

US Bancorp (NYSE: USB)

Sector: Financials

Industry: Regional Banking



Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap	Dividend Yield	Beta
\$59.39	\$54.84	\$61.11	\$47.57	13.18x	\$86.11B	3.06%	1.11

Business Description:

USB is a Minneapolis based regional bank; it is the fifth largest commercial bank in the United States, maintaining just under \$500 Billion in assets. US Bancorp provides banking, investment, mortgage, trust, and payment services products to individuals, businesses, governmental entities, and other financial institutions.

Industry Trends:

The commercial banking industry is dominated by larger players. Small regional banks control about 50% of physical banking locations however they maintain only 20% of total deposits in the US. Due to our current low interest rate environment, net margins are being squeezed across the industry, giving an advantage to larger diversified financial institutions. USB is in a unique position, they are the fifth largest commercial bank in the country, however they are widely viewed as a Midwest regional bank.

Risks:

Interest rate risk: USB generates a large portion of their revenue from net interest margin on loans. If interest rates continue to fall moving forward, profitability may be constricted.

Government regulation: The United States government maintains the ability to restrict the amount of risk large banks can take through setting capital ratios.

Macro credit risk: USB maintains a diversified portfolio of loans, including credit card payment products. In the event of a recession, USB would be exposed to increased default rates, especially in their Payment Services segment.

5 Year Relative Price Performance:



Competitive Positioning:

USB remains the most diversified player in comparison to the largest 5 banks in the country. Their dominant presence in the payment and credit card industry, as well as their growing wealth management business will drive growth moving forward. Their unmatched risk management combined with their diversified loan portfolio will maintain stability and drive value for shareholders in the future.

Management:

USB's management team has done an exemplary job at performing at a high level in a difficult low-interest rate environment. Their skill has allowed the company to enjoy an industry leading net interest margin of 3.14% as well as more than adequate reserves for charge-offs and excellent efficiency ratios. We expect USB's talented management to continue to grow the company, without exposing it to outsized risks in the process.

CSR Rankings					
	RobecoSAM Sustainability Rank	Sustainalytics ESG Rank	CDP Performance	% Women on BOD	Independent Directors
USBancorp	38	31.42	7	35.29	94.12
Peer Median	16	28.31	6	25	87.5

