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U.S. Bancorp Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Matt O'Connor – UBS.

Matt O'Connor - UBS

I was hoping you could give us a little more color in terms of how you calculate the tangible common equity ratio. You are showing 4.5 and I get 3.8 when I X goodwill and exclude other intangibles I get closer to 3.3. I'm just trying to reconcile how you are calculating it to get to 4.5.

Andrew Cecere

It is a calculation we have actually used for over a decade and it has been consistently applied. I believe the fundamental difference between the way you are calculating, and we are, is some components of OCI and the inclusion of those. We start with core capital and probably the biggest difference is the exclusion of the unrealized gain loss in securities in our calculation. We believe that starting with the core capital number is more appropriate.

Matt O'Connor - UBS

Obviously you are excluding goodwill but what about the intangibles?

Andrew Cecere

Yes we are.

Matt O'Connor - UBS

So all intangibles other than the MSR I would assume?

Andrew Cecere

That is correct. All goodwill, all intangibles and then adding back or not excluding the MSR. Correct.

Matt O'Connor - UBS

Separately, Richard you have been one of the more responsible banks out there and one of the stronger banks out there but the outlook for the industry overall seems rather dire and I know this might be a little bit of an unfair question but how do you think about what the government can do to

fix the industry overall? You have been dragged down by it and I think everybody is kind of looking around for some solutions. I'm wondering if you have any thoughts in how you think this all plays out.

Richard Davis

First of all I am actually quite optimistic with the new administration and the new team that we will have some new solutions and I think perhaps a more collaborative view of asking a lot of us in the banking community in how we think different solutions might be best suited. I am looking forward to being part of it. I will also tell you that as difficult as things look I am looking forward to the time when banks will start to trade again on their core earnings and I know that is quite a ways into the future when the fear and the unknown finally is extracted from the formula. Our company is pretty simple, as you know, and we are doing exactly what we did a few years ago in exactly the same way. All the same businesses and despite the economy bringing us slower with some revenue based on the payments and trust businesses which is an interim solution that will eventually recover and the fact that loan losses are a reality and we are taking our fair share of those but still earning well above those.

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