

U.S. Bancorp

**2014 Comprehensive Capital Analysis
and Review**

**Dodd-Frank Act Stress Test
Disclosure**

March, 2014



Quantitative Disclosure

U.S. Bancorp (the “Company”) administers its capital adequacy assessment through its Capital Adequacy Process (“CAP”). The CAP identifies and quantifies the Company’s material risks under both expected and stressed economic conditions such as those projected by the Company for the annual Comprehensive Capital Analysis and Review 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 (“DFAST”). 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 under the Supervisory severely adverse scenario defined by the Federal Reserve in accordance with the expectations and principles set forth in the Federal Reserve’s publication, “Supervisory Guidance on Stress Testing for Banking Organizations with More Than \$10 Billion in Total Consolidated Assets”.

**CCAR 2014
U.S. Bancorp Disclosure**

Dodd-Frank Stress Testing Results
Projected stressed capital ratios, risk-weighted assets, losses, revenues, net income before taxes, and loan losses

Supervisory-defined severely adverse scenario

U.S. Bancorp

Projected stressed capital ratios through Q4 2015

	Actual Q3 2013	Stressed capital ratios (1)	
		Ending	Minimum
Tier 1 common ratio (%)	9.3%	8.5%	8.5%
Common equity tier 1 capital ratio (%) (2)	n/a	8.1%	8.1%
Tier 1 risk-based capital ratio (%)	11.2%	9.5%	9.5%
Total risk-based capital ratio (%)	13.3%	11.5%	11.5%
Tier 1 leverage ratio (%)	9.6%	7.7%	7.7%

- (1) 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 2013 to Q4 2015.
- (2) Advanced approaches bank holding companies (BHCs) are subject to the common equity tier 1 ratio for each quarter of 2014. All bank holding companies are subject to the common equity tier 1 ratio for each quarter of 2015. For purposes of this stress test cycle, an advanced approaches BHC includes any BHC that has consolidated assets greater than or equal to \$250 billion or total consolidated on-balance sheet foreign exposure of at least \$10 billion as of December 31, 2013. See 12 CFR 217.100(b)(1); 12 CFR part 225, appendix G, section 1(b). Other BHCs include any BHC that is subject to 12 CFR 225.8 and is not an advanced approaches BHC.
- n/a Not applicable.

Projected loan losses, by type of loans, Q4 2013-Q4 2015

	Billions of dollars	Portfolio loss rates (%) (1)
Loan losses	15.0	6.6%
First-lien mortgages, domestic	1.8	3.1%
Junior liens and HELOCs, domestic	0.7	4.7%
Commercial and industrial (2)	3.5	7.2%
Commercial real estate, domestic	3.9	9.6%
Credit cards	2.9	15.6%
Other consumer (3)	1.2	4.2%
Other loans (4)	1.0	5.2%

- (1) Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.
- (2) Commercial and industrial loans include small- and medium- enterprise loans and corporate cards.
- (3) Other consumer loans include student loans and automobile loans.
- (4) Other loans include international real estate loans.

Note: Estimates may not sum precisely due to rounding.

Actual Q3 2013 and projected Q4 2015 risk-weighted assets

	Actual Q3 2013	Projected Q4 2015	
		Current general approach	Basel III standardized approach
Risk-weighted assets (billions of dollars) (1)	293.2	283.6	296.1

- (1) For each quarter in 2014, risk-weighted assets are calculated using the current general risk-based capital approach. For each quarter in 2015, risk-weighted assets are calculated under the Basel III standardized capital risk-based approach, except for the tier 1 common ratio which uses the general risk-based capital approach for all quarters.

Projected losses, revenue, and net income before taxes through Q4 2015

	Billions of dollars	Percent of average assets (1)
Pre-provision net revenue (2)	17.1	4.6%
Other revenue (3)	0.0	
<i>less</i>		
Provisions	17.5	
Realized losses/gains on securities (AFS/HTM)	0.1	
Trading and counterparty losses (4)	0.0	
Other losses/gains (5)	0.0	
<i>equals</i>		
Net income before taxes	(0.5)	-0.1%
Memo items		
Other comprehensive income (6)	0.4	
Other effects on capital	Q4 2014	Q4 2015
AOCI included in capital (billions of dollars) (7)	(0.3)	(0.3)

- (1) Average assets is the nine-quarter average of total assets.
- (2) Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.
- (3) Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.
- (4) Trading and counterparty losses include mark-to-market and credit valuation adjustments (CVA) losses and losses arising from the counterparty default component applied to derivatives, securities lending, and repurchase agreement activities.
- (5) 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.
- (6) Other comprehensive income is only calculated for advanced approaches BHCs, as only those BHCs include accumulated other comprehensive income (AOCI) in calculations of regulatory capital. Other comprehensive income includes incremental unrealized losses/gains on AFS securities and on any HTM securities that have experienced other than temporary impairment.
- (7) For advanced approaches BHCs, 20 percent of AOCI is included in capital calculations for 2014 and 40 percent of AOCI is included in capital calculations for 2015. For the purposes of this stress test cycle, non-advanced approaches BHCs are assumed to opt-out of including AOCI in their capital calculations.

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. The projections disclosed above, are based on macroeconomic factors projected by the Federal Reserve and are not interpreted as likely conditions in a recession. Rather, the macroeconomic factor projections describe a hypothetical scenario designed to assess the strength of the company and its resilience to adverse economic conditions. Following is a description of the stressed macroeconomic scenario defined by the Federal Reserve, and used to project the results of the 2014 Dodd-Frank Act Stress Test. The 9-quarter stress time horizon for the 2014 Stress Test is from 4Q13 through 4Q15.

Supervisory Severely Adverse Scenario Definition

The severely adverse scenario, as defined by the Federal Reserve, is “characterized by a substantial weakening in economic activity across all of the economies included in the scenario. In addition, the scenario features a significant reversal of recent improvements to the U.S. housing market and the euro area outlook”¹. The scenario is representative of trends observed in historical severe recessions. Principal economic factors that drive the scenario are defined as follows:

- Unemployment peaks at 11.25 percent in 2Q15, a 4 percentage point increase from the beginning of the stress scenario
- Real GDP declines almost 4.75 percent by the end of 2014
- Equity prices decline approximately 50 percent throughout the scenario time horizon
- Housing prices decline roughly 25 percent throughout the scenario time horizon
- Commercial real estate prices decline approximately 35% at the trough
- Short-term interest rates remain low (near zero)
- Long-term treasury rates decline to 1 percentage point early in the scenario and gradually increase by 1 percentage point through 2016
- Mortgage rates remain mostly unchanged

Please refer to the “2014 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and Capital Plan Rule”, published by the Federal Reserve on November 1, 2013 for more information regarding the severely adverse scenario.

¹ Defined by the Board of Governors of the Federal Reserve System in the “2014 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule”, published on November 1, 2013

The Company administers the stressed macroeconomic scenarios through the Company's Economic Scenario Committee ("ESC") consisting of executive officers and subject matter experts. The Company's executive officers include the Chief Financial Officer, Chief Credit Officer, Chief Risk Officer, Chief Operational Risk and Compliance Officer, Treasurer, and the Executive Vice President responsible for financial forecasting and stress testing. Subject matter experts include the Company's Chief Economist and the heads of Capital Planning, Interest Rate Risk Management, and Credit Risk Management.

The Company, through the ESC, defines the macroeconomic indicators that are most relevant to the Company's business activities, which include factors that are not provided in the Federal Reserve's macroeconomic scenarios. For relevant drivers that are not provided by the Federal Reserve, the Company interpolates values based on historical correlations to Federal Reserve-defined macroeconomic factors observed in recent recessionary periods. Additional macroeconomic factors projected by the Company may include, but are not limited to; Weekly Initial Unemployment Claims, Consumer Bankruptcy Filings, Real Personal Consumption Expenditures (PCE), S&P 500 Index (SPX) and the 1-month Libor rate.

These factors, along with the factors published by the Federal Reserve, reflect drivers of economic activity (Real GDP Growth, PCE and Unemployment Rate), equity values (SPX), the value of primary collateral pools (House Price Index and Commercial Real Estate Price Index), consumer bankruptcy climate (Consumer Bankruptcy Filings), and interest rates. These variables are also selected for their impact on the performance of the Company's businesses. The ESC continually reviews the need for additional macroeconomic factors to ensure consistency in modeling and provide more targeted measures of economic conditions. This set of macroeconomic indicators provides a balanced view of the economy and serves as a valuable testing and planning tool for the Company.

Risks Included in the Stress Test

The Company, through its CAP, identifies its material risks under both expected and stressed economic conditions. The Company's most prominent risk exposures are credit risk, operational risk, interest rate risk, market risk, reputation risk, and liquidity risk. The Company projects the impact of these risks to its balance sheet, net income and capital positions and also 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. The Company's stress testing methods estimate and quantify the impact of the stressed economic conditions on its credit losses. Principal drivers of higher credit losses are increases in unemployment, declines in the S&P 500 index and declines in home and commercial real estate values. Losses are separately forecasted for each major portfolio segment. Major asset classes include commercial loans, commercial real estate loans, residential mortgages, credit card loans, and other retail exposures.

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 its operational losses and their effect on the Company's net income and capital positions.

Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. The Company'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 macroeconomic scenario includes assumptions about key interest rates. 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, including the fair value of mortgage servicing rights, and their impact on the Company's net income and capital positions.

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 its projections under the 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 public opinion 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 inadequate protection of 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

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.

Methodologies Used in the Stress Test:

Net Income:

The outcome projected for net income under the stressed economic conditions includes the impact on the Company's pre-provision net revenue, provision for credit losses, realized gain or loss on the Company's available-for-sale ("AFS") or held-to-maturity investment portfolio, and other gains or losses. These include the effect of any goodwill impairment and the benefit to the Company'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 Company's tax-advantaged community investments.

Capital Position:

In assessing its capital position, the Company incorporates the net income resulting from the quantification of the effects of the stressed economic conditions on its business activities into its common equity roll-forward. The Company also incorporates the capital actions prescribed in the stress test regulation. These are limited to preferred dividends and dividends on common stock equal to the average quarterly dividends in the previous four quarters. The Company calculates its adjusted common equity by applying regulatory adjustments to its common equity. The Company assesses resulting changes in those items that are either included on a limited basis or completely deducted from regulatory capital. The Company analyzes the effect of the stressed economic conditions on its net deferred tax asset position and its mortgage servicing rights to determine the appropriate level of deductions from regulatory capital. The Company also adjusts the level of its goodwill or intangibles deducted from capital to reflect impairment, if any.

Having determined the capital ratio numerator, the Company calculates, according to the capital regulations, its credit risk-weighted assets for on- and off-balance sheet credit exposures. To this amount, the Company adds the risk-weighted assets related to its market risk. The Company's capital position is determined by the ratio of the capital in the numerator and the risk-weighted assets in the denominator.

In addition, 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 in its annual impairment testing, incorporating the impact of the stressed conditions on the interest income, noninterest income, and credit losses of each reporting unit.

Global Market Shock:

The Company, by Federal Reserve definition, is not subject to the global financial market shock. The Company does, however, consider the impact of the stressed economic conditions on its trading assets and the outcome is included in the Company'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 Company's balance sheet and related net interest income;
- the Company's fee revenue, including losses related to the repurchase of mortgage loans from investors due to a breach in representations or warranties, 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 and other commercial product fees; and,
- the impact on the Company's expenses, which includes anticipated operational loss events that are expected in stressed economic conditions and increases in litigation and other possible legal expense related to projected loss events.

Balance sheet and related net interest income and fee income:

The Company projects the balance sheet, net interest income and fee income under the stressed economic conditions on the basis of regression modeling when significant correlations to macroeconomic factors have been identified. When significant correlations to macroeconomic factors are not identified, the Company uses other forecasting tools and analytics, 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 under specific economic conditions. In both of these approaches, the Company analyzes relationships that 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.

The Company's models and other approaches rely on several assumptions. A key assumption is that the Company does not predict changes in consumer behavior in stressed economic conditions. Rather, it 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

financial projections to determine if additional conservative adjustments are required based on uncertainties in the modeling assumption or other factors not captured by the models or tools. These adjustments are meant to produce higher levels of financial stress in stressed economic conditions and also address risks that may not be predicted by existing modeling approaches.

Balance Sheet and Net Interest Income:

Balance sheet outcomes are projected for loans, loans held for sale, investment securities, deposits, and equity. Corporate loans, commercial mortgages, construction loans, retail leases, installment loans, residential mortgage and retail credit card balance projections are based on regression models. These modeled balances represent approximately 75 percent of the Company's total loan portfolio. For the projection of other balance sheet loan categories, the Company relies on tools and analytics that are based on historical analyses. As part of the projection process utilizing tools, management inserts assumptions within the tools to project volumes which consider recent trends, new business activity, portfolio runoff and stressed economic conditions. Net funding levels are projected based on the outcome of the simulation modeling results of all other balance sheet items.

The Supervisory-defined stressed macroeconomic assumptions result in a general contraction of business activity, which is reflected in the Company's balance sheet in the form of reduced on- and off- balance sheet exposures. The business activity contraction will impact the Company's projection of risk-weighted assets associated with balance sheet exposures. However, the macroeconomic assumptions impact the Company's loan portfolios with differing degrees of severity. This differential will lead to asset mix changes which will likely 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. Additionally, the incorporation of the Basel III rules into the 2014 CCAR analysis will further impact risk-weighted assets related to other regulatory deductions under stressed macroeconomic assumptions.

Net interest income is modeled using Quantitative Risk Management (QRM) software. The net interest income projection is a direct result of the QRM software. The simulation model employs the balance sheet projections that are based on the stressed economic environment, and applies the rate forecasts and other key economic indicators as provided in the Supervisory-defined stressed macroeconomic scenarios. The model simulates the expected behavior of existing balance sheet volumes based on account characteristics, applies the stressed balance sheet projections, and calculates new business volumes. New business volume characteristics are based on the Company'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.

Fee Income:

More than half of the Company's fee income is projected using regression modeling in the stress scenario, the two largest components being revenues from Mortgage Banking and the Payment Services groups. The Mortgage Banking model relies primarily on the macroeconomic paths of Unemployment, House Price Index, the 10-Year Treasury and the 30-Year Mortgage Rate to statistically determine the impact on mortgage fee income. Payment Services consists of the Credit Card, Corporate Payments and Merchant Processing businesses. Each of these businesses relies on regression modeling, with strong correlations to Real GDP Growth and Unemployment, for predicting fee income in the stressed scenarios. Model results are reviewed to ensure that results represent the severity of the scenario and, if necessary, a conservative management overlay may be applied to further stress results.

The remaining fee income categories use tool-driven analytics relying on management expertise and historical trending from recessionary and non-recessionary periods to project revenues in stressed economic conditions. Tools are used for certain fee categories where the Company's historical financial performance is not highly correlated to macroeconomic variables. These fee revenue categories, such as Commercial Lending, Investment Banking, Investment Management, Investment Services and Treasury Management (a component of Treasury Services) rely on the same consistent view of the macroeconomic environment as those businesses using regression modeling. Each business line individually evaluates the macroeconomic scenario factors to determine which drivers are significant for their respective fee income categories. Key drivers 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 foreclosure, litigation, legal, and other mortgage related foreclosure costs.

Increases in expense categories such as collections, legal, and other real estate owned are not statistically modeled but are primarily derived using, as a basis, the historical relationship of these expenses to the level of the Company's credit-related charge-offs. As the overall economy deteriorates in the stress scenario, charge-offs are projected to increase and, by definition, these related expenses will increase proportionately. The impact to mortgage-related foreclosure expenses are projected based on the gross delinquency rates developed using the Delinquency and Foreclosure model, which is driven by the House Price Index, the Unemployment Rate and overall Unemployment Claims.

Variable expenses that can be tied directly to fee revenue, such as variable compensation and technology or other outside data services, are adjusted based on their relationship to the respective fee revenue category.

Operational risk loss estimates of the Company rely on models that establish a statistical link between the expected loss and the relevant macroeconomic factors, including, among others: Real GDP, Unemployment and the S&P 500 Index. Expected loss is obtained by multiplying the modeled expected frequency (regressing quarterly historical loss frequency with macro-factors) and the historical quarterly average severity (using internal and un-scaled external data - for conservatism).

Finally, the Company uses a conservative approach when considering the reduction in discretionary expenses related to personnel and other business-related costs. The Company considers only a select few expense categories where the ability to make adjustments to spending are clear and supportable. Expense reductions reflected in the stress scenarios are based on the actual cost savings experienced by the Company during the most recent recession and management expectations for discretionary cost containment.

Provision for credit losses: The Company projects net credit losses and provision expenses under the stressed economic conditions based on several key inputs. These include the macroeconomic factors of the scenario, the Company'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. Forecast losses reflect the risk characteristics of each exposure or exposure segment. Losses are forecast at an account level or a segment level. The Company evaluates loss forecasts produced by its models by considering benchmark modeling, past portfolio performance, current portfolio composition, and expectations of future performance given the scenario's economic assumptions.

Losses are forecast separately for each major portfolio segment. Major asset classes include corporate exposures managed on an individual basis, small business loans, commercial construction loans, commercial mortgages, residential mortgages, home equity loans and lines of credit, consumer and small business credit cards, auto loans, auto leases, and other retail exposures.

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 tested as borrower behaviors change over time. In addition, changes in underwriting, law, or regulation often 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 borrower behavior, underwriting, or regulatory or legal factors. These adjustments are designed to mitigate risks associated with the assumption that prior experience can be used to model the future.

Realized gain or loss on the Company's available-for-sale or held-to-maturity investment portfolio and calculation of OTTI: The Company projects the fair market values of its 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 project other than temporary impairment ("OTTI") at the lowest fair market value modeled during the forecast period (less amortized cost). Municipal securities are reviewed based upon credit quality. The Company applies regulatory guidelines in order to derive an internal credit rating corresponding to each obligor in its municipal securities portfolio. The internal rating is derived by weighting different key factors to calculate a credit score and applicable internal credit rating. The Company recognized OTTI for any municipal security with a below investment grade internal rating (as derived from the application of the regulatory methodology), as the difference between fair market value and the 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, 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 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 realizability of any deferred tax asset considering factors that include whether there is sufficient taxable income in prior periods to support recovery through carryback and the ability of the Company to realize tax benefits in future periods.

Changes in capital positions: (Supervisory-defined severely adverse):

The Company estimates that the effect of the stressed economic conditions, including the Dodd-Frank Act capital actions, on the Company's Basel I capital levels reduces

the Company's Tier 1 common ratio by approximately 80 basis points over the nine-quarter stress period from September 30, 2013 to December 31, 2015.

The decrease in the Tier 1 common ratio is due to a reduction in the Company's regulatory adjusted common equity ("ACE") offset by an immaterial decrease in net deductions from Tier 1 common equity. The change in net deductions consists principally of amortization of disallowed intangibles and a modest decrease in the deduction for mortgage servicing rights.

The principal cause for the decrease in the Company's ACE is dividends on common shares. The capital distributions to common shareholders prescribed by DFAST in the final eight quarters of the stress period are limited to quarterly dividends on common stock in an amount consistent with the quarterly average dollar amount of common stock dividends that the Company paid over the last four quarters from 1Q13 through 4Q13. Other material reductions in ACE are driven by common share repurchases estimated to have been completed in the initial quarter (4Q13) of the stress period with a negative impact on the Tier 1 common ratio. Repurchases of common stock are suspended over the remainder of the nine-quarter stress period. Additional reductions in ACE over this period are the result of dividend payments on preferred stock.

The adverse effect on the Company's ACE of these capital distributions is partially offset by net income, of which nearly 110 percent is earned in the initial quarter of the stress period.

The Company's additional Tier 1 Capital is unchanged over the stress period while the Tier 2 Capital is reduced by the amortization of the capital value of the Company's subordinated debt.

Changes in Regulatory Capital Ratios and the Tier 1 Common Ratio

The capital actions in the scenario are prescribed by the Federal Reserve in their regulations for company-run stress tests for covered companies. The capital actions are limited to dividends equal to the quarterly average dollar amount of common stock dividends that the Company paid in the previous four quarters, payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter, and an assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the Company's regulatory capital.²

Tier 1 Common Ratio – Declined by 0.8 percent from 9.3 percent at 3Q13 to 8.5 percent at 4Q15

The Company's Tier 1 common ratio declines by 80 basis points over the stress test period. Of this change, 148 basis points are attributed to dividend payments on common and preferred stock, common stock repurchases and other equity

issuance. The Company's earnings over the nine-quarter stress test period offset 35 basis points of the negative impact of the capital distributions. Taken together, these two factors resulted in a 113 basis point net decline in the Company's Tier 1 common ratio. All other changes to Tier 1 common equity, including goodwill, intangibles, and other regulatory capital deductions, combined to increase the Tier 1 common ratio by an additional 5 basis points. Total risk-weighted assets calculated on the basis of the Basel I risk-based capital rules were substantially lower from September, 2013 through December, 2015. The decline in the Company's balance sheet over the stress horizon is attributed primarily to the stressed economic conditions. The change in risk-weighted assets resulted in a 28 basis points increase in the Company's capital ratios.

Common Equity Tier 1 Capital Ratio – Declined by 1.2 percent from 9.3 percent at 3Q13 under Basel I to 8.1 percent at 4Q15 under Basel III

The Company's common equity tier 1 capital ratio ("CET1") declines by 125 basis points over the stress test period. Of this change, 148 basis points are attributed to dividend payments on common and preferred stock, common stock repurchases and other equity issuance. The Company's earnings over the nine-quarter stress test period offset 35 basis points of the negative impact of the capital distributions. Taken together, these two factors resulted in a 113 basis point net decline in the Company's CET1 ratio. All other changes to CET1, including the impact from changes in accumulated other comprehensive income ("AOCI"), goodwill, intangibles, and other regulatory capital deductions, combined to decrease the CET1 ratio by an additional 2 basis points. The increase in the Company's risk-weighted assets under the Basel III rules over the stress horizon is attributed primarily to the higher risk-weights under Basel III relative to Basel I. The change in risk-weighted assets resulted in a 10 basis point decrease in the Company's capital ratios.

Tier 1 Capital Ratio – Declined by 1.7 percent from 11.2 percent at 3Q13 under Basel I to 9.5 percent at 4Q15 under Basel III

The Company's Tier 1 capital ratio declined by 170 basis points over the stress horizon, of which 125 basis points of the decline in the Company's Tier 1 capital ratio is attributed to changes in the level of the Company's CET1. The additional 45 basis point reduction to Tier 1 Capital is a result of regulatory deductions related to capital security limitations and other deductions which apply under the Basel III rules.

Total Risk-based Capital Ratio – Declined 1.8 percent from 13.3 percent at 3Q13 under Basel I to 11.5 percent at 4Q15 under Basel III

The Company's Tier 2 capital ratio declined by 180 basis points over the stress test period, of which 170 basis points is due to the change in Tier 1 Capital as described above. The remaining 10 basis point decline was due primarily to the

amortization of the regulatory capital value of the Company's subordinated debt as these capital instruments approach their maturity dates.

Tier 1 Leverage Ratio – Declined 1.9 percent from 9.6 percent at 3Q13 under Basel I to 7.7 percent at 4Q15 under Basel III

The reduction in the Tier 1 Leverage ratio is principally the result of the impact of changes in other quarterly average assets and the reduction in Tier 1 Capital described above. The reduction in Tier 1 Capital accounts for 130 basis points of the decline.