2018 Dodd-Frank Act Stress Test Results

Supervisory Severely Adverse Scenario

June 2018

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about U.S. Bancorp and U.S. Bank National Association including projected future capital ratios, revenue, net income before taxes and loan losses that are based on a hypothetical scenario defined by our regulators, and contain 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 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 "2018 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule" published on February 1, 2018.

U.S. Bancorp Disclosure

2018 Dodd-Frank Act Stress Test Results
Projected stressed capital ratios, risk-weighted assets, losses, revenues, net income before taxes, and loan losses

Supervisory-defined severely adverse scenario

Capital ratios, actual 2017:Q4 and projected 2018:Q1–2020:Q1
Percent

Regulatory ratio	Actual 2017:Q4	Stressed capital ratios[1]	
		Ending	Minimum
Common equity tier 1 capital ratio	9.3%	7.6%	7.5%
Tier 1 capital ratio	10.8%	9.2%	9.0%
Total capital ratio	12.9%	11.2%	11.1%
Tier 1 leverage ratio	8.9%	7.6%	7.6%
Supplementary leverage ratio	n/a	6.2%	6.2%

1 The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. See 12 CFR 252.56(b). These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. The minimum capital ratios are for the period 2018:Q1 to 2020:Q1. Supplementary leverage ratio projections only include estimates for firms subject to the advanced approaches.

n/a Not applicable.

Projected loan losses, by type of loan, 2018:Q1–2020:Q1

Loan type	Billions of dollars	Portfolio loss rates (percent)[1]
Loan losses	13.6	4.9%
First-lien mortgages, domestic	1.4	2.4%
Junior liens and HELOCs, domestic	0.6	3.4%
Commercial and industrial [2]	3.9	5.2%
Commercial real estate, domestic	1.9	5.2%
Credit cards	4.0	15.8%
Other consumer [3]	1.1	2.8%
Other loans [4]	0.8	2.9%

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.

Risk-weighted assets, actual 2017:Q4 and projected 2020:Q1
Billions of dollars

Item	Actual 2017:Q4	Projected 2020:Q1
Risk-weighted assets[1]	367.8	344.0

1 For each quarter, risk-weighted assets are calculated under the Board's standardized capital risk-based approach in 12 CFR part 217, subpart D.

Projected losses, revenue, and net income before taxes through 2020:Q1

Item	Billions of dollars	Percent of average assets [1]
Pre-provision net revenue [2]	17.2	3.9%
Other revenue [3]	-	
less		
Provisions	18.0	
Realized losses/gains on securities (AFS/HTM)	(0.0)	
Trading and counterparty losses [4]	-	
Other losses/gains [5]	0.0	
equals		
Net income before taxes	(0.8)	-0.2%
Memo items		
Other comprehensive income [6]	(1.4)	
Other effects on capital	*Actual 2017:Q4*	*2020:Q1*
AOCI included in capital (billions of dollars) [7]	(1.2)	(2.9)

1 Average assets is the nine-quarter average of total assets.
2 Pre-provision net revenue includes losses from operational-risk events 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 adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.
5 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.
6 Other comprehensive income (OCI) is only calculated for advanced approaches firms, and other firms that opt into the advanced approaches treatment of accumulated other comprehensive income (AOCI).
7 Certain aspects of AOCI are subject to transition arrangements for inclusion in projected regulatory capital. The transition arrangements are 100 percent included in projected regulatory capital starting in 2018. See 12 CFR 217.300(b)(3).

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 stressed economic conditions. Following is a description of the stressed macroeconomic scenario defined by the Federal Reserve and used to project the results of the 2018 Dodd-Frank Act Stress Test ("DFAST"). The nine-quarter stress time horizon for the 2018 DFAST is from first quarter of 2018 through first quarter of 2020.

Supervisory Severely Adverse Scenario Definition

The severely adverse scenario, as defined by the Federal Reserve, is characterized by "a severe global recession that is accompanied by a global aversion to long-term fixed-income assets." "As a result, long-term rates do not fall and yield curves steepen" which leads to a "broad-based and deep correction in asset prices – including in the corporate bond and real estate markets." [1] Principal economic factors that drive the scenario are defined as follows:

- Unemployment peaks at 10.0 percent in the third quarter of 2019, a 5.9 percentage point increase
- U.S. Real Gross Domestic Product ("GDP") begins to decline in the first quarter of 2018, reaching a peak decline of 8.9% in the second quarter of 2019
- Short-term Treasury rates decline and remain near zero as a result of the decline in real activity, however, 10-year Treasury yields remain unchanged as a result of investor aversion to long-term fixed assets
- Equity prices decline 65 percent by early 2019, accompanied by a surge in equity market volatility
- Housing prices decline 30 percent and commercial real estate ("CRE") prices decline 40 percent by the third quarter of 2019

The Company maintains a macroeconomic variable list that is more detailed than that provided by the Federal Reserve. The additional variables are projected by the Company in a manner that is both intuitively sound and consistent with the scenario as projected by the Federal Reserve. These additional variables are projected in order for the Company to better predict stress outcomes based on its assessment of its business activities, material risks and vulnerabilities. These additional variables include, but are not limited to, geographic level unemployment rates and commercial property prices, consumer bankruptcy filings, the consumer price index, the S&P 500 index ("SPX"), used vehicle prices, fuel prices, personal consumption expenditures ("PCE"), government expenditures and a number of international factors.

The Company ensures that its comprehensive set of macroeconomic factors provide a balanced view of the economy that reflect drivers of economic activity (Real GDP growth, PCE and unemployment), equity values, the value of primary collateral pools (housing and commercial property prices and used vehicle prices), the consumer bankruptcy climate and interest rates.

[1] Defined by the Board of Governors of the Federal Reserve System in the "2018 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule", published on February 1, 2018

SUMMARY OF RESULTS:

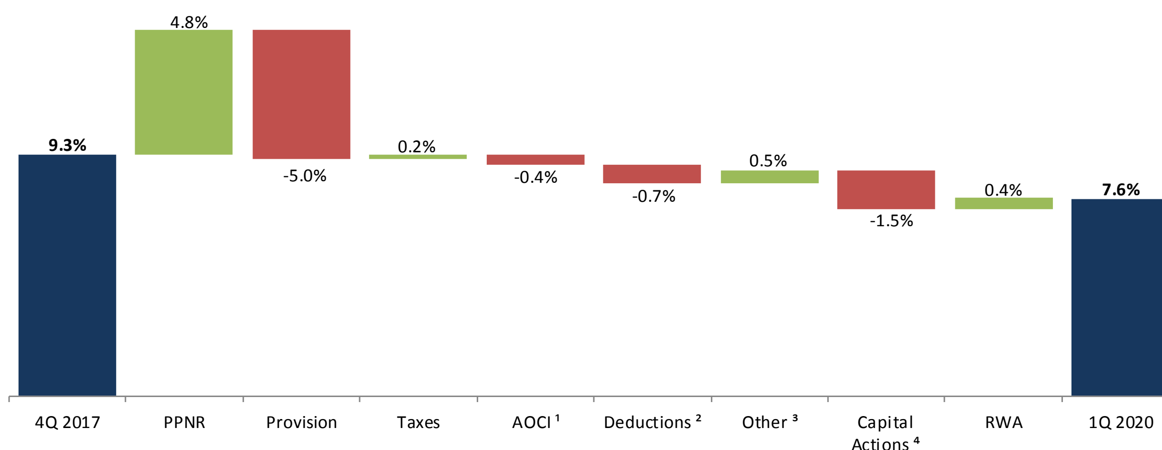
Changes in Capital Positions and Regulatory Capital Ratios (Supervisory-defined severely adverse)

The Company's capital ratios presented below are calculated using the definitions of capital, standardized risk-weighted assets and average assets (for tier 1 leverage ratio) that are in effect during a particular quarter of the planning horizon. The fourth quarter of 2017 is calculated under the Basel III transition rules, while all other quarters, including the first quarter of 2020, are calculated under the Basel III fully implemented rules.

Capital Ratios under the Supervisory Severely Adverse Scenario				
Capital Ratio	**Regulatory Minimums**	**4Q2017**	**1Q2020**	**Change**
Common Equity Tier 1 Capital Ratio	**4.5%**	**9.3%**	**7.6%**	**-1.7%**
Tier 1 Capital Ratio	**6.0%**	**10.8%**	**9.2%**	**-1.6%**
Total Risk-based Capital Ratio	**8.0%**	**12.9%**	**11.2%**	**-1.7%**
Tier 1 Leverage Ratio	**4.0%**	**8.9%**	**7.6%**	**-1.3%**

The Company estimates that the effect of the stressed economic conditions, including the DFAST capital actions, on the Company's Basel III capital levels reduces the Company's **Common Equity Tier 1 Capital ("CET1") ratio** by approximately 170 basis points to 7.6 percent, over the nine-quarter stress period from December 31, 2017 to March 31, 2020, above the regulatory minimum of 4.5 percent.

CET1 Ratio



[1] Accumulated Other Comprehensive Income ("AOCI") primarily related to the unrealized gain/loss on the Company's available for sale securities portfolio and pension plan

[2] Deductions primarily related to DTAs arising from net operating loss and credit carryforwards and from the 10/15% deduction thresholds

[3] Includes adjustments to capital for items such as: (i) goodwill, (ii) intangibles, (iii) stock based compensation and other miscellaneous regulatory based adjustments

[4] Capital action assumptions as required under the Dodd-Frank Act stress test rules

The principal cause for the decrease in the Company's CET1 is due to the Company's capital actions and an increase in regulatory deductions. The Company projects positive pre-provision net revenue over the stress time horizon which is offset by credit losses and loan loss reserves estimated under the stressed conditions.

The capital actions in the scenario are prescribed under DFAST by the Federal Reserve. For the initial quarter of the planning horizon, the Company's actual capital actions are taken, including common stock dividends and repurchases. For the remaining eight quarters of the planning horizon, 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, preferred stock dividends on existing non-cumulative perpetual preferred stock, and the elimination of common stock repurchases. The Company's CET1 is further reduced by the increase in capital deductions primarily driven by an increase in disallowed deferred tax assets ("DTAs") arising from net operating loss and credit carryforwards and from the 10/15% deduction thresholds.

Other changes to the Company's CET1 are driven by unrealized losses on accumulated other comprehensive income ("AOCI") which is partially offset by intangible amortization 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** is primarily reduced by the decline in CET1 and the reduced value of the Company's REIT preferred securities as required per the transition rules.

The Company's **Total Risk-based Capital ratio** is 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 approach their maturity date.

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

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 and 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 reputational. The Company estimates 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 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 credit losses are unemployment, GDP, equity values, home values and commercial real estate values, used vehicle values and interest rates. Losses are forecast separately for each major portfolio segment. The major portfolio segments include 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.

Interest rate risk is the potential reduction of net interest income or market valuations as a result of changes in interest rates. The Company's net interest income is affected by market rates of interest, which in turn are affected by prevailing economic conditions, by the fiscal and monetary policies of the federal government and by the policies of various regulatory agencies. 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 ("MSRs") and their impact on the Company's net income and capital positions.

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, MSRs and derivatives that are accounted for on a fair value basis. The Company considers the impact of these risks in its projections under the stressed economic conditions.

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events, including the risk of loss resulting from fraud, litigation and 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 of loss arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards, potentially exposing the Company to fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk also arises in situations where the laws or rules governing certain Company products or activities of the Company's customers may be ambiguous or untested. The Company's stress testing process estimates and quantifies the effect of stressed economic conditions on its operational losses, which include assumptions for losses related to potential non-compliance issues, and their effect on the Company's net income and capital positions.

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.

Reputational 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 relationships, offer new services or continue servicing existing relationships.

The Company considers the impact of these risks in its projections under the stressed economic conditions.

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 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 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. 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 also adjusts the level of its goodwill and intangibles deducted from capital to reflect amortization and impairment, if any. Additionally, the Company analyzes the effects of the stressed economic conditions on its net deferred tax asset position, MSRs and significant and 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 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.

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.

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 forecast.

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, the impact on earnings related to the Company's MSRs 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 potential operational loss events that may occur in stressed economic conditions, increases in litigation and other possible legal expense related to projected loss events along with increases related to credit 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 Expense:

The Company projects the balance sheet, net interest income and fee income under the stressed economic conditions primarily using regression-based models when significant 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. When significant statistical relationships with intuitive macroeconomic factors are not identified, the Company employs other forecasting tools 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 both of these approaches, the Company analyzes relationships that occurred in past recessionary and non-recessionary periods to determine the most reliable relationship to economic drivers. 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 outcomes are projected for loans, loans held for sale, investment securities, other assets, deposits, wholesale borrowings and other liabilities. The vast majority of the Company's loan portfolio is projected using regression models. 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 run-off and stressed economic conditions.

Non-interest bearing deposits, interest bearing non-maturity deposits and domestic time deposits balances are also primarily projected using regression 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 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 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 modeled using an interest rate simulation model which employs balance sheet projections and applies interest rate forecasts and other key economic indicators as provided in the stressed macroeconomic scenarios. The model simulates 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.

The Company also models the wholesale funding cost for long-term funding instruments to ensure these projections properly reflect both the availability and cost in a stressed environment. Short-term borrowing rates are forecast based on historical experience in a recessionary time period.

Fee Income:

The majority of the Company's fee income is projected using regression modeling. Modeled fee income categories utilize macroeconomic factors that have a statistically sound and intuitive relationship with the underlying business. As an example, the Mortgage Banking models rely primarily on the macroeconomic paths of the unemployment rate, housing prices, the 30-year Mortgage rate and the yield curve covering various swap and LIBOR points to statistically determine the impact on mortgage fee income. Model projections are reviewed to ensure results represent the severity of the scenario and a conservative management overlay may be applied, if necessary, to further stress the outcomes.

Some fee categories rely on tool-driven analytics or qualitative approaches relying on management expertise and historical trending from recessionary and non-recessionary periods to project revenues in stressed economic conditions. Non-modeled approaches are used for certain fee categories, such as Insurance Services, where efforts to model the Company's historical financial performance have not found robust statistical relationships with intuitive macroeconomic variables or 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 significant 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 costs including foreclosures and collections, legal and other mortgage-related costs.

While expenses related to legal and other real estate owned are statistically modeled, increases in collections expense are primarily derived using the historical relationship of the expense to the level of the Company's credit-related charge-offs. The impact to mortgage-related foreclosure expenses is projected based on the gross delinquency rates driven by housing prices and unemployment. Variable expenses that can be tied directly to fee revenue are adjusted based on their relationship to the 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. Analytical tools use the Company's internal historical loss experience to extrapolate future stressed projections. Legal losses are also projected as part of operational losses via macroeconomic models, as described above, and on a case-by-case basis through a scenario-based approach.

Finally, 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 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 initiatives implemented 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 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, portfolio growth and asset quality 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.

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. This assumption is tested as 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 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.

Realized Gain or Loss on the Company's Available-for-Sale or Held-to-Maturity Investment Portfolio and Calculation of Other Than Temporary Impairment ("OTTI"): 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 rates and equity markets and a forward ratings transition assessment during the forecast horizon. The Company recognizes OTTI 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 2018 CCAR results incorporate the tax effects related to the Federal Tax Cuts and Jobs Act which was enacted in December 2017. The Company incorporated the impact of this tax reform in its projections which considered the reduced corporate tax rate and other limitations specifically related to net operating loss carryback capacity. Tax credit investments were also impacted by the reform as the benefit of those tax credits is now diminished.

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

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June 2018

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, 2017. 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[2].

[2] Defined by the Office of the Comptroller of the Currency in the "OCC 2018 DFAST Scenario Narratives" published on February 1, 2018

U.S. Bank National Association Disclosure

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Supervisory-defined severely adverse scenario

Capital ratios, actual 2017:Q4 and projected 2018:Q1–2020:Q1

Percent

Regulatory ratio	Actual 2017:Q4	Stressed capital ratios[1]	
		Ending	Minimum
Common equity tier 1 capital ratio	10.4%	10.9%	9.4%
Tier 1 capital ratio	10.4%	10.9%	9.4%
Total capital ratio	12.6%	13.1%	11.5%
Tier 1 leverage ratio	8.6%	9.0%	7.9%
Supplementary leverage ratio	n/a	7.3%	6.3%

1 The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. See 12 CFR 252.56(b). These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. The minimum capital ratios are for the period 2018:Q1 to 2020:Q1. Supplementary leverage ratio projections only include estimates for firms subject to the advanced approaches.

n/a Not applicable.

Projected loan losses, by type of loan, 2018:Q1–2020:Q1

Loan type	Billions of dollars	Portfolio loss rates (percent)[1]
Loan losses	13.6	4.9%
First-lien mortgages, domestic	1.4	2.4%
Junior liens and HELOCs, domestic	0.6	3.4%
Commercial and industrial [2]	3.9	5.2%
Commercial real estate, domestic	1.9	5.2%
Credit cards	4.0	15.8%
Other consumer [3]	1.1	2.8%
Other loans [4]	0.8	2.9%

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.

Risk-weighted assets, actual 2017:Q4 and projected 2020:Q1

Billions of dollars

Item	Actual 2017:Q4	Projected 2020:Q1
Risk-weighted assets[1]	362.0	340.4

1 For each quarter, risk-weighted assets are calculated under the Board's standardized capital risk-based approach in 12 CFR part 217, subpart D.

Projected losses, revenue, and net income before taxes through 2020:Q1

Item	Billions of dollars	Percent of average assets [1]
Pre-provision net revenue [2]	18.3	4.1%
Other revenue [3]	0.0	
less		
Provisions	18.0	
Realized losses/gains on securities (AFS/HTM)	(0.0)	
Trading and counterparty losses [4]	-	
Other losses/gains [5]	0.0	
equals		
Net income before taxes	0.2	0.1%
Memo items		
Other comprehensive income [6]	(1.8)	
Other effects on capital	*Actual 2017:Q4*	*2020:Q1*
AOCI included in capital (billions of dollars) [7]	(0.9)	(2.9)

1 Average assets is the nine-quarter average of total assets.
2 Pre-provision net revenue includes losses from operational-risk events 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 adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.
5 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.
6 Other comprehensive income (OCI) is only calculated for advanced approaches firms, and other firms that opt into the advanced approaches treatment of accumulated other comprehensive income (AOCI).
7 Certain aspects of AOCI are subject to transition arrangements for inclusion in projected regulatory capital. The transition arrangements are 100 percent included in projected regulatory capital starting in 2018. See 12 CFR 217.300(b)(3).

SUMMARY OF RESULTS:

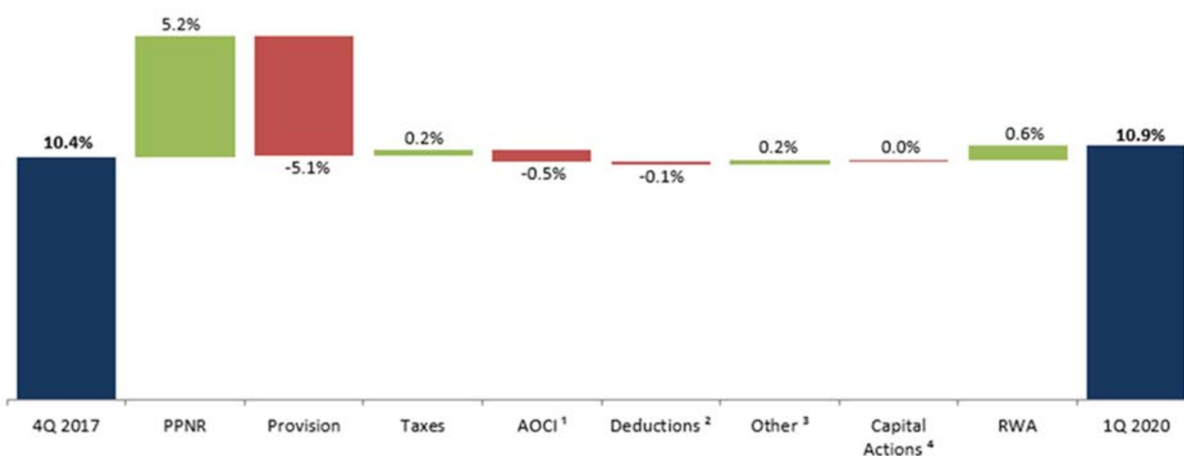
Changes in Capital Positions and Regulatory Capital Ratios (Supervisory-defined severely adverse)

The Bank's capital ratios presented below are calculated using the definitions of capital, standardized risk-weighted assets and average assets (for tier 1 leverage ratio) that are in effect during a particular quarter of the planning horizon. The fourth quarter of 2017 is calculated under the Basel III transition rules, while all other quarters, including the first quarter of 2020, are calculated under the Basel III fully implemented rules.

USBNA - Capital Ratios under the Supervisory Severely Adverse Scenario				
Capital Ratio	**Regulatory Minimums**	**4Q2017**	**1Q2020**	**Change**
Common Equity Tier 1 Capital Ratio	**4.5%**	**10.4%**	**10.9%**	**0.5%**
Tier 1 Capital Ratio	**6.0%**	**10.4%**	**10.9%**	**0.5%**
Total Risk-based Capital Ratio	**8.0%**	**12.6%**	**13.1%**	**0.5%**
Tier 1 Leverage Ratio	**4.0%**	**8.6%**	**9.0%**	**0.4%**

The Bank estimates that the effect of the stressed economic conditions on the Bank's Basel III capital levels increases the Bank's **CET1 ratio** by approximately 50 basis points over the nine-quarter stress period from December 31, 2017 to March 31, 2020.

CET1 Ratio



[1] Accumulated Other Comprehensive Income ("AOCI") primarily related to the unrealized gain/loss on the Bank's available for sale securities portfolio and pension plan

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

[3] Includes adjustments to capital for items such as (i) goodwill, (ii) intangibles and (iii) other miscellaneous regulatory based adjustments

[4] Dividend paid to parent is suspended

The principal cause for the increase in the Bank's CET1 is due to the Bank's net income over the nine quarters and a modest decrease in risk-weighted assets mainly driven by a decline in loan balances. The Bank projects positive pre-provision net revenue over the stress time horizon which is partially offset by credit losses and loan loss reserves estimated under the stressed conditions.

The Bank's CET1 is bolstered by the suspension of dividends paid to U.S. Bancorp during the severely adverse nine-quarter scenario. Other small changes to the Bank's CET1 are driven by unrealized losses on accumulated other comprehensive income ("AOCI") and 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.

The Bank's **Tier 1 Capital ratio** is increased by the Bank's CET1.

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.