U.S. Bank National Association

Annual Company-Run Stress Test Disclosure

March, 2013

Risks Included in the Stress Test

U.S. Bank National Association (the "Bank") is U.S. Bancorp's (the "Company") principal banking subsidiary, with total assets exceeding 97% of the Company's total consolidated assets as of December 31, 2012. The risks included in the Bank's annual company-run stress test and the methodologies employed to assess these risks and the processes used to measure revenue and expense, including taxes, are determined at the consolidated Company level and applied uniformly across all of the Company's legal entities, including the Bank.

The Company and the Bank administer their capital adequacy assessment through the Company's Capital Adequacy Process ("CAP"). The CAP identifies and quantifies the Company's material risk under both expected and stressed economic conditions such as those projected by the Board of Governors of the Federal Reserve System (the "Fed") and the Office of the Comptroller of the Currency (the "OCC") for the submission of the supervisory severely adverse stress tests in conjunction with the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") Stress Test ("DFAST"). This assessment is made to determine the impact of varying macroeconomic conditions and capital actions on the Bank's net income, balance sheet, and capital adequacy. The Company's most prominent risk exposures are credit risk, operational risk, interest rate risk, market risk, reputation risk, and liquidity risk.

Credit risk is the risk of not collecting the interest and/or the principal balance of a loan, investment, or derivative contract when it is due. The Company's stress testing methods estimate and quantify the impact of the stressed economic conditions on the Bank's credit losses. Principal drivers of credit losses are increases in unemployment and declines in home and commercial real estate values.

Operational risk represents the risk of loss resulting from the Company's operations, including, but not limited to, the risk of fraud by employees or persons outside the Company, unauthorized access to its computer systems, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of internal controls and in data security, compliance requirements, and business continuation and disaster recovery. Operational risk also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to negative publicity. The Company's stress testing process estimates and quantifies the effect of stressed economic conditions on the Bank's operational losses and their effect on the Bank's net income.

Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. The Bank's net interest income is significantly affected by prevailing market rates which are driven by stressed economic conditions, by the fiscal and monetary policies of the federal government, and by regulation. The stressed economic conditions provided by the OCC include assumptions about key interest rates. The Bank's stress test results incorporate these assumptions in its estimate of the yield on assets and funding costs, as well as in the composition of its balance sheet, including the fair value of mortgage servicing rights, and their impact on the Bank's net income.

In addition to interest rate risk, the Company is exposed to other forms of market risk, principally related to trading activities which support customers' strategies to manage their own foreign currency, interest rate risk, and funding activities. The Company's market risks also arise from its hedging activities related to its mortgage servicing rights and residential mortgage loans held for sale. The Company considers the impact of these risks in the Bank's projections under stressed economic conditions.

Reputation risk is the risk to the Company's business, earnings, and capital stemming from negative publicity. Negative public opinion about the financial services industry generally, or the Company specifically, could adversely affect the Company's ability to keep and attract customers, and expose the Company to litigation and regulatory action. Negative publicity can result from the Company's actual or alleged conduct in any number of activities including lending practices, mortgage servicing and foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequately protecting customer information, and actions taken by government regulators and community organizations in response to that conduct.

Liquidity risk is the possibility that the Company would be unable to meet its financial obligations to depositors, investors, or borrowers as they come due. The Company's liquidity is essential for the operation of its business. Market conditions or other events could negatively affect the Company's access to funds or its borrowing costs. The Bank's results reflect the impact of the stressed economic scenario assumptions on its access to debt markets, its interest expense, and its ability to accrete capital.

Methodologies Used in the Stress Test

The Company projects the impact of a stressed economic scenario, as defined by the OCC for the severely adverse scenario[1] ("stressed economic conditions"), on the Bank's net income, which is included in the assessment of the Company's regulatory capital measures. The macroeconomic factors projected by the OCC are not interpreted by the Company as likely conditions in a recession. Rather, the macroeconomic factor projections are hypothetical scenarios designed to assess the strength of banking organizations and their resilience to adverse economic environments.

The outcome projected for net income under the stressed economic conditions includes the impact on the Bank's pre-provision net revenue, provision for credit losses, realized gain or loss on the Bank's available-for-sale ("AFS") or held-to-maturity investment portfolio, and other gains or losses. These include the impact of any goodwill impairment and the benefit to the Bank's income tax expense resulting from the ability to carry back losses to taxes paid in prior years and the recovery of tax credits from the Bank's tax-advantaged community investments. In assessing its capital position, the Company analyzes the effect of the stressed economic conditions on the Bank's net

[1] Assumptions for this scenario were published by the Office of the Comptroller of the Currency on November 15, 2012.

deferred tax asset position and the Bank's mortgage servicing rights to determine the appropriate level of deductions from regulatory capital. The Company also adjusts the level of goodwill or intangibles deducted from the Bank's capital to reflect impairment, if any, of these intangibles. In addition, the Company considers the potential for impairment of goodwill and other intangible assets in the stressed economic environment scenario using analyses and methodologies similar to its annual impairment testing, incorporating the impact of the stressed conditions on the Bank's interest income, noninterest income, and credit losses of each reporting unit.

The Bank has nominal European exposure and is not subject to the global financial market shock defined by the OCC. Therefore, the Bank does not consider the hypothetical risk factor shocks the OCC provides to produce the profit and loss estimates for trading, private equity, counter-party credit, and mark-to-market losses for fair-value assets not held in trading, including loans held for sale or held for investment with the fair-value option, and AFS securities.[2] The Bank does, however, consider the impact on the trading assets under the stressed economic conditions and the outcome is included in the Bank's pre-provision net revenue.

General descriptions of the methodologies used in the stress test are described below.

Pre-provision net revenue: the projections under the stressed economic conditions are produced for:

- the Bank's balance sheet and related net interest income;
- the Bank's fee revenue which includes losses related to the repurchase of mortgage loans from investors due to a breach in representations or warranties, the impact on the earnings related to the Bank's mortgage servicing rights and other mortgage production fees, losses related to the Bank's trading portfolio and the stressed outcome of other product fee categories including the Bank's payment services, retail services, trust and investment services and other commercial product fees; and,
- the impact on the Bank's expenses which includes anticipated operational loss events that are expected in highly adverse conditions and increases in litigation and other legal expense that may occur related to projected loss events.

Balance sheet and related net interest income and fee income:

The Company projects the balance sheet and fee income under the stressed economic conditions based on both regression modeling when significant correlations to macroeconomic factors have been identified and other modeling approaches, which include management's assessment of outcomes in the stressed economic conditions and consider, as a basis, the historical relationship of fee and balance sheet performance to macroeconomic factors in specific economic conditions. In both of these approaches, the Company analyzes relationships that

[2] As discussed in the Office of the Comptroller of the Currency's Instructions for Preparation of the Annual Company-Run Stress Test Report DFAST-14A published November 15, 2012.

occurred in past recessionary and non-recessionary periods to determine the strongest correlation to economic drivers. The Company also realizes that relying solely on historical relationships may not predict future outcomes and may, based on management's discretion, apply more conservative overlays to modeled outcomes. Balance sheet outcomes are modeled for loans, loans held for sale, investment securities, deposits, and equity. Borrowings are projected based on the outcome of modeling results of other balance sheet items. Net interest income is modeled using, as an input, the outcome of the balance sheet projections in the stressed economic environment and the rate forecasts, as provided for in the OCC's stressed economic conditions. The model simulates the expected behavior of existing volumes based on account characteristics, applies the stressed balance sheet projections, and calculates new business volumes. New business volume characteristics are based on the Bank's historical run rate and include adjustments modeled for stressed economic environments. The Company assumes new business loan spreads will remain consistent with the spreads recognized in the current expected environment. This assumption is a conservative approach, as previous recessions produced widening spreads. An exception to this assumption is the mortgage rate. The Company projected the loan spread for the Bank's mortgages based on the mortgage rates supplied by the OCC in their projection of stressed economic conditions.

The Company's models and approaches rely on several assumptions. A key assumption is that the Company does not predict changes in consumer behavior in the stressed economic conditions, rather relies on behavior patterns recognized in previous downturn periods. Another assumption is that balance sheet growth and related revenues observed in the previous economic downturn may not predict growth in future economic downturns, as the flight-to-quality realized in previous recessions may not be repeated. Management assesses the outcome of all models and other forecasting approaches to determine if additional conservative adjustments are required based on uncertainties in the modeling assumption or other factors not captured by the models. These adjustments are meant to address the higher level of severity in the severely adverse scenario and will also address risks that may not be predicted by existing modeling approaches.

<u>Expenses:</u>

The Company projects the changes to expenses in stressed economic conditions principally attributable to increases in operational losses, increases in credit foreclosure and litigation and other legal costs, which are primarily derived using, as a basis, the level of credit related charge-offs, and other mortgage related foreclosures. Operational risk loss estimates rely on models that establish a statistical link between the operational risk loss profile of the Bank and certain macroeconomic factors, which results in loss (or event) frequency. Loss severity is conservatively modeled using average severity (dollar amount) from a pooled data set of internal and external data resulting in a severity much higher than internal data would project. The resulting frequency is then multiplied by the average severity resulting in operational risk outcomes projected for the stress scenario. Finally, the Company considers the reduction in discretionary expenses related to personnel and other variable business-related costs, basing these reductions on actual cost savings experienced during the most recent recession.

Provision for credit losses:

The Company projects net credit losses and provision expenses under the stress economic conditions based on several key inputs. These include the macroeconomic factors of the scenario, the Bank's portfolio composition at the start of the forecast horizon, projections of portfolio changes over the forecast horizon, and projections of defaults and losses. The Company relies on account level models that estimate defaults and losses for each quarter of the forecast horizon. Forecasted losses reflect the risk characteristics of each exposure or exposure segment. The Company evaluates loss forecasts produced by its models by considering past portfolio performance, current portfolio composition, and expectations of future performance given the economic assumptions of the scenario.

The Company's models rely on several assumptions. A key assumption is that past experience is indicative of future performance. This assumption is based on the premise that borrower behaviors observed historically in relation to macroeconomic trends will hold in the future. This assumption is continually tested when borrower behaviors change over time. In addition, changes in underwriting, law, or regulation may alter repayment patterns or the accounting classification of losses. Some of these factors are known at the beginning of the forecasting horizon, while others are not. When identified, the Company mitigates these risks by conservatively adjusting modeled loss and provision forecasts to account for model uncertainty, changes in underwriting, regulation, law, or borrower behavior.

Realized gain or loss on the Bank's available-for-sale or held-to-maturity investment portfolio and calculation of OTTI:

The Company projects the fair market values for the Bank's non-agency mortgage backed securities ("MBS"), corporate securities, and municipal securities under stressed economic conditions. For non-agency MBS securities, changes in fair value are driven primarily by changes in unemployment. For corporate securities, the Company uses regression modeling that is correlated to housing prices and gross domestic product and an internal credit assessment of the security issuer's financial condition. Based on the results of this assessment, the Company may conservatively project other than temporary impairment ("OTTI") at the lowest fair market value modeled during the forecast period (less amortized cost). These same assumptions drive OTTI projections in the stressed economic conditions. For municipal securities, OTTI is modeled using a combination of ratings-based downgrade assumptions and an analysis of projected changes in the spreads for securities that get downgraded below a certain ratings threshold, based on trends recognized in previous recessions. OTTI is calculated as the difference between fair market value and amortized costs for the securities downgraded below investment grade levels.

Income taxes:

The Company's process for estimating the impact of income taxes on earnings and capital involves estimating the periodic effective tax rate to apply to earnings, estimation of the deferred tax position at each period end based on estimates for the most significant temporary differences and measuring any deferred tax limitations under the relevant capital framework.

The effective tax rate differs from the marginal tax rate principally as a result of tax credits generated by the Bank's tax-advantaged community investments and, to a lesser extent, income from the Bank's tax-exempt investments. The Bank includes estimates of state income taxes in the effective tax rate based on historical income allocation across the states.

Recovery of any deferred tax asset is based on whether there is sufficient taxable income in prior periods to support recovery through carryback to those periods if the temporary differences were to reverse at each period end and considers the potential impact of the Alternative Minimum Tax.

Changes in capital positions:

The Bank increased its Tier 1 common equity position by approximately 107 basis points over the nine-quarter stress period from September 30, 2012 to December 31, 2014. The principal factor in this increase is the suspension of distributions on the Bank's common stock to its sole shareholder, U.S Bancorp. This increase in capital accretion enables the Bank to offset the negative effect of the severely adverse scenario assumptions on its projected capital position. The suspension of dividends is complemented by a net decrease in deductions from Tier 1 common, resulting primarily from the amortization of other intangibles.

The Bank's Additional Tier 1 capital position declines by approximately 27 basis points as a result of the redemption of capital securities in 4Q12. The Bank's Tier 2 capital also declines over the stress period, principally because of the amortization of the regulatory capital value of the Bank's subordinated debt, with an adverse effect on Total risk-based capital of approximately 22 basis points.

A central component of the Bank's approach to capital management in times of financial or economic stress is to enhance its strong capital position and offset the negative effects of severely adverse economic conditions on its earnings capacity by suspending capital distributions to U.S. Bancorp, its parent company.

To ensure that it is able to provide such a significant level of support to the Bank, the parent company maintains a strong liquidity position that enables it to defer dividends from the Bank over the stress period while meeting all of its financial obligations without the need to resort to the issuance of debt.

Quantitative estimates

Estimates are projected using the macroeconomic factors provided by the OCC for the Supervisory Severely Adverse Scenario. As prescribed in the OCC's instructions for the annual company-run stress test, the capital actions projected by the Bank in this scenario are consistent with the Company's practices and policies, and prudent relative to the hypothetical economic and financial conditions modeled. In this severely adverse scenario, the Bank's capital actions consist of suspending dividend payments on common stock to its sole shareholder, U.S. Bancorp, over the stress test period.

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Dodd-Frank Stress Testing Results
Projected Stressed Capital Ratios, Losses, Revenues, Net Income before Taxes, and Loan Losses by Type of Loan
U.S. Bank National Association Estimates in the Supervisory Severely Adverse Scenario

U.S. Bank National Association

The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period Q4 2012 to Q4 2014.

Projected Capital Ratios through Q4 2014 under the Supervisory Severely Adverse Scenario

	Actual	Stressed Capital Ratios	
	Q3 2012	Q4 2014	Minimum
Tier 1 Common Ratio (%)	10.1%	11.1%	10.5%
Tier 1 Capital Ratio (%)	10.7%	11.4%	10.7%
Total Risk-based Capital Ratio (%)	13.0%	13.5%	12.9%
Tier 1 Leverage Ratio (%)	9.0%	9.6%	8.9%

Projected Losses, Revenue, and Net Income Before Taxes through Q4 2014 under the Supervisory Severely Adverse Scenario

	Billions of Dollars	Percent of Average Assets
Pre-provision Net Revenue (1)	18.1	5.4%
Other Revenue (2)	0.1	
Less		
Provisions	15.1	
Realized (Gains)/Losses on Securities (AFS/HTM)	0.1	
Trading and Counterparty Losses (3)	0.0	
Other Losses/Gains (4)	0.0	
Equals		
Net Income Before Taxes	3.0	0.9%

(1) Pre-provision net revenue includes losses from operational risk events, mortgage put-back expenses, and OREO costs.
(2) Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.
(3) Trading and counterparty includes mark-to-market losses, changes in credit valuation adjustments (CVA) and incremental default losses.
(4) Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option, and goodwill impairment losses.

Projected Loan Losses by Type of Loans for Q4 2012 through Q4 2014 under the Supervisory Severely Adverse Scenario

	Billions of Dollars	Portfolio Loss Rates (%)
Loan Losses (1)	12.4	6.0%
First Lien Mortgages, Domestic	1.8	4.0%
Junior Liens and HELOCs, Domestic	0.8	5.2%
Commercial and Industrial	2.2	5.0%
Commercial Real Estate	2.4	6.2%
Credit Cards	3.3	18.7%
Other Consumer	1.2	4.2%
Other Loans	0.7	4.4%

(1) Commercial and Industrial loans include small and medium enterprise loans and corporate cards. Other loans include international real estate loans. Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option.

Note: Estimates may not sum precisely due to rounding.

Changes in regulatory capital ratios and the tier 1 common ratio

Tier 1 Common Ratio – Increased by 1.0% from 10.1% at 3Q12 to 11.1% at 4Q14

The Bank's Tier 1 common ratio increased by 98 basis points over the stress period. Of this change, approximately 107 basis points are attributed to the increase in the Bank's Tier 1 common equity, offset by an increase in risk-weighted assets which reduces the Bank's Tier 1 common ratio by approximately 9 basis points. The increase in Tier 1 common equity consists primarily of earnings retained over the nine-quarter stress period and a net decrease in deductions from capital, principally the amortization of intangibles, of 98 basis points and 9 basis points, respectively.

Tier 1 Capital Ratio – Increased by 0.7% from 10.7% at 3Q12 to 11.4% at 4Q14

The 70 basis points increase in the Bank's Tier 1 capital ratio is due primarily to the increase in the Bank's Tier 1 common equity. This increase is partially offset by a reduction in the Bank's additional Tier 1 capital balance due to the redemption of certain capital securities in 4Q12, which has the effect of reducing the Tier 1 capital ratio by 27 basis points. The increase in the Bank's risk-weighted assets has the effect of further reducing the Bank's Tier 1 capital ratio by 9 basis points.

Total Risk-based Capital Ratio – Increased 0. 5% from 13.0% at 3Q12 to 13.5% at 4Q14

The 49 basis points increase in the Bank's Total risk-based capital ratio is due primarily to the increase in the Bank's Tier 1 common equity offset principally by the decrease in Additional Tier 1 capital and the amortization of the regulatory capital value of the Bank's subordinated debt. The decline in subordinated debt includable in Tier 2 capital has the effect of reducing the Bank's Total risk-based capital ratio by approximately 22 basis points. This reduction is offset slightly by an increase in the loan loss reserve includable in Tier 2 capital. The increase in the Bank's risk-weighted assets further reduces the Bank's Total risk-based capital ratio by approximately 11 basis points.

Tier 1 Leverage Ratio – Increased 0.6% from 9.0% at 3Q12 to 9.6% at 4Q14

The increase in the Bank's Tier 1 Leverage ratio of 60 basis points is a result of the increase in Tier 1 capital of approximately 80 basis points described above offset by an increase in the Bank's quarterly average assets with the effect of reducing the ratio by approximately 20 basis points.