2020 Dodd-Frank Act Stress Test Results

Supervisory Severely Adverse Scenario

June 2020

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about U.S. Bancorp and U.S. Bank National Association, including projected future capital ratios, risk-weighted assets, revenue, net income before taxes and loan losses that are based on a hypothetical stress scenario defined by our regulators and contains assumptions that may not come to pass in the future. These projections are not intended to reflect management's expected future financial conditions or results and there can be no assurance that U.S. Bancorp's actual results would match the results disclosed herein if the assumed hypothetical scenario was to occur.

QUANTITATIVE DISCLOSURE

U.S. Bancorp (the "Company") administers its capital adequacy assessment through its Capital Adequacy Process. The Capital Adequacy Process identifies and quantifies the Company's material risks under both expected and stressed economic conditions such as those projected by the Board of Governors of the Federal Reserve System ("Federal Reserve") for the annual Comprehensive Capital Analysis and Review ("CCAR") submission of the supervisory severely adverse stress test as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") Stress Test. This assessment is made to determine the impact of macroeconomic conditions projected in a severely adverse scenario on the Company's net income, balance sheet, risk-weighted assets and other components of capital. Described below are the quantitative results for the Company-run stress test conducted under the supervisory severely adverse scenario defined by the Federal Reserve in its "2020 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule" published on February 6, 2020.

MACROECONOMIC SCENARIO

The Company projects the impact of adverse macroeconomic scenarios ("stressed economic conditions") on its net income, balance sheet, risk-weighted assets and capital adequacy over a nine-quarter stress time horizon defined as the first quarter of 2020 through the first quarter of 2022. Projections provided in this disclosure are based on the supervisory severely adverse scenario.

Supervisory Severely Adverse Scenario Summary

The severely adverse scenario, as defined by the Federal Reserve, is characterized by "a severe global recession accompanied by a period of heightened stress in commercial real estate and corporate debt markets." [1] Principal economic factors that drive the scenario are summarized as follows:

- Unemployment peak of 10.0 percent
- U.S. Real Gross Domestic Product ("GDP") maximum quarterly (annualized) decline of 9.9 percent
- 50 percent maximum decline in equity prices from 4Q2019 to trough
- 28 percent maximum decline in housing prices and 35 percent maximum decline in commercial real estate prices from 4Q2019 to trough
- Short-term Treasury rates decline and remain near zero; 10-year Treasury yields fall by a smaller amount, resulting in a gradual steepening of the yield curve

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[1] *2020 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule*, Board of Governors of the Federal Reserve System, February 6, 2020

SUMMARY OF RESULTS

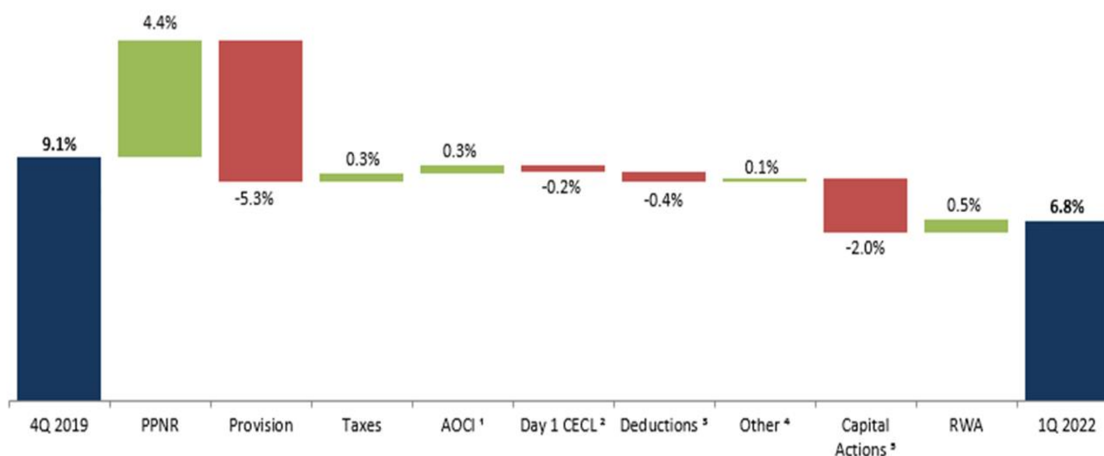
Changes in Capital Positions and Regulatory Capital Ratios (Supervisory-defined severely adverse)
The Company's capital ratios presented below are calculated using the definitions of capital, standardized risk-weighted assets, average assets and total leverage exposures under the 2019 current expected credit losses ("CECL") transition rule. Subsequent to the 2020 CCAR submission, the Company adopted the new 2020 CECL transition rule. Under the new 2020 CECL transition rule, each of the ending and minimum CET1 ratios calculated under this methodology would have been 7.4%, versus 6.8% under the three-year transition [2].

Capital Ratios				
	Actual	Supervisory Severely Adverse (1)		Ending versus
	4Q2019	Ending	Minimum	4Q2019
Common equity tier 1 capital ratio	9.1%	6.8%	6.8%	-2.3%
Tier 1 capital ratio	10.7%	8.6%	8.6%	-2.1%
Total capital ratio	12.7%	10.6%	10.6%	-2.1%
Tier 1 leverage ratio	8.8%	7.1%	7.1%	-1.7%
Supplementary leverage ratio	7.0%	5.7%	5.7%	-1.3%

(1) Capital ratios assume capital actions as defined within the Dodd-Frank Act stress testing rule (12 CFR 252.56(b)). Minimum capital ratios reflect the period of 1Q20 through 1Q22.

The Company estimates that the effect of stressed economic conditions, including DFAST capital actions, reduces the Company's **Common Equity Tier 1 Capital ("CET1") ratio** by approximately 230 basis points from 9.1 percent to 6.8 percent, over the nine-quarter stress period from December 31, 2019 to March 31, 2022, which is above the regulatory minimum CET1 ratio of 4.5 percent.

CET1 Ratio



[1] Opt-out of AOCI related to the final Tailoring rules making the Company a Category 3 institution and not subject to advanced approaches
[2] Capital impact related to the Company's adoption of the current expected credit losses (CECL) accounting standard net of the transition provisions
[3] Deductions primarily related to DTAs arising from net operating loss and credit carryforwards
[4] Includes employee-related stock based compensation, adjustments to capital for items such as goodwill and intangibles
[5] Capital action assumptions as required under the Dodd-Frank Act stress test rules

[2] The new 2020 CECL transition rule delays the estimated impact of CECL on regulatory capital (for two years) and is subsequently followed by a three-year transition period that phases out the aggregate amount of capital benefit provided during the initial two-year delay.

The principal causes for the decrease in the Company's CET1 ratio are increases in credit losses and loan loss reserve, including the day 1 impact related to the adoption of the CECL accounting standard, which was partially offset by an increase to pre-provision net revenue ("PPNR"). Other negative drivers of CET1 included the Company's capital actions which are prescribed under DFAST by the Federal Reserve. The Company's CET1 is further reduced by the increase in capital deductions primarily driven by an increase in disallowed deferred tax assets ("DTAs") that arose from net operating loss and credit carryforwards.

Other partially offsetting impacts accretive to the Company's CET1 were driven by the Company's ability to opt-out of accumulated other comprehensive income ("AOCI") as of December 31, 2019 (final tailoring rule), intangible amortization ("Other") and a modest decrease in risk-weighted assets mainly driven by a decline in loan balances as a result of charge-offs and weakened loan demand.

The Company's **Tier 1 Capital ratio** was reduced by the decline in CET1 partially offset by the increase in capital value of the Company's real estate investment trust ("REIT") security issued by a subsidiary due to the change in allowable minority interest from the final tailoring rule.

The Company's **Total Risk-based Capital ratio** was reduced by the Company's Tier 1 Capital and the amortization of the capital value of the Company's subordinated debt as these capital securities approached their maturity date.

The reduction in the **Tier 1 Leverage ratio** was principally the result of changes to the Tier 1 Capital ratio described above that was partially offset by a modest decrease in average assets.

The reduction in the **Supplementary Leverage ratio** was principally the result of changes to the Tier 1 Capital ratio described above that was partially offset by a modest decrease in total exposures.

RISKS INCLUDED IN THE STRESS TEST

The Company maintains a risk management framework that establishes the necessary infrastructure to identify, measure and assess risks given the Company's organizational structure, business activities, size and complexity of operations. The Company projects the impact of those risks deemed material under both expected and stressed conditions to its on- and off-balance sheet exposures, earnings and capital positions through its Capital Adequacy Process.

The Company's most prominent risk exposures are credit, interest rate, market, liquidity, operational, compliance, strategic and reputation. The Company estimates the impact of these risks to its balance sheet, net income and capital positions and considers other financial impacts of stressed economic factors on the performance of the Company's businesses.

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.

Interest rate risk is the potential reduction of net interest income or market valuations as a result of changes in interest rates.

Market risk arises from fluctuations in interest rates, foreign exchange rates and security prices that may result in changes in the values of financial instruments, such as trading and available-for-sale securities, mortgage loans held for sale, mortgage servicing rights and derivatives that are accounted for on a fair value basis.

Liquidity risk is the possible inability to fund obligations or new business at a reasonable cost and in a timely manner.

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, people, or adverse external events, including the risk of loss resulting from breaches in data security. Operational risk can also include the risk of loss due to failures by third parties with which the Company does business.

Compliance risk is the risk that the Company may suffer legal or regulatory sanctions, material financial loss, or loss to reputation through failure to comply with laws, regulations, rules, standards of good practice, and codes of conduct.

Strategic risk is the risk to current or projected financial condition arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the banking industry and operating environment.

Reputation risk is the risk to current or anticipated earnings, capital, or franchise or enterprise value arising from negative public opinion. This risk may impair the Company's competitiveness by affecting its ability to establish new customer relationships, offer new services or continue servicing existing customer relationships.

In addition to the risks identified above, other risk factors exist that may impact the Company. Refer to "Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, and in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, for a detailed discussion of these factors.

METHODOLOGIES USED IN THE STRESS TEST

Net Income

Projection Outcomes - Supervisory Severely Adverse		
Billions of $s		
Net Income Before Taxes	**Through 1Q22**	**% of Avg Assets** *9-Qtrs*
Net interest income	29.5	6.2%
Noninterest income	17.2	3.6%
less		
Noninterest expense	29.6	6.2%
equals		
Pre-provision net revenue	**17.1**	**3.6%**
less		
Provisions	20.7	
Realized losses/gains on securities (AFS/HTM)	(0.0)	
Trading and counterparty losses (1)	0.0	
Other losses/gains (2)	0.0	
equals		
Net income before taxes	**(3.5)**	**-0.7%**
Memo Items		
Other effects on capital	**4Q19 Actual**	**1Q22 Projected**
AOCI included in capital	(1.3)	0.0
Risk-Weighted Assets	**4Q19 Actual**	**1Q22 Projected**
Risk-Weighted Assets	391.3	364.6

(1) Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities

(2) Other losses/gains include 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.

Note: Estimates may not sum precisely due to rounding

The outcome projected for net income under stressed economic conditions includes the impact on the Company's PPNR, provision for credit losses, realized gains or losses on the Company's investment portfolio, and other gains or losses. These include the effects of any goodwill impairment and the benefit to the Company's income tax expense resulting from the ability to utilize losses and the use of tax credits from the Company's tax-advantaged community investments.

Capital Position

In assessing its capital position, the Company incorporates the following into its common equity roll-forward:

- Net income resulting from the quantification of supervisory severely adverse scenario impacts on its business activities;
- Capital actions prescribed in the stress test regulation;
- Regulatory adjustments to its common equity including those items that are either included on a limited basis or completely deducted from regulatory capital;
- Goodwill and intangibles deducted from capital to reflect amortization; and
- Impacts of stressed economic conditions on its net deferred tax asset position, mortgage servicing rights and significant / non-significant equity investments to determine the appropriate level of deductions from regulatory capital.

The Company considers the potential for impairment of goodwill and other intangible assets under stressed economic conditions using analyses and methodologies similar to those employed for its annual impairment testing of each reporting unit.

Global Market Shock

The Company, by Federal Reserve definition, is not subject to the global financial market shock; however, it does consider the impact of stressed economic conditions on trading assets and this outcome is included within the Company's pre-provision net revenue forecast.

Pre-Provision Net Revenue ("PPNR")

PPNR projections under the supervisory severely adverse scenario are produced for:

- the Company's balance sheet and related net interest income;
- the Company's fee revenue, including the impact on earnings related to the Company's mortgage servicing rights and other mortgage production fees, losses related to the Company's trading portfolio and the stressed outcome of other product fee categories, including the Company's payment services, retail services, trust and investment services, other commercial product fees, and other fees; and
- the impact on the Company's expenses, which includes increased operational losses including increases in litigation and other possible legal expense, increases to credit-related costs and other mortgage related costs. These expenses are partially offset by conservative discretionary expense mitigation savings.

Balance Sheet and Related Net Interest Income, Fee Income and Expenses:

The Company projects balance sheet, net interest income and fee income under stressed economic conditions primarily by using model-based approaches when strong statistical relationships with intuitive macroeconomic factors have been identified. The Company evaluates estimations produced by its primary models by considering results of challenger models or other benchmarking approaches, historical observations, current pricing and/or mix and expectations of future performance given the scenario's economic assumptions, as appropriate. When strong statistical relationships with intuitive macroeconomic factors are not identified, the Company employs other forecasting methodologies and analytics, which include management's assessment of outcomes in the stressed economic conditions, and considers, as a basis, the historical relationship of fee and balance sheet performance to macroeconomic factors under specific economic conditions. In all approaches, the Company analyzes relationships that occurred in past recessionary and non-recessionary periods to determine the most appropriate relationship to economic drivers for stress testing purposes. The Company realizes that relying solely on historical relationships can have limitations in predicting future outcomes and may, based on management's discretion, apply more conservative overlays to modeled outcomes.

Balance Sheet and Net Interest Income:

Balance sheet positions are projected for loans, loans held for sale, investment securities, other assets, deposits, wholesale borrowings and other liabilities. Most of the Company's loan portfolio is projected using statistical models. For the projection of other balance sheet loan categories, the Company relies on methodologies that are primarily based on historical analyses. As part of the projection process, management inserts assumptions to project volumes which consider recent trends, new business activity, portfolio run-off and stressed economic conditions. The Company's net

interest income is affected by market rates of interest, which in turn are affected by prevailing economic conditions, fiscal and monetary policies, and by the policies of various regulatory agencies. The Company's stress test results incorporate key interest rate assumptions in its estimate of the yield on assets and funding costs, as well as in the composition of its balance sheet and their impact on the Company's net income and capital positions.

Non-interest-bearing deposits, interest bearing non-maturity deposits and domestic time deposit balances are also primarily projected using statistical models. These modeled balances represent the majority of the Company's total deposit balances. Net funding levels are projected based on the outcome of the simulation modeling results of all other balance sheet items.

The Company's liquidity is essential for the operation of its business. Market conditions and other events could negatively affect the Company's access to funds or its borrowing costs. The Company'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. The Company models wholesale funding costs for long-term funding instruments to ensure these projections properly reflect both availability and cost in a stressed environment. Short-term borrowing rates are forecast based on historical experience in a recessionary time period.

The Supervisory-defined stressed macroeconomic assumptions result in a general contraction of business activities, which is reflected in the Company's balance sheet in the form of reduced on- and off-balance sheet exposures. Business activity contraction will impact the Company's projection of risk-weighted assets associated with balance sheet exposures; however, macroeconomic assumptions impact the Company's loan portfolios with differing degrees of severity. This differential will lead to asset mix changes which likely will affect the Company's weighted average risk-weights from period to period, either emphasizing or offsetting the effect of reduced on- and off-balance sheet exposures.

Net Interest Income is constructed using an interest rate simulation process which employs balance sheet projections and applies interest rate forecasts and other key economic indicators as provided in the stressed macroeconomic scenarios. The projections incorporate the expected behavior of both existing and new balance sheet volumes based on account characteristics, the Company's historical observations as well as consideration of model results utilizing varied macroeconomic factors.

Fee Income:

Much of the Company's fee income is projected using statistical models. Modeled fee income categories utilize macroeconomic factors that have a statistically sound and intuitive relationship with the underlying business. Model projections are reviewed to ensure results reflect the severity of the scenario and a conservative management overlay may be applied, if necessary, to further stress the outcomes.

Some fee categories are projected using tools or qualitative approaches relying on management expertise and historical trends from recessionary and non-recessionary periods. Non-modeled approaches are used for certain fees where efforts to model the Company's historical financial performance have not found robust statistical relationships with intuitive macroeconomic variables or when data limitations may limit the reliability of model outcomes. These fee revenue categories rely on the same consistent view of the macroeconomic environment as those businesses using regression modeling. Each business line utilizing these approaches individually evaluates the macroeconomic scenario factors to determine which factors are appropriate for their respective fee income categories. Management then projects how these factors impact their key business drivers of fee income, which include, but are not limited to sales, new business, attrition and overall consumer behavior.

Expenses:

The Company projects the changes to expenses in stressed economic conditions. These are attributable principally to increases in operational losses, increases in credit-related costs including foreclosure and collection costs, legal and other mortgage-related costs. Variable expenses that can be tied directly to fee revenue are adjusted based on their relationship to a respective fee revenue category.

The Company's operational loss estimates are projected utilizing appropriate methodologies based on a comprehensive analysis of each operational risk category. Losses are projected using macroeconomic models where significant and intuitive macroeconomic relationships are identified and can be statistically modeled. For segments where there is no identified linkage with macroeconomic factors, scenario analysis and analytical tools are utilized to project operational losses. Scenario analysis is a core component of the operational loss projections and leverages the Company's core operational risk scenario workshops conducted by subject matter experts across the organization.

The Company uses a conservative approach when considering the timing of, and reduction in, discretionary expenses related to personnel and other business-related costs. The Company considers only a few select expense categories where the ability to make adjustments to spending are clear and supportable.

Provision for Credit Losses

Projected Loan Losses		
	Supervisory Severely Adverse	
Loan Type	9-Qtr Losses	Portfolio Loss Rate
billions of $s		
Loan Losses	14.9	5.1%
First-lien mortgages, domestic	1.2	1.6%
Junior liens and HELOCs, domestic	0.4	2.7%
Commercial and industrial (1)	5.0	6.5%
Commercial real estate, domestic	1.4	3.8%
Credit cards	4.2	15.6%
Other consumer (2)	1.9	4.9%
Other loans	0.8	3.2%

(1) Commercial and industrial loans include small and medium-enterprise loans and corporate cards

(2) Other consumer loans include student loans, automobile loans and retail lease residuals

The Company projects net credit losses and provision expenses under stressed economic conditions based on several key inputs. These include beginning period balances and portfolio composition, forecasts of portfolio balances and forecasts of defaults and losses. The Company's loss forecasting models are account-level models that forecast quarterly defaults and net charge-offs. Model risk drivers vary by portfolio and include borrower characteristics and macroeconomic factors. The Company evaluates loss forecasts produced by its primary models by considering results of benchmark or challenger models, past portfolio performance, current portfolio composition and expectations of future performance given the scenario's economic assumptions. The provision expense is based on the loss forecasts, and reserve changes consistent with portfolio growth and changes in asset quality and economic expectations over the forecast horizon.

The Company has a diverse mix of loans and leases. Losses are forecast separately by portfolio and incorporate state or regional effects. The major portfolio segments are corporate exposures managed on an individual basis, small business loans and lines of credit, commercial construction loans, commercial mortgages, residential

mortgages, home equity loans and lines of credit, consumer credit cards, auto loans, auto leases and other retail exposures. Other consumer losses and the related loss rate are impacted by the inclusion of end of term losses on residual retail lease values in credit losses rather than PPNR for the 2020 CCAR cycle.

The Company's models rely on several assumptions. A primary model assumption is that past experience is indicative of future performance. This assumption is based on the premise that borrower behaviors observed historically within a risk segment in relation to macroeconomic trends will occur in the future. There are risks that this assumption is inappropriate in forward-looking scenarios. For example, changes in underwriting, law, regulation or other government stimulus programs, may alter repayment patterns or the accounting classification of losses. Some of these factors are known at the beginning of the forecast horizon while others are not. When identified, the Company mitigates these risks by making adjustments to the modeled loss forecasts. These adjustments are designed to mitigate risks associated with the assumption that prior experience can be used to model future behavior.

The Company's provision projections are consistent with the new CECL accounting standard. As a result, projections consider the effects of forward-looking forecasts on lifetime credit losses over the course of the forecast horizon. Projections consider that the Company's view of the economy will evolve each quarter as economic forecasts are evaluated together with other credit portfolio risk characteristics to inform loss reserves through a combination of quantitative and qualitative analysis. By the end of the nine-quarter stress scenario, CECL reserves will typically incorporate the full credit expense of the stress event, as the worst of the economic downturn and the related path of credit losses is evidenced in the credit loss projections, and forecasts begin to reflect the expected economic recovery.

Realized Gain or Loss on the Company's Available-for-Sale or Held-to-Maturity Investment Portfolio and Calculation of Credit-Related Impairment ("Impairment")

The Company projects the fair market values of its credit sensitive securities under stressed economic conditions driven principally by changes in credit quality. The Company uses regression modeling that is correlated to changes in the scenario forecast assumptions for Treasury BBB corporate bond yields and S&P 500 Index along with a forward ratings transition assessment during the forecast horizon. The Company recognizes Impairment for any credit sensitive security that is projected to transition to a below investment grade internal rating (derived from the application of the rating transition analysis) as the difference between its modeled fair market value and its amortized cost.

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, estimating the deferred tax position at each period-end based on estimates of 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 Company's tax-advantaged community investments and, to a lesser extent, income from the Company's tax-exempt investments. The Company includes estimates of state income taxes in its effective tax rate based on historical income allocation across the states.

The Company evaluates the likelihood of realization of deferred tax assets by considering factors that include the ability of the Company to realize tax benefits in future periods.

U.S. Bank National Association

2020 Dodd-Frank Act Stress Test Results

Supervisory Severely Adverse Scenario

June 2020

QUANTITATIVE DISCLOSURE

U.S. Bank National Association (the "Bank") is U.S. Bancorp's (the "Company") principal banking subsidiary, with total assets representing the majority of the Company's total consolidated assets as of December 31, 2019. The risks included in the Bank's annual company-run stress test, the methodologies employed to assess these risks and the processes used to measure net income, balance sheet, risk-weighted assets and other components of capital 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. The Capital Adequacy Process identifies and quantifies the Company's material risks under both expected and stressed economic conditions such as those projected by the Board of Governors of the Federal Reserve System ("Federal Reserve") and the Office of the Comptroller of the Currency for the submission of the supervisory severely adverse stress test as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") Stress Test. This assessment is made to determine the impact of macroeconomic conditions projected in a severely adverse scenario on the Bank's net income, balance sheet, risk-weighted assets and other components of capital. Described below are the quantitative results for the Bank under the supervisory severely adverse scenario defined by the Office of the Comptroller of the Currency in accordance with the expectations and principles set forth in the Office of the Comptroller of the Currency's "Supervisory Guidance on Stress Testing for Banking Organizations with More Than $10 Billion in Total Consolidated Assets." The supervisory severely adverse scenario defined by the Office of the Comptroller of the Currency is consistent with that defined by the Federal Reserve and summarized above[3].

[3] *OCC 2020 DFAST Scenario Narrative,* Office of the Comptroller of the Currency, February 6, 2020

SUMMARY OF RESULTS:

Changes in Capital Positions and Regulatory Capital Ratios (Supervisory-defined severely adverse)
The Bank's capital ratios presented below are calculated using the definitions of capital, standardized risk-weighted assets, average assets and total leverage exposures under the 2019 current expected credit losses ("CECL") transition rule. Subsequent to the 2020 DFAST submission, the Bank adopted the new 2020 CECL transition rule. Under the new 2020 CECL transition rule, each of the ending and minimum CET1 ratios calculated under this methodology would have been 11.0%, versus 10.5% and 10.2% respectively, under the three-year transition.[4]

Capital Ratios

	Actual	Supervisory Severely Adverse (1)		Ending versus
	4Q2019	Ending	Minimum	4Q2019
Common equity tier 1 capital ratio	10.2%	10.5%	10.2%	0.3%
Tier 1 capital ratio	10.2%	10.6%	10.2%	0.4%
Total capital ratio	12.3%	12.7%	12.3%	0.4%
Tier 1 leverage ratio	8.4%	8.7%	8.4%	0.3%
Supplementary leverage ratio	6.7%	7.1%	6.7%	0.4%

(1) Capital ratios assume capital actions as defined within the Dodd-Frank Act stress testing rule (12 CFR 252.56(b)). Minimum capital ratios reflect the period of 1Q20 through 1Q22.

The Bank estimates that the effect of the stressed economic conditions on the Bank's capital levels increases the Bank's **CET1 ratio** by approximately 30 basis points from 10.2 percent to 10.5 percent over the nine-quarter stress period from December 31, 2019 to March 31, 2022.

[4] The new 2020 CECL transition rule delays the estimated impact of CECL on regulatory capital (for two years) and is subsequently followed by a three-year transition period that phases out the aggregate amount of capital benefit provided during the initial two-year delay.

CET1 Ratio

[1] Opt-out of AOCI related to the final Tailoring rules making the Company a Category 3 institution and not subject to advanced approaches

[2] Capital impact related to the Company's adoption of the current expected credit losses (CECL) accounting standard net of the transition provisions

[3] Deductions primarily related to DTAs arising from net operating loss and credit carryforwards

The Bank projects positive PPNR over the stress time horizon which is offset by credit losses and loan loss reserves estimated under stressed conditions. These net losses are offset by unrealized gains on AOCI and a modest decrease in risk-weighted assets mainly driven by a decline in loan balances. The Bank's CET1 is bolstered by the suspension of dividends paid to U.S. Bancorp during the severely adverse nine-quarter scenario. Other changes impacting the Bank's CET1 are capital deductions driven by an increase in disallowed deferred tax assets ("DTAs") arising from net operating loss and credit carryforwards which are partially offset by intangible amortization.

Projection Outcomes - Supervisory Severely Adverse		
Billion of $s		
Net Income Before Taxes	**Through 1Q22**	**% of Avg Assets**
		9-Qtrs
Net interest income	30.2	6.3%
Noninterest income	16.8	3.5%
less		
Noninterest expense	28.8	6.0%
equals		
Pre-provision net revenue	**18.2**	**3.8%**
less		
Provisions	20.7	
Realized losses/gains on securities (AFS/HTM)	(0.0)	
Trading and counterparty losses (1)	0.0	
Other losses/gains (2)	0.0	
equals		
Net income before taxes	**(2.5)**	**-0.5%**
Memo Items		
Other effects on capital	**4Q19 Actual**	**1Q22 Projected**
AOCI included in capital	(1.2)	0.0
Risk-Weighted Assets	**4Q19 Actual**	**1Q22 Projected**
Risk-Weighted Assets	383.6	358.1

(1) Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterpary default scenario component applied to derivatives, securities lending, and repurchase agreement activities

(2) Other losses/gains include 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.

Note: Estimates may not sum precisely due to rounding

Projected Loan Losses - Supervisory Severely Adverse		
Loan Type	**9-Qtr Losses**	**Portfolio Loss Rate**
Billions of $s		
Loan Losses	14.9	5.1%
First-lien mortgages, domestic	1.2	1.6%
Junior liens and HELOCs, domestic	0.4	2.7%
Commercial and industrial (1)	5.0	6.5%
Commercial real estate, domestic	1.4	3.8%
Credit cards	4.2	15.6%
Other consumer (2)	1.9	4.9%
Other loans	0.8	3.2%

(1) Commercial and industrial loans include small and medium-enterprise loans and corporate cards
(2) Other consumer loans include student loans, automobile loans and retail lease residuals

The Bank's **Tier 1 Capital ratio** is increased by the Bank's CET1 plus an increase in capital value of the Company's real estate investment trust ("REIT") security issued by a subsidiary due to the change in allowable minority interest from the final tailoring rule.

The Bank's **Total Risk-based Capital ratio** is increased by the Bank's Tier 1 Capital and the Bank's issuance of internal subordinated debt to maintain its Tier 2 capital position in relation to Tier 1 capital.

The increase in the **Tier 1 Leverage ratio** is principally the result of the impact of changes in Tier 1 Capital described above and a modest decrease in average assets.

The reduction in the **Supplementary Leverage ratio** is principally the result of the impact of changes in Tier 1 Capital described above, partially offset by a modest decrease in total exposures.