **Growing revenue faster than expense**
- ★ **Reducing volatility and improving returns**
- ★ **Focusing on customer service**
- ★ **Investing in distribution and scale**



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