2019

ANNUAL REPORT

Building on a position of strength

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Fellow shareholders: As a leadership team at U.S. Bancorp, we are proud of our position in the industry. We are one of the largest banks in the United States with global reach through our trust and payments businesses.

We have a diverse mix of profitable businesses. We have a strong culture, an efficient operating platform and healthy customer loyalty scores. We are committed to our communities and being a socially responsible corporate citizen. We are a Fortune® Most Admired Company, one of the Ethisphere® World's Most Ethical Companies®, among Forbes® best banks in America, and recognized in the DiversityInc® Top 50 for our focus on diversity, equity and inclusion. Our financial results continue to lead the industry; at the end of 2019 on a full-year basis, we were among the best in class in return on assets, return on equity and efficiency. We are also one of the highest-rated banks in the world.

It is clear we are doing well, and we are committed to building on this position of strength.

Our focus as we face 2020 is how to retain those attributes and use them as differentiators while recognizing that they, alone, are insufficient in a changing world.

Andy Cecere
Chairman, President and Chief Executive Officer

The evidence of that evolution is all around us. Customer expectations and behaviors are shifting, and how they interact with us is being driven by experiences they have in industries outside our own. The face of retail banking is changing, with a greater focus on digital capabilities and modified footprints; geography is no longer a barrier to forming a relationship. In fact, about 70 percent of all banking transactions now happen digitally — often on devices that did not exist 10 years ago. Further advancements in technology and innovation will only elevate that statistic. As a result, we are actively investing in digital capabilities and real-time payments, and leveraging artificial intelligence, machine learning and data analytics to enhance our ability to serve.

These trends have led to an emergence of non-traditional competition. Companies that have not historically been in banking are entering financial services typically through money movement or payments activities, and they are creating alternatives that are pushing us to innovate and adapt as the industry evolves.

Industry consolidation has also continued, and a decade after the financial crisis, we saw the first large merger of equals in 2019. Sometimes overlooked, however, is the shift in merger and acquisition activity away from solely geographic plays. Now, more than ever, the emphasis is on partnerships and finding ways to acquire capabilities banks traditionally have not had to meet the changing demands of consumers.

We are addressing these realities via our approach to our long-term strategy. We are leveraging our strengths (our financial and risk disciplines, culture, commitment to the community and dedication to customers) and transforming to grow. We understand that what made us successful in the past will not necessarily enable us to succeed in the years to come — and that while we want to excel in the short term, we are playing the long game.

For the past year, we have focused our energy on defending our core, by modernizing our approaches in the consumer, wealth and commercial spaces and leveraging our scale as a global company to digitally transform our offerings. We have invested significantly in our payments business, knowing that the future of banking is deeply rooted in revolutionizing money movement today.

We worked to embed additional strategic focus in our organization, taking a more holistic look at our entire operation and using our strategy to advise how we allocate capital and give top-down financial guidance. We exited non-core businesses, and we continued to enhance our risk management processes to ensure sustainability and build nimble but clear discipline in more agile areas of our company.

We also focused on balance: making decisions that allowed us to optimize our business while freeing up capital to reinvest in important areas. We are looking at all our consumer markets, for instance, and determining what mix of physical and digital assets we need to serve customers, while reconsidering what a branch should look like, how big it should be, and how it should be staffed.

Make no mistake: there is a role for branches in today's banking world, but they have a different function, expectation and experience to offer.

Along those lines, we began looking at expansion beyond our existing footprint through a branch lite strategy that emphasizes digital enablement and brand impact as cornerstones of the customer relationship. In October, we opened our first retail branch under this new approach in Charlotte, North Carolina because of the large employee and customer base we already had in-market. We will expand in Charlotte and bring this format to other cities that meet our strategic objectives as we refine the model.

Among the more significant achievements in the past year has been our approach to digital. We created a new Chief Digital Office to oversee our transformation. This team has introduced us to terms like "above the glass" and "below the glass," developed a successful test-and-learn model and pushed us to innovate more rapidly than we ever have before. More than 215 banking activities can now be done on a do-it-yourself basis through our digital consumer app, and we are focused on providing as much opportunity as customers want for these accommodations as their expectations continue to change. We believe we can both strengthen relationships and deliver products and services more effectively by enhancing our digital capabilities.

We took strategic approaches to evolve our operations more broadly, as well. We are now employing an agile methodology

that allows us to responsibly but quickly move from concept to reality for products and services, as well as modeling experiences. With our "Experience Studios," as we call them, we can create — from a customer's point of view and with their involvement — things that used to take years to build in just a matter of weeks. Through this methodology, which is common in the technology space, we have created and launched an entirely re-concepted and redesigned mobile app, a new instant decisioning process for mortgage, a solution for quicker small business lending, and more.

At the same time, we are bringing new focus and attention to our culture and talent processes and experiences, investing in our human resources function and shifting investment to digital workforce management, programs to attract and retain the talent of the future, and more deliberate culture development and championship. We are preparing our team for the roles we will need, including the introduction of upskilling and reskilling opportunities that help people gain new skills as their jobs evolve or train for roles that have yet to be created. Ultimately, our work is all about people, and we will need to blend the best of what our employees can do with the best of what our technology can deliver to serve customers.

Moving forward, we will place a concerted focus on what the future of U.S. Bancorp looks like, how the enterprise strategy is directly aligned with and incorporated into our business line strategies, and how we can leverage economies of size and scale to accelerate our growth.

Through all of this, we are building on the trust that has been placed in us, and we are successfully executing our company strategy that will position us for future success. We will offer a great place to work to our employees, provide unmatched experience to our customers, develop strong partnerships with our communities, and create value for our shareholders.

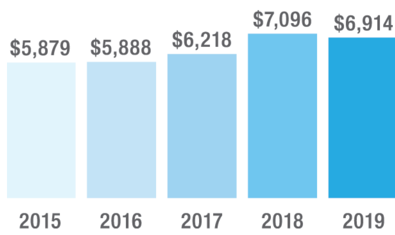
It is our privilege to share our success with you.

Sincerely,

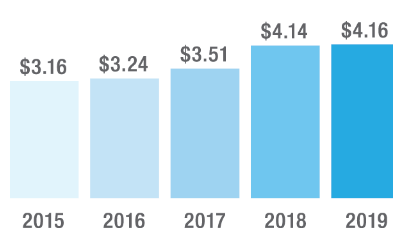
Andy Cecere
Chairman, President and
Chief Executive Officer
U.S. Bancorp
February 20, 2020

Financial highlights

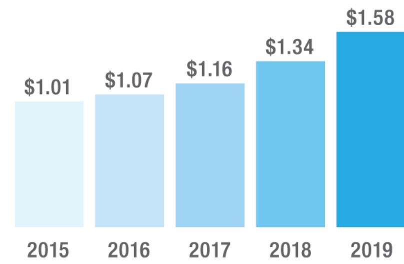
Net Income Attributable to U.S. Bancorp (in millions)



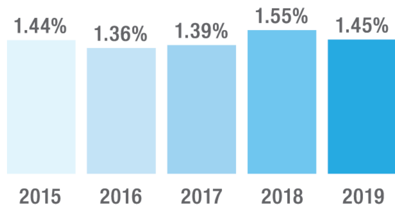
Diluted Earnings per Common Share



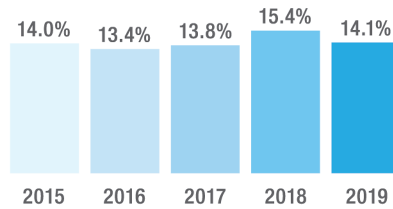
Dividends Declared per Common Share



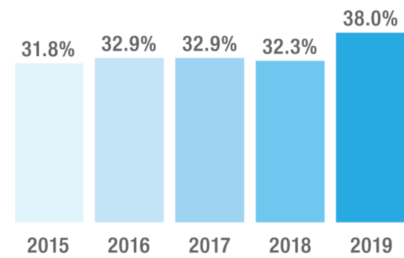
Return on Average Assets



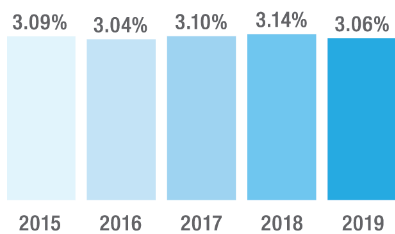
Return on Average Common Equity



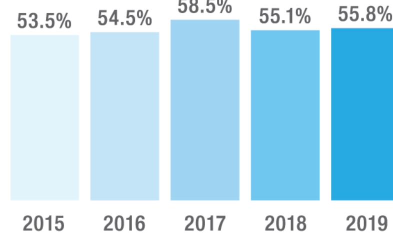
Dividend Payout Ratio



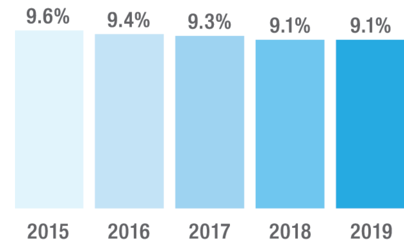
Net Interest Margin [(a)]



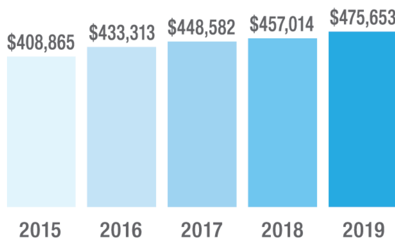
Efficiency Ratio [(b)]



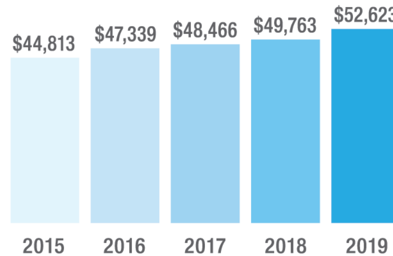
Common Equity Tier 1 Capital [(c)]



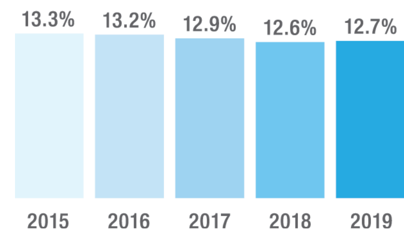
Average Assets (in millions)



Average U.S. Bancorp Shareholders' Equity (in millions)



Total Risk-Based Capital [(c)]



(a) Taxable-equivalent basis based on federal income tax rates of 21 percent for 2019 and 2018 and 35 percent for 2017, 2016, and 2015, for those assets and liabilities whose income or expense is not included for federal income tax purposes.

(b) See Non-GAAP Financial Measures beginning on page 62.

(c) Calculated under the Basel III standardized approach.

Financial summary

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2019	2018	2017	2019 v 2018	2018 v 2017
Net interest income	$13,052	$12,919	$12,380	1.0%	4.4%
Taxable-equivalent adjustment[a]	103	116	205	(11.2)	(43.4)
Net interest income (taxable-equivalent basis)[b]	13,155	13,035	12,585	.9	3.6
Noninterest income	9,831	9,602	9,317	2.4	3.1
Total net revenue	22,986	22,637	21,902	1.5	3.4
Noninterest expense	12,785	12,464	12,790	2.6	(2.5)
Provision for credit losses	1,504	1,379	1,390	9.1	(.8)
Income taxes and taxable-equivalent adjustment	1,751	1,670	1,469	4.9	13.7
Net income	6,946	7,124	6,253	(2.5)	13.9
Net (income) loss attributable to noncontrolling interests	(32)	(28)	(35)	(14.3)	20.0
Net income attributable to U.S. Bancorp	$6,914	$7,096	$6,218	(2.6)	14.1
Net income applicable to U.S. Bancorp common shareholders	$6,583	$6,784	$5,913	(3.0)	14.7
Per Common Share					
Earnings per share	$4.16	$4.15	$3.53	.2%	17.6%
Diluted earnings per share	4.16	4.14	3.51	.5	17.9
Dividends declared per share	1.58	1.34	1.16	17.9	15.5
Book value per share[c]	29.90	28.01	26.34	6.7	6.3
Market value per share	59.29	45.70	53.58	29.7	(14.7)
Average common shares outstanding	1,581	1,634	1,677	(3.2)	(2.6)
Average diluted common shares outstanding	1,583	1,638	1,683	(3.4)	(2.7)
Financial Ratios					
Return on average assets	1.45%	1.55%	1.39%		
Return on average common equity	14.1	15.4	13.8		
Net interest margin (taxable-equivalent basis)[a]	3.06	3.14	3.10		
Efficiency ratio[b]	55.8	55.1	58.5		
Average Balances					
Loans	$290,686	$280,701	$276,537	3.6%	1.5%
Investment securities[d]	117,150	113,940	111,820	2.8	1.9
Earning assets	430,537	415,067	406,421	3.7	2.1
Assets	475,653	457,014	448,582	4.1	1.9
Deposits	346,812	333,462	333,514	4.0	--
Total U.S. Bancorp shareholders' equity	52,623	49,763	48,466	5.7	2.7
Period End Balances					
Loans	$296,102	$286,810	$280,432	3.2%	2.3%
Allowance for credit losses	4,491	4,441	4,417	1.1	.5
Investment securities	122,613	112,165	112,499	9.3	(.3)
Assets	495,426	467,374	462,040	6.0	1.2
Deposits	361,916	345,475	347,215	4.8	(.5)
Total U.S. Bancorp shareholders' equity	51,853	51,029	49,040	1.6	4.1
Capital Ratios					
Basel III standardized approach:					
Common equity tier 1 capital	9.1%	9.1%	9.3%		
Tier 1 capital	10.7	10.7	10.8		
Total risk-based capital	12.7	12.6	12.9		
Leverage	8.8	9.0	8.9		
Tangible common equity to tangible assets[b]	7.5	7.8	7.6		
Tangible common equity to risk-weighted assets[b]	9.3	9.4	9.4		

(a) Based on federal income tax rate of 21 percent for 2019 and 2018 and 35 percent for 2017, for those assets and liabilities whose income or expense is not included for federal income tax purposes.
(b) See Non-GAAP Financial Measures beginning on page 62.
(c) Calculated as U.S. Bancorp common shareholders' equity divided by common shares outstanding at end of the period.
(d) Excludes unrealized gains and losses on available-for-sale investment securities and any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

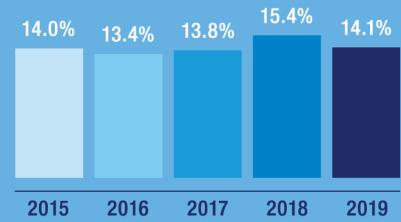
A position of strength

We're taking what makes us great — from our culture to our financial discipline — and using that position of strength and our strategy to shape our future as business, customer and employee demands change.

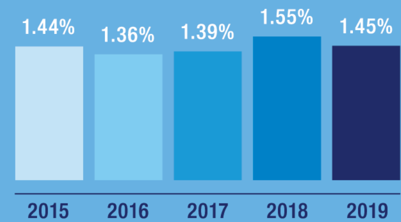
Long history of industry-leading returns and financial discipline.

Our track record of industry-leading returns and efficiency for the last 10 years and the highest debt ratings across the globe proves our strength and longevity. Our excellence in finance and credit risk management gives us a solid foundation on which we continue to build.

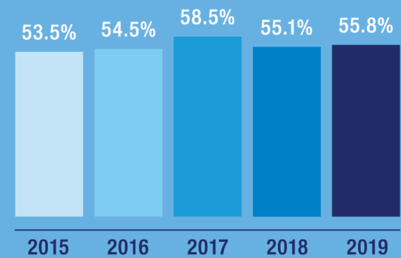
Return on Average Common Equity



Return on Average Assets



Efficiency Ratio*



*See Non-GAAP Financial Measures beginning on page 62.

A strong business model

Our diverse business mix is key to our ongoing success. Our blend of fee- and non-fee businesses sets us apart by enabling us to deliver consistently in any environment.

Products and services:
Branches; 24-hour customer centers; mobile banking; online banking; mortgages; consumer lending; ATM and debit processing; workplace banking; student banking

Consumer and Business Banking

Products and services:
Credit, debit, gift and prepaid cards; payment processing; treasury management

Payment Services

Wealth Management and Investment Services

Products and services:
Wealth planning, investments, trust services and private banking; specialty asset management; custody solutions; global fund services; corporate and institutional trust services

Corporate & Commercial Banking

Products and services:
Lending, equipment finance and small-ticket leasing; correspondent banking; depository services; capital markets; international trade

U.S. Bank leaders at the U.S. Bank Women of Europe Conference in 2019.

A strong reputation

Our culture, brand and reputation are sources of competitive advantage for U.S. Bank and differentiate us from our peers.

Inclusion at U.S. Bank:

- HRC named us a "Best Place to Work" for LGBTQ Equality
- We signed the CEO Champions for Change pledge, a commitment to advance women
- Nearly 26,000 employees engaged through our Business Resource Groups
- We invested $1 million in the Smithsonian's National Museum of African American History and Culture

Our culture is grounded in five core values, starting with doing the right thing. Our commitment to operating with ethics and integrity and our focus on building trust are in everything we do, and we're recognized for that work through accolades from organizations like The Ethisphere® Institute, Fortune®, Forbes® and DiversityInc®.

Our brand stands tall on national and international stages as we work to help people turn their dreams into reality. Our brand value — the financial significance a brand carries — grew by 55% in the last three years[1] in response to our efforts to build brand awareness and strategically market ourselves.

Our community giving and engagement program is focused on closing gaps and creating economic opportunities in the areas of work, home and play. We drive social impact by working with and through our partners, including the nonprofit leaders of our Community Advisory Committee, who provide perspective and feedback from underserved communities. Read more about our commitment to be a responsible corporate citizen within our communities at **usbank.com/CSR2019**.

Our strength in these areas lets us hire and retain top talent, become more central to our customers' financial lives, partner with our communities and drive top line growth.

1. Brand Finance, brandfinance.com.

A strong strategy

Our growth strategy guides us in identifying what differentiates us now and what will set us apart in the future.

The attributes that make us great allow for a strategy that's flexible for the future, performs for our stakeholders in any environment and is steadfast to who we are at our core.

The most trusted choice

Doing the right thing is in the DNA of our culture, and we work hard to earn the privilege of trust and the opportunity to deepen it. We grow by investing in and staying true to our ethical culture, risk and financial discipline and our commitment to keeping customers safe and secure.

Driving one U.S. Bank

More than 70,000 of us work together with a common purpose — to harness the power of U.S. Bank for the good of each of our millions of customers. The continued evolution of our employee experience ensures they have the tools, knowledge and collaboration to be central to the financial lives of our customers. This work is showcased in the creation of personalized, meaningful experiences and strategies for consumer, business, corporate and commercial customers.

Striving for simplicity

We created a nimble and agile environment that makes it easier for customers to do business with us. We're optimizing everything from business line processes to vendor management efforts to deliver strong results.

Creating the future now

We're readying ourselves to meet changing customer expectations today and in the future by optimizing resources, adding skills and leveraging technology and innovation.

Simplicity at work:

Our U.S. Bank eBill Service speeds up payments by giving our business customers and their clients simple and secure ways for payments.

Building on success

Our success is long-established and we're securing the capabilities we need to execute on our strategy to deliver today and in the future.

Changing the experience

As customer expectations and the banking industry change, we work to serve our customers when, where and how they prefer. We're making banking easier and faster at physical locations and through digital solutions.

As we look at new markets, we're taking a digital-forward approach to expansion and reinvestment.

North Carolina expansion

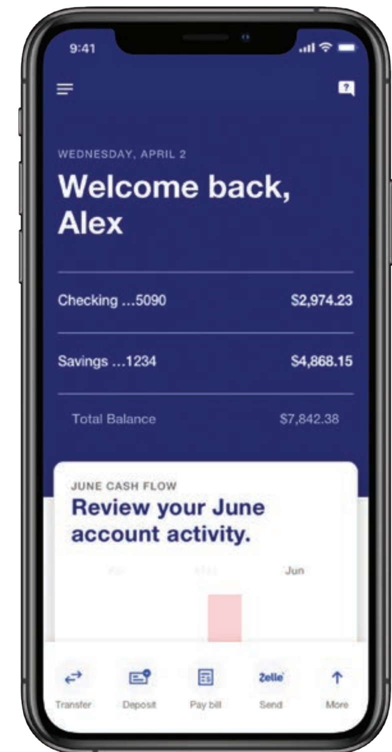
In the fall of 2019, we expanded our consumer retail banking presence to a new state by opening a branch in Charlotte, North Carolina. Charlotte already is home to 800 employees — including senior leaders — across mortgage, investment services, and corporate and commercial banking.

In addition to our entry into North Carolina, we're reinvesting in existing core markets, an effort that will result in approximately 60-80 new, relocated or redesigned branches by the end of 2020. We're also exploring new markets for our consumer retail banking services in locations where we already have a high concentration of employees and mortgage, auto and credit card customers.

Our "Made in Charlotte" food truck teamed up with local businesses throughout the week of the grand opening. Nearly 3,000 people stopped by to chat with U.S. Bank ambassadors, enjoy a complimentary lunch and visit the newest bank in town.

Transforming the way we work

The power of One U.S. Bank comes to life in how we work together to improve efficiency. We had 23 Experience Studio teams in play at the end of 2019. These cross functional teams produce better results in a fraction of the time.



Once we launch a product, the studios use ongoing employee and customer feedback to quickly adjust deliverables and make banking smarter, faster and easier. We're expanding this new, more agile way of doing business and plan to scale it further across the company by the end of 2020.

In addition to our tech teams, other key experts necessary to bring a deliverable to market — like design, finance, ethics, risk, and customer service — are at the table so the work happens concurrently rather than consecutively, bringing ideas to reality more quickly and true to our U.S. Bank brand and culture of trust.

In 2019, the studios produced our new U.S. Bank® Mobile App and online near-instant decisions for mortgages and home equity lines of credit among many other transformative results for customers and employees.

The rebuilt app provides real-time dashboards, bilingual options, easy person-to-person money movement, and has delivered nearly 600 million personalized insights to customers — and we're adding new features all the time. It combines our strengths in collaboration and customer centrality with a new, transformative way of working. Shaped by our experts and real-time input of 5,000 customers, we created it in just nine months.

Our world continues to evolve faster than ever — to remain competitive, we're developing new, innovative ways to meet and exceed our customers' and employees' expectations.

The U.S. Bank® Mobile App provides:

- Personalized insights
- Real-time dashboards
- Bilingual options
- Person-to-person money movement
- Regular updates and improvements

Enhancing capabilities

Customer expectations have blurred the lines of industry. People assume they'll have the same experience when moving their money as they do ordering a pizza or sharing a photo.

To make sure we always provide an experience that customers expect and trust, we're building out the tools and talent we need to grow. The days of expansion by geography alone are gone — in a digital world, capabilities are the new physical assets.

Expanding tools

We announced the acquisition of companies like talech and U.K.-based Sage Pay to elevate our software and payments processing capabilities. U.S. Bank always has excelled at money movement, and now we will be excellent at digital money movement.

Developing talent

We're working to recruit and keep top talent. We want to be as strong in digital as we are in finance and risk management, so we created a chief digital officer role reporting to the CEO, which reflects our belief in the importance of this work.

We also built out our employee experience and customer experience teams to deliver value to both stakeholder groups to further cultivate relationships with them.

Leveraging data

Data is on every consumer's mind. As a central part of their lives, our customers know that we have a wealth of data. It's our imperative to be safe and responsible in our use of it as we distill the data down to insights that help our customers live their best financial lives.

We built a force of more than 300 employees to protect and analyze data to benefit the customer and to create a smarter, faster, easier banking experience.

Improving skills

We continually evaluate the skills we need to grow and how best to cultivate them. When building or acquiring a skill is not prudent, we find unique opportunities to create smart partnerships to make banking even better for our customers.

We play an important part of the fintech ecosystem. We've teamed up with several fintech companies to enhance our payments and tech capabilities. We also participate in Plug and Play, a biannual program that connects the world's largest financial institutions with cutting-edge startups.

Investing in the future

Executing our strategy will deliver new digital products and features to our customers at the speed and quality they expect. We're investing now to increase customer satisfaction, help our customers use digital channels to bank any time or place, and increase interactions that support growth.

Data science

Being a central part of our customers' financial lives means we manage a tremendous amount of data and assume the responsibility for the ethical use of it. We're focused on strategic decisions through centralized data and analytics and we've built a dedicated team of experienced professionals to distill and protect that data to benefit our customers in meaningful ways.

We're investing to personalize a customer's interaction with us by using their own data. By leveraging that data with artificial intelligence and machine learning to generate real-time insights, we'll build new and further cultivate existing relationships with our millions of customers by anticipating their needs.

Money movement

In a world that's becoming increasingly cashless, our experts in Payment Services continue to lead the field in advancing money movement. As consumer preferences change, we're helping our business customers make the shift to streamline their operations and best serve their clients.

Whether it's helping a company move from paper checks to real-time payments, helping a nonprofit generate donations on the street with card payments, or creating simplicity in person-to-person payments — we're invested in engineering money movement solutions.

Digital strategy

With billions of customer interactions each year, we know great digital experiences are critical to the overall health of our customer relationships. And the importance and frequency of these digital interactions with customers will only increase.

We'll deepen our relationship with customers as we roll out new, best-in-class, hyper-personalized digital features. We're working at speed and scale to build capabilities and tools that allow customers to use our insights to manage their money both independently and in a shared experience with a banker.

In 2019, a newly formed digital team created a strategic digital growth plan — a guiding star for our digital transformation. We're focused on and developing initiatives designed to yield significant return, increase engagement and deepen relationships with our millions of digital customers.

The Royal British Legion's annual Poppy Appeal used 1,100 of our cashless terminals along with our employee volunteers to collect funds for the United Kingdom's Armed Forces in a "tap to donate" campaign in the fall of 2019.

Environmental sustainability

Environmental sustainability is integral to the success of our business and important for our future. That's why, since 2008, we have invested more than $22 billion in environmentally beneficial business opportunities. We embrace a balanced approach centered on learning and partnering with our stakeholders as we address climate change and the needs of our communities, customers, employees and shareholders.

U.S. Bank is a national leader in financing renewable energy, financing about 15% of all solar installations in the United States each year via tax equity financing, which makes communities more environmentally sustainable, and builds economic resiliency through access to affordable energy and the promotion of job growth.

Throughout 2019, we provided $1.2 billion to help finance the development of 2.2 gigawatts of solar power across the country. These projects supported roughly 18,000 construction jobs and will provide enough solar energy to power over 340,000 homes each year. The carbon offset of these investments is equal to removing 522,000 passenger vehicles from the road or planting three million acres of forest.

Environmental sensitivity is an important component, which is integrated into our overall risk management philosophy. We have an ongoing partnership with Ceres, a nonprofit whose mission is to integrate sustainability into capital markets, that helps us improve our understanding of how our work supports and advances the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). We're dedicated to operating in a more sustainable manner. Under a 2014 baseline, we set a goal to reduce our operational greenhouse gas (GHG) emissions by 40% by 2029 and 60% by 2044. As of year-end 2018, we have reduced our emissions by 28% and are continuing to follow sustainable principles in the design of our new facilities with plans to maintain this focus in the future.

Investments bring benefits to environment, communities

One of our continued efforts in environmental sustainability resulted in a major milestone: financing more than 10 gigawatts of solar installations. Since 2008, the U.S. Bancorp Community Development Corporation (USBCDC) has invested more than $11 billion in Renewable Energy Tax Credits in solar installation projects to achieve the 10-gigawatt milestone.

Solar installation projects are not only good for the environment, they also create jobs for local communities. The 10 gigawatts of solar installations are spread throughout communities across the country and have direct impact on job and overall economic growth. In South Carolina, we participated in the financing of the state's first utility-sponsored community solar program, providing solar options for those who have historically lacked access including renters and low-to-moderate income individuals. Near Rosamond, California, we worked with one of the nation's top renewable energy providers by financing one of the largest solar facilities in its fleet, a 150 megawatt solar farm comprising

of more than 477,000 solar panels extending over 1,100 acres of land. In Washington D.C., we are investing in a project with a nonprofit that's installing solar on commercial rooftops and donating the electricity credits to low-income households.

As a result of direct, indirect and induced impacts — from construction jobs to build the projects to workers grabbing lunch at local restaurants — the 10 gigawatts of solar installations we helped finance suggests an overall economic impact of $50 billion.

Extended partnership with GRID Alternatives

We continue to support GRID Alternatives, a national leader in making clean, affordable solar power and solar jobs accessible to low-income communities and communities of color. GRID plans to install up to 1.2 megawatts of solar power on over 60 low-income tribal homes and community buildings for tribal partners in Arizona, California, Colorado, New Mexico, North Dakota, South Dakota and Washington in the coming year. Additionally, the extended partnership allowed GRID to provide hands-on solar training for up to 100 tribal members.

We also worked with the American Indian College Fund to award scholarships to students pursuing post-secondary degrees in fields of study that lead to careers in solar energy. The college fund supports higher education attainment, career readiness services, hands-on training, and job placement for these scholars, thereby supporting environmental sustainability and energy sovereignty for tribal communities.

Community investments

Our unified giving and engagement strategy, Community Possible, focuses on closing gaps between people and possibility in the areas of Work, Home and Play. We believe the building blocks of all thriving communities where all things are possible include: stable employment opportunities, a home to call your own, and a community connected through culture, arts, recreation and play.

Our 2019 investments include:

$60M

In grants and contributions to nonprofit organizations

$10M

Donated through our employee giving campaign

$4.1B

Loaned and invested to revitalize communities

$22B

Invested in environmentally beneficial business since 2008

#1

In our annual engagement survey, our employees rated diversity and inclusion highest of all the dimensions

A-

Received a score of A- from CDP
(formerly Carbon Disclosure Project)

150,000

Individuals educated in financial matters

334,000

Hours of employee volunteer time

Learn more at usbank.com/community.

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Andrew Cecere
Chairman, President and Chief Executive Officer

Ismat Aziz
Senior Executive Vice President and Chief Human Resources Officer

James L. Chosy
Senior Executive Vice President and General Counsel

Terrance R. Dolan
Vice Chair and Chief Financial Officer

Leslie V. Godridge
Vice Chair, Corporate & Commercial Banking (Retiring June 30, 2020)

Gunjan Kedia
Vice Chair, Wealth Management and Investment Services

James B. Kelligrew
Vice Chair, Corporate & Commercial Banking

Shailesh M. Kotwal
Vice Chair, Payment Services

Katherine B. Quinn
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Jeffry H. von Gillern
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Kimberly J. Harris
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Commissioner, San Francisco Port Commission

Olivia F. Kirtley
Business Consultant (Incoming Lead Director)

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President and Chief Executive Officer, Unum Group

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O'dell M. Owens, M.D., M.P.H.*
President and Chief Executive Officer, Interact for Health

Craig D. Schnuck*
Former Chairman and Chief Executive Officer, Schnuck Markets, Inc.

John P. Wiehoff
Chairman and Retired Chief Executive Officer, C.H. Robinson Worldwide, Inc.

Scott W. Wine
Chairman and Chief Executive Officer, Polaris Industries Inc.

* These directors will not be standing for re-election at our 2020 Annual Meeting of Shareholders.

About us

U.S. Bancorp, with more than 70,000 employees and $495 billion in assets as of December 31, 2019, is the parent company of U.S. Bank, the fifth-largest commercial bank in the United States.

Founded in 1863, U.S. Bank is committed to serving its millions of retail, business, wealth management, payment, corporate, commercial and investment services customers around the world as a trusted financial partner.

2019 supplier diversity

At U.S. Bank, we support diverse suppliers. A diverse supplier is a company at least 51 percent owned, controlled and managed by one or more women, veterans, disabled veterans, LGBTQ individuals or members of an ethnic minority group.

- More than **$560+ million** spent with certified diverse suppliers and growing
- **294** certified diverse supplier relationships

Revenue mix by business line

- 40% Consumer and Business Banking
- 29% Payment Services
- 17% Corporate & Commercial Banking
- 14% Wealth Management and Investment Services

4Q 2019 taxable-equivalent basis

Business line revenue percentages exclude Treasury and Corporate Support

Our strategic pillars

Our strategy is how we will grow; it comes to life by activating our pillars.

Being the Most Trusted Choice

Driving One U.S. Bank

Striving for Simplicity

Creating the Future Now

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The following pages discuss in detail the financial results we achieved in 2019 — results that reflect how we are creating the future now.

The following information appears in accordance with the Private Securities Litigation Reform Act of 1995:

This report contains forward-looking statements about U.S. Bancorp. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date hereof. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. Deterioration in general business and economic conditions or turbulence in domestic or global financial markets could adversely affect U.S. Bancorp's revenues and the values of its assets and liabilities, reduce the availability of funding to certain financial institutions, lead to a tightening of credit, and increase stock price volatility. In addition, changes to statutes, regulations, or regulatory policies or practices could affect U.S. Bancorp in substantial and unpredictable ways. U.S. Bancorp's results could also be adversely affected by changes in interest rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of its investment securities; legal and regulatory developments; litigation; increased competition from both banks and non-banks; changes in the level of tariffs and other trade policies of the United States and its global trading partners; changes in customer behavior and preferences; breaches in data security; failures to safeguard personal information; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management's ability to effectively manage credit risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputation risk.

Additional factors could cause actual results to differ from expectations, including the risks discussed in the "Corporate Risk Profile" section on pages 36–56 and the "Risk Factors" section on pages 146–156 of this report. In addition, factors other than these risks also could adversely affect U.S. Bancorp's results, and the reader should not consider these risks to be a complete set of all potential risks or uncertainties. Forward-looking statements speak only as of the date hereof, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

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Management's Discussion and Analysis

Overview

In 2019, U.S. Bancorp and its subsidiaries (the "Company") continued to demonstrate its financial strength and shareholder focus. Despite a challenging interest rate environment, the Company had record net revenue and diluted earnings per share, while continuing to invest in digital capabilities and key business initiatives to drive growth and improve efficiencies in the future.

The Company earned $6.9 billion in 2019, a decrease of $182 million (2.6 percent) from 2018, reflecting higher noninterest expense, partially offset by net revenue growth. Net interest income increased as a result of loan growth and higher yields on the reinvestment of securities, partially offset by the impact of a flatter yield curve and changes in deposit and funding mix. Noninterest income increased due to growth in mortgage banking revenue, payment services revenue, trust and investment management fees, and commercial products revenue, partially offset by a decrease in deposit service charges. The Company's continued focus on controlling expenses allowed it to achieve an industry-leading efficiency ratio of 55.8 percent in 2019. In addition, the Company's return on average assets and return on average common equity were 1.45 percent and 14.1 percent, respectively.

The Company remains deeply committed to value creation for shareholders. During 2019, the Company increased its dividend rate per common share by 13.5 percent and expanded its common share repurchase program, resulting in the Company returning $7.0 billion of its earnings to common shareholders through dividends and common share repurchases during the year. This expanded capital distribution reflects the Company's ability to prudently manage capital as it responds to changes in the regulatory landscape, while continuing to invest for the future.

The Company's common equity tier 1 to risk-weighted assets ratio using the Basel III standardized approach was 9.1 percent at December 31, 2019. Refer to Table 23 for a summary of the statutory capital ratios in effect for the Company at December 31, 2019 and 2018. Further, credit rating organizations rate the Company's debt among the highest of any bank in the world. This comparative financial strength provides the Company with favorable funding costs, strong liquidity and the ability to attract new customers.

In 2019, average loans increased $10.0 billion (3.6 percent) over 2018, reflecting higher demand for loans from new and existing customers. Loan growth included increases in residential mortgages, commercial loans, credit card loans and other retail loans. These increases were partially offset by a decrease in commercial real estate loans, due to new originations being more than offset by customers paying down balances over the past year and prudent credit underwriting, given the later stage of the business cycle.

The Company's provision for credit losses in 2019 increased $125 million (9.1 percent) over 2018 and was $50 million higher than net charge-offs in 2019, compared with $25 million higher than net charge-offs in 2018. The increases in the provision and allowance for credit losses during 2019 reflected loan portfolio growth.

The Company's strong 2019 financial results and momentum in its lending and fee businesses position it well for 2020. The Company's focus on value creation supported continued customer acquisition and deepening of existing relationships across the franchise, which in turn drove strong account and volume growth in its fee businesses and strong loan and deposit growth in its banking businesses. The Company remains committed to delivering best-in-class products and services and in 2020 will continue to enhance its digital capabilities aimed at improving the customer experience and making it simpler and more productive to do business with.

TABLE 1 Selected Financial Data

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2019	2018	2017	2016	2015
Condensed Income Statement					
Net interest income	$ 13,052	$ 12,919	$ 12,380	$ 11,666	$ 11,151
Taxable-equivalent adjustment[a]	103	116	205	203	213
Net interest income (taxable-equivalent basis)[b]	13,155	13,035	12,585	11,869	11,364
Noninterest income	9,758	9,572	9,260	9,268	8,818
Securities gains (losses), net	73	30	57	22	—
Total net revenue	22,986	22,637	21,902	21,159	20,182
Noninterest expense	12,785	12,464	12,790	11,527	10,807
Provision for credit losses	1,504	1,379	1,390	1,324	1,132
Income before taxes	8,697	8,794	7,722	8,308	8,243
Income taxes and taxable-equivalent adjustment	1,751	1,670	1,469	2,364	2,310
Net income	6,946	7,124	6,253	5,944	5,933
Net (income) loss attributable to noncontrolling interests	(32)	(28)	(35)	(56)	(54)
Net income attributable to U.S. Bancorp	$ 6,914	$ 7,096	$ 6,218	$ 5,888	$ 5,879
Net income applicable to U.S. Bancorp common shareholders	$ 6,583	$ 6,784	$ 5,913	$ 5,589	$ 5,608
Per Common Share					
Earnings per share	$ 4.16	$ 4.15	$ 3.53	$ 3.25	$ 3.18
Diluted earnings per share	4.16	4.14	3.51	3.24	3.16
Dividends declared per share	1.58	1.34	1.16	1.07	1.01
Book value per share[c]	29.90	28.01	26.34	24.63	23.28
Market value per share	59.29	45.70	53.58	51.37	42.67
Average common shares outstanding	1,581	1,634	1,677	1,718	1,764
Average diluted common shares outstanding	1,583	1,638	1,683	1,724	1,772
Financial Ratios					
Return on average assets	1.45%	1.55%	1.39%	1.36%	1.44%
Return on average common equity	14.1	15.4	13.8	13.4	14.0
Net interest margin (taxable-equivalent basis)[a]	3.06	3.14	3.10	3.04	3.09
Efficiency ratio[b]	55.8	55.1	58.5	54.5	53.5
Net charge-offs as a percent of average loans outstanding	.50	.48	.48	.47	.47
Average Balances					
Loans	$290,686	$280,701	$276,537	$267,811	$250,459
Loans held for sale	3,769	3,230	3,574	4,181	5,784
Investment securities[d]	117,150	113,940	111,820	107,922	103,161
Earning assets	430,537	415,067	406,421	389,877	367,445
Assets	475,653	457,014	448,582	433,313	408,865
Noninterest-bearing deposits	73,863	78,196	81,933	81,176	79,203
Deposits	346,812	333,462	333,514	312,810	287,151
Short-term borrowings	18,137	21,790	15,022	19,906	27,960
Long-term debt	41,572	37,450	35,601	36,220	33,566
Total U.S. Bancorp shareholders' equity	52,623	49,763	48,466	47,339	44,813
Period End Balances					
Loans	$296,102	$286,810	$280,432	$273,207	$260,849
Investment securities	122,613	112,165	112,499	109,275	105,587
Assets	495,426	467,374	462,040	445,964	421,853
Deposits	361,916	345,475	347,215	334,590	300,400
Long-term debt	40,167	41,340	32,259	33,323	32,078
Total U.S. Bancorp shareholders' equity	51,853	51,029	49,040	47,298	46,131
Asset Quality					
Nonperforming assets	$ 829	$ 989	$ 1,200	$ 1,603	$ 1,523
Allowance for credit losses	4,491	4,441	4,417	4,357	4,306
Allowance for credit losses as a percentage of period-end loans	1.52%	1.55%	1.58%	1.59%	1.65%
Capital Ratios					
Basel III standardized approach:					
Common equity tier 1 capital	9.1%	9.1%	9.3%	9.4%	9.6%
Tier 1 capital	10.7	10.7	10.8	11.0	11.3
Total risk-based capital	12.7	12.6	12.9	13.2	13.3
Leverage	8.8	9.0	8.9	9.0	9.5
Tangible common equity to tangible assets[b]	7.5	7.8	7.6	7.5	7.6
Tangible common equity to risk-weighted assets[b]	9.3	9.4	9.4	9.2	9.2

(a) Based on federal income tax rates of 21 percent for 2019 and 2018 and 35 percent for 2017, 2016 and 2015, for those assets and liabilities whose income or expense is not included for federal income tax purposes.

(b) See Non-GAAP Financial Measures beginning on page 62.

(c) Calculated as U.S. Bancorp common shareholders' equity divided by common shares outstanding at end of the period.

(d) Excludes unrealized gains and losses on available-for-sale investment securities and any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

Results for 2018 Compared With 2017 For discussion related to changes in financial condition and results of operations for 2018 compared with 2017, refer to "Management's Discussion and Analysis" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the Securities and Exchange Commission on February 21, 2019.

Earnings Summary The Company reported net income attributable to U.S. Bancorp of $6.9 billion in 2019, or $4.16 per diluted common share, compared with $7.1 billion, or $4.14 per diluted common share, in 2018. Return on average assets and return on average common equity were 1.45 percent and 14.1 percent, respectively, in 2019, compared with 1.55 percent and 15.4 percent, respectively, in 2018. The results for 2019 included the impact of restructuring charges including severance and certain asset impairments, and an increased derivative liability related to Visa shares previously sold by the Company. Combined, these items decreased 2019 diluted earnings per common share by $0.17.

Total net revenue for 2019 was $349 million (1.5 percent) higher than 2018, reflecting a 1.0 percent increase in net interest income (0.9 percent on a taxable-equivalent basis), and a 2.4 percent increase in noninterest income. The increase in net interest income from the prior year was mainly a result of loan growth and higher yields on the reinvestment of securities, partially offset by the impact of a flatter yield curve and changes in deposit and funding mix. The increase in noninterest income was primarily driven by growth in mortgage banking revenue, payment services revenue, trust and investment management fees, and commercial products revenue, partially offset by a decrease in deposit service charges, driven by the sale of the Company's ATM third-party processing business in late 2018.

Noninterest expense in 2019 was $321 million (2.6 percent) higher than 2018, primarily due to an increase in personnel expense, reflecting the impact of hiring to support business growth and higher fee revenue production in mortgage activities, and higher technology and communications expense and net occupancy and equipment expense, both in support of business growth. Partially offsetting these increases was lower other noninterest expense driven by lower Federal Deposit Insurance Corporation ("FDIC") assessment costs.

Statement of Income Analysis

Net Interest Income Net interest income, on a taxable-equivalent basis, was $13.2 billion in 2019, compared with $13.0 billion in 2018. The $120 million (0.9 percent) increase in net interest income, on a taxable-equivalent basis, in 2019 compared with 2018, was principally driven by earning assets growth and higher yields on reinvestment of securities, partially offset by declining interest rates and a flatter yield curve, as well as changes in deposit and funding mix. Average earning assets were $15.5 billion (3.7 percent) higher in 2019, compared with 2018, driven by increases in loans, investment securities and other earning assets. The net interest margin, on a taxable-equivalent basis, in 2019 was 3.06 percent, compared with 3.14 percent in 2018. The decrease in the net interest margin in 2019, compared with 2018, was primarily due to the impacts of changes in the yield curve in addition to changes in deposit and funding mix. Refer to the "Interest Rate Risk Management" section for further information on the sensitivity of the Company's net interest income to changes in interest rates.

Average total loans were $290.7 billion in 2019, compared with $280.7 billion in 2018. The $10.0 billion (3.6 percent) increase was driven by growth in residential mortgages, commercial loans, credit card loans and other retail loans, partially offset by a decrease in commercial real estate loans and the fourth quarter of 2018 sale of the majority of the Company's loans covered by FDIC loss-sharing agreements. Subsequent to the sale in the fourth quarter of 2018, any remaining covered loan balances were reclassified to their respective portfolio category. Average residential mortgages increased $5.9 billion (9.5 percent) as origination activity more than offset customers paying down balances. The $4.3 billion (4.4 percent) increase in average commercial loans was driven by higher demand for loans from new and existing customers. Average credit card balances increased $1.6 billion (7.6 percent) due to new and existing customer growth. The $910 million (1.6 percent) increase in average other retail loans was primarily due to higher installment, auto and retail leasing loans, partially offset by decreases in home equity loans and revolving credit balances. Average commercial real estate loans decreased $591 million (1.5 percent) in 2019, compared with 2018, due to new originations being more than offset by customers paying down balances and prudent credit underwriting, given the later stage of the business cycle.

TABLE 2 Analysis of Net Interest Income[(a)]

Year Ended December 31 (Dollars in Millions)	2019	2018	2017	2019 v 2018	2018 v 2017
Components of Net Interest Income					
Income on earning assets (taxable-equivalent basis)	$ 17,607	$ 16,298	$ 14,559	$ 1,309	$ 1,739
Expense on interest-bearing liabilities (taxable-equivalent basis)	4,452	3,263	1,974	1,189	1,289
Net interest income (taxable-equivalent basis)[(b)]	$ 13,155	$ 13,035	$ 12,585	$ 120	$ 450
Net interest income, as reported	$ 13,052	$ 12,919	$ 12,380	$ 133	$ 539
Average Yields and Rates Paid					
Earning assets yield (taxable-equivalent basis)	4.09%	3.93%	3.58%	.16%	.35%
Rate paid on interest-bearing liabilities (taxable-equivalent basis)	1.34	1.04	.65	.30	.39
Gross interest margin (taxable-equivalent basis)	2.75%	2.89%	2.93%	(.14)%	(.04)%
Net interest margin (taxable-equivalent basis)	3.06%	3.14%	3.10%	(.08)%	.04%
Average Balances					
Investment securities[(c)]	$117,150	$113,940	$111,820	$ 3,210	$ 2,120
Loans	290,686	280,701	276,537	9,985	4,164
Earning assets	430,537	415,067	406,421	15,470	8,646
Noninterest-bearing deposits	73,863	78,196	81,933	(4,333)	(3,737)
Interest-bearing deposits	272,949	255,266	251,581	17,683	3,685
Total deposits	346,812	333,462	333,514	13,350	(52)
Interest-bearing liabilities	332,658	314,506	302,204	18,152	12,302

(a) Interest and rates are presented on a fully taxable-equivalent basis based on federal income tax rates of 21 percent for 2019 and 2018, and 35 percent for 2017.

(b) See Non-GAAP Financial Measures beginning on page 62.

(c) Excludes unrealized gains and losses on available-for-sale investment securities and any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

Average investment securities in 2019 were $3.2 billion (2.8 percent) higher than in 2018, primarily due to purchases of mortgage-backed securities, net of prepayments and maturities.

Average total deposits for 2019 were $13.4 billion (4.0 percent) higher than 2018. Average total savings deposits for 2019 were $11.9 billion (5.5 percent) higher than 2018, driven by increases in Wealth Management and Investment Services, Corporate and Commercial Banking, and Consumer and Business Banking balances. Average time deposits for 2019 were $5.8 billion (14.9 percent) higher than 2018. The increase was primarily related to those deposits managed as an alternative to other funding sources, based largely on relative pricing and liquidity characteristics, in addition to the migration of consumer customer deposit balances to higher yielding products. Average noninterest-bearing deposits were $4.3 billion (5.5 percent) lower in 2019, compared with 2018, primarily due to the migration of balances to interest-bearing deposits and the continued deployment by customers of business deposits within Corporate and Commercial Banking.

TABLE 3 Net Interest Income — Changes Due to Rate and Volume[a]

Year Ended December 31 (Dollars in Millions)	2019 v 2018 Volume	2019 v 2018 Yield/Rate	2019 v 2018 Total	2018 v 2017 Volume	2018 v 2017 Yield/Rate	2018 v 2017 Total
Increase (decrease) in						
Interest Income						
Investment securities	$ 75	$ 201	$ 276	$ 44	$ 302	$ 346
Loans held for sale	28	(31)	(3)	(14)	35	21
Loans						
Commercial	167	267	434	96	568	664
Commercial real estate	(28)	66	38	(89)	182	93
Residential mortgages	224	54	278	115	71	186
Credit card	192	(57)	135	86	101	187
Other retail	40	176	216	30	164	194
Covered loans	(134)	—	(134)	(65)	24	(41)
Total loans	461	506	967	173	1,110	1,283
Other earning assets	27	42	69	34	55	89
Total earning assets	591	718	1,309	237	1,502	1,739
Interest Expense						
Interest-bearing deposits						
Interest checking	5	72	77	3	63	66
Money market savings	86	473	559	(29)	463	434
Savings accounts	2	53	55	1	23	24
Time deposits	87	208	295	41	263	304
Total interest-bearing deposits	180	806	986	16	812	828
Short-term borrowings	(65)	48	(17)	68	170	238
Long-term debt	111	109	220	41	182	223
Total interest-bearing liabilities	226	963	1,189	125	1,164	1,289
Increase (decrease) in net interest income	$ 365	$(245)	$ 120	$112	$ 338	$ 450

(a) This table shows the components of the change in net interest income by volume and rate on a taxable-equivalent basis based on federal income tax rates of 21 percent for 2019 and 2018, and 35 percent for 2017. This table does not take into account the level of noninterest-bearing funding, nor does it fully reflect changes in the mix of assets and liabilities. The change in interest not solely due to changes in volume or rates has been allocated on a pro-rata basis to volume and yield/rate.

Provision for Credit Losses The provision for credit losses reflects changes in the size and credit quality of the entire portfolio of loans. The Company maintains an allowance for credit losses considered appropriate by management for probable and estimable losses, based on factors discussed in the "Analysis and Determination of Allowance for Credit Losses" section.

In 2019, the provision for credit losses was $1.5 billion, compared with $1.4 billion in 2018. The provision for credit losses was higher than net charge-offs by $50 million and $25 million in 2019 and 2018, respectively. The increase in the allowance for credit losses during 2019 reflected loan portfolio growth. Net charge-offs increased $100 million (7.4 percent) in 2019, compared with 2018, primarily due to higher credit card, commercial and commercial real estate loan net charge-offs, partially offset by lower residential mortgage loan net charge-offs. Nonperforming assets decreased $160 million (16.2 percent) from December 31, 2018 to December 31, 2019, primarily driven by improvements in nonperforming residential mortgages, commercial real estate loans, other retail loans, and other real estate owned ("OREO").

Refer to "Corporate Risk Profile" for further information on the provision for credit losses, net charge-offs, nonperforming assets and other factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

TABLE 4 Noninterest Income

Year Ended December 31 (Dollars in Millions)	2019	2018	2017	2019 v 2018	2018 v 2017
Credit and debit card revenue	$1,413	$1,401	$1,289	.9%	8.7%
Corporate payment products revenue	664	644	575	3.1	12.0
Merchant processing services	1,601	1,531	1,486	4.6	3.0
Trust and investment management fees	1,673	1,619	1,522	3.3	6.4
Deposit service charges	909	1,070	1,035	(15.0)	3.4
Treasury management fees	578	594	618	(2.7)	(3.9)
Commercial products revenue	934	895	954	4.4	(6.2)
Mortgage banking revenue	874	720	834	21.4	(13.7)
Investment products fees	186	188	173	(1.1)	8.7
Securities gains (losses), net	73	30	57	*	(47.4)
Other	926	910	774	1.8	17.6
Total noninterest income	$9,831	$9,602	$9,317	2.4%	3.1%

* *Not meaningful.*

Noninterest Income Noninterest income in 2019 was $9.8 billion, compared with $9.6 billion in 2018. The $229 million (2.4 percent) increase in 2019 over 2018 reflected growth in mortgage banking revenue, payment services revenue, trust and investment management fees, commercial products revenue and other noninterest income, partially offset by a decline in deposit service charges. Mortgage banking revenue increased 21.4 percent in 2019, compared with 2018, driven by higher mortgage production and gain on sale margins, partially offset by changes in mortgage servicing rights ("MSRs") valuations, net of hedging activities. Payment services revenue was higher in 2019, compared with 2018, due to a 0.9 percent increase in credit and debit card revenue, a 3.1 percent increase in corporate payment products revenue and a 4.6 percent increase in merchant processing services revenue, all driven by higher sales volumes. Trust and investment management fees increased 3.3 percent due to business growth and favorable market conditions. Commercial products revenue increased 4.4 percent primarily due to higher corporate bond fees and trading revenue related to stronger capital markets activities. Other noninterest income increased 1.8 percent in 2019, compared with 2018, primarily due to higher transition services agreement revenue associated with the sale of the Company's ATM third-party servicing business in 2018, a 2019 gain on the sale of a loan portfolio and higher equity investment income, partially offset by a 2019 charge of $140 million for an increased derivative liability related to Visa shares previously sold by the Company and the 2018 net impact of the $340 million gain recorded from the sale of the ATM third-party servicing business and $264 million of asset impairment charges related to the sale of a majority of the Company's covered loans and certain other assets. The change in value of the derivative liability related to the Visa shares reflected judgement as to the estimated resolution date of the Visa litigation discussed in Note 22 of the Notes to Consolidated Financial Statements. Deposit service charges decreased 15.0 percent in 2019, compared with 2018, primarily due to the ATM third-party servicing business sale.

TABLE 5 Noninterest Expense

Year Ended December 31 (Dollars in Millions)	2019	2018	2017	2019 v 2018	2018 v 2017
Compensation	$ 6,325	$ 6,162	$ 5,746	2.6%	7.2%
Employee benefits	1,286	1,231	1,134	4.5	8.6
Net occupancy and equipment	1,123	1,063	1,019	5.6	4.3
Professional services	454	407	419	11.5	(2.9)
Marketing and business development	426	429	542	(.7)	(20.8)
Technology and communications	1,095	978	903	12.0	8.3
Postage, printing and supplies	290	324	323	(10.5)	.3
Other intangibles	168	161	175	4.3	(8.0)
Other	1,618	1,709	2,529	(5.3)	(32.4)
Total noninterest expense	$12,785	$12,464	$12,790	2.6%	(2.5)%
Efficiency ratio[(a)]	55.8%	55.1%	58.5%		

(a) See Non-GAAP Financial Measures beginning on page 62.

Noninterest Expense Noninterest expense in 2019 was $12.8 billion, compared with $12.5 billion in 2018. The Company's efficiency ratio was 55.8 percent in 2019, compared with 55.1 percent in 2018. The $321 million (2.6 percent) increase in noninterest expense in 2019 over 2018 reflected higher personnel expense, technology and communications expense, net occupancy and equipment expense, and professional services expense, partially offset by lower other noninterest expense. Compensation expense increased 2.6 percent in 2019 over 2018, principally due to the impact of hiring to support business growth, merit increases and higher variable compensation related to business production within mortgage banking, while employee benefits expense increased 4.5 percent primarily due to increased medical costs. Technology and communications expense increased 12.0 percent and net occupancy and equipment expense increased 5.6 percent, primarily to support business growth. Professional services expense increased 11.5 percent primarily due to business investments and enhancements to risk management programs. Other noninterest expense decreased 5.3 percent in 2019, compared with 2018, due to lower FDIC assessment costs driven by the elimination of the surcharge in late 2018, and lower costs related to tax-advantaged projects. These decreases in other noninterest expense were partially offset by the net impact of $200 million of severance charges and asset impairment accruals recorded in 2019, and $174 million of severance charges and legal matter accruals recorded in 2018.

Pension Plans Because of the long-term nature of pension plans, the related accounting is complex and can be impacted by several factors, including investment funding policies, accounting methods and actuarial assumptions.

The Company's pension accounting reflects the long-term nature of the benefit obligations and the investment horizon of plan assets. Amounts recorded in the financial statements reflect actuarial assumptions about participant benefits and plan asset returns. Changes in actuarial assumptions and differences in actual plan experience, compared with actuarial assumptions, are deferred and recognized in expense in future periods.

Pension expense is expected to increase by approximately $45 million in 2020 primarily due to a lower discount rate. Because of the complexity of forecasting pension plan activities, the accounting methods utilized for pension plans, the Company's ability to respond to factors affecting the plans and the hypothetical nature of actuarial assumptions, the actual pension expense increase may differ from the expected amount.

Refer to Note 16 of the Notes to the Consolidated Financial Statements for further information on the Company's pension plan funding practices, investment policies and asset allocation strategies, and accounting policies for pension plans.

The following table shows the effect of hypothetical changes in the discount rate and long-term rate of return ("LTROR") on the Company's expected 2020 pension expense:

Discount Rate (Dollars in Millions)	Down 100 Basis Points	Up 100 Basis Points
Incremental benefit (expense)	$ (92)	$ 77
Percent of 2019 net income	(.99)%	.83%
LTROR (Dollars in Millions)	Down 100 Basis Points	Up 100 Basis Points
Incremental benefit (expense)	$ (55)	$ 55
Percent of 2019 net income	(.59)%	.59%

Income Tax Expense The provision for income taxes was $1.6 billion (an effective rate of 19.2 percent) in 2019, compared with $1.6 billion (an effective rate of 17.9 percent) in 2018. In late 2017, tax reform was enacted that, among other provisions, reduced the federal statutory rate for corporations from 35 percent to 21 percent effective in 2018. The Company revalued its deferred tax assets and liabilities at December 31, 2017 resulting in the recording of a deferred tax benefit in the provision for income taxes in 2017. The 2018 provision for income taxes reflected the currently effective statutory rate and the favorable impact of deferred tax assets and liabilities adjustments related to tax reform estimates.

For further information on income taxes, refer to Note 18 of the Notes to Consolidated Financial Statements.

Balance Sheet Analysis

Average earning assets were $430.5 billion in 2019, compared with $415.1 billion in 2018. The increase in average earning assets of $15.4 billion (3.7 percent) was primarily due to increases in loans of $10.0 billion (3.6 percent), investment securities of $3.2 billion (2.8 percent) and other earning assets of $1.7 billion (10.1 percent).

For average balance information, refer to Consolidated Daily Average Balance Sheet and Related Yields and Rates on pages 144 and 145.

Loans The Company's loan portfolio was $296.1 billion at December 31, 2019, compared with $286.8 billion at December 31, 2018, an increase of $9.3 billion (3.2 percent). The increase was driven by increases in residential mortgages of $5.6 billion (8.5 percent), credit card loans of $1.4 billion (6.1 percent), commercial loans of $1.4 billion (1.4 percent), other retail loans of $688 million (1.2 percent) and commercial real estate loans of $207 million (0.5 percent). Table 6 provides a summary of the loan distribution by product type, while Table 12 provides a summary of the selected loan maturity distribution by loan category. Average total loans increased $10.0 billion (3.6 percent) in 2019, compared with 2018. The increase was due to growth in most loan portfolio categories in 2019.

Commercial Commercial loans, including lease financing, increased $1.4 billion (1.4 percent) at December 31, 2019, compared with December 31, 2018. Average commercial loans

increased $4.3 billion (4.4 percent) in 2019, compared with 2018. The growth was primarily driven by higher demand from new and existing customers. Table 7 provides a summary of commercial loans by industry and geographical location.

Commercial Real Estate The Company's portfolio of commercial real estate loans, which includes commercial mortgages and construction and development loans, increased $207 million (0.5 percent) at December 31, 2019, compared with December 31, 2018, primarily the result of new originations, partially offset by customers paying down balances. Average commercial real estate loans decreased $591 million (1.5 percent) in 2019, compared with 2018. Table 8 provides a summary of commercial real estate loans by property type and geographical location.

The Company reclassifies construction loans to the commercial mortgage category if permanent financing criteria are met. In 2019, approximately $493 million of construction loans were reclassified to the commercial mortgage category. At December 31, 2019 and 2018, $101 million and $130 million, respectively, of tax-exempt industrial development loans were secured by real estate. The Company's commercial mortgage and construction and development loans had unfunded commitments of $11.3 billion and $10.3 billion at December 31, 2019 and 2018, respectively.

The Company also finances the operations of real estate developers and other entities with operations related to real estate. These loans are not secured directly by real estate but have similar characteristics to commercial real estate loans. These loans were included in the commercial loan category and totaled $9.5 billion and $9.8 billion at December 31, 2019 and 2018, respectively.

TABLE 6 Loan Portfolio Distribution

	2019		2018		2017		2016		2015	
At December 31 (Dollars in Millions)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Commercial										
Commercial	$ 98,168	33.2%	$ 96,849	33.8%	$ 91,958	32.8%	$ 87,928	32.2%	$ 83,116	31.9%
Lease financing	5,695	1.9	5,595	1.9	5,603	2.0	5,458	2.0	5,286	2.0
Total commercial	103,863	35.1	102,444	35.7	97,561	34.8	93,386	34.2	88,402	33.9
Commercial Real Estate										
Commercial mortgages	29,404	9.9	28,596	10.0	29,367	10.5	31,592	11.6	31,773	12.2
Construction and development	10,342	3.5	10,943	3.8	11,096	4.0	11,506	4.2	10,364	3.9
Total commercial real estate	39,746	13.4	39,539	13.8	40,463	14.5	43,098	15.8	42,137	16.1
Residential Mortgages										
Residential mortgages	59,865	20.2	53,034	18.5	46,685	16.6	43,632	16.0	40,425	15.5
Home equity loans, first liens	10,721	3.6	12,000	4.2	13,098	4.7	13,642	5.0	13,071	5.0
Total residential mortgages	70,586	23.8	65,034	22.7	59,783	21.3	57,274	21.0	53,496	20.5
Credit Card	24,789	8.4	23,363	8.1	22,180	7.9	21,749	7.9	21,012	8.1
Other Retail										
Retail leasing	8,490	2.9	8,546	3.0	7,988	2.8	6,316	2.3	5,232	2.0
Home equity and second mortgages	15,036	5.1	16,122	5.6	16,327	5.8	16,369	6.0	16,384	6.3
Revolving credit	2,899	1.0	3,088	1.1	3,183	1.1	3,282	1.2	3,354	1.3
Installment	11,038	3.7	9,676	3.4	8,989	3.2	8,087	3.0	7,030	2.7
Automobile	19,435	6.5	18,719	6.5	18,934	6.8	17,571	6.4	16,587	6.3
Student	220	.1	279	.1	1,903	.7	2,239	.8	2,619	1.0
Total other retail	57,118	19.3	56,430	19.7	57,324	20.4	53,864	19.7	51,206	19.6
Covered Loans	—	—	—	—	3,121	1.1	3,836	1.4	4,596	1.8
Total loans	$296,102	100.0%	$286,810	100.0%	$280,432	100.0%	$273,207	100.0%	$260,849	100.0%

TABLE 7 Commercial Loans by Industry Group and Geography

At December 31 (Dollars in Millions)	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total
Industry Group				
Manufacturing	$ 14,889	14.3%	$ 15,064	14.7%
Real estate, rental and leasing	12,347	11.9	12,270	12.0
Finance and insurance	11,990	11.5	10,301	10.0
Wholesale trade	8,392	8.1	8,310	8.1
Retail trade	7,674	7.4	8,211	8.0
Healthcare and social assistance	5,229	5.0	5,769	5.6
Transport and storage	4,270	4.1	3,559	3.5
Public administration	4,263	4.1	4,773	4.7
Professional, scientific and technical services	3,928	3.8	3,358	3.3
Information	3,537	3.4	3,576	3.5
Arts, entertainment and recreation	3,239	3.1	4,089	4.0
Educational services	2,774	2.7	3,139	3.1
Utilities	2,134	2.1	2,760	2.7
Mining	2,126	2.0	1,636	1.6
Other services	1,714	1.7	1,691	1.6
Agriculture, forestry, fishing and hunting	1,162	1.1	1,235	1.2
Other	14,195	13.7	12,703	12.4
Total	$103,863	100.0%	$102,444	100.0%
Geography				
California	$ 12,432	12.0%	$ 13,507	13.2%
Colorado	4,025	3.9	4,071	4.0
Illinois	5,482	5.3	5,356	5.2
Minnesota	7,294	7.0	7,832	7.6
Missouri	3,875	3.7	3,274	3.2
Ohio	4,777	4.6	4,913	4.8
Oregon	1,986	1.9	2,135	2.1
Washington	3,910	3.8	3,672	3.6
Wisconsin	3,975	3.8	3,630	3.5
Iowa, Kansas, Nebraska, North Dakota, South Dakota	4,375	4.2	5,094	5.0
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	6,461	6.2	6,439	6.3
Idaho, Montana, Wyoming	1,010	1.0	1,114	1.1
Arizona, Nevada, New Mexico, Utah	4,194	4.0	4,183	4.1
Total banking region	63,796	61.4	65,220	63.7
Florida, Michigan, New York, Pennsylvania, Texas	20,869	20.1	18,031	17.6
All other states	19,198	18.5	19,193	18.7
Total outside Company's banking region	40,067	38.6	37,224	36.3
Total	$103,863	100.0%	$102,444	100.0%

Residential Mortgages Residential mortgages held in the loan portfolio at December 31, 2019, increased $5.6 billion (8.5 percent) over December 31, 2018, as origination activity more than offset the effect of customers paying down balances during 2019. Average residential mortgages increased $5.9 billion (9.5 percent) in 2019, compared with 2018. Residential mortgages originated and placed in the Company's loan portfolio include well-secured jumbo mortgages and branch-originated first lien home equity loans to borrowers with high credit quality.

Credit Card Total credit card loans increased $1.4 billion (6.1 percent) at December 31, 2019, compared with December 31, 2018, reflecting new and existing customer growth during the year. Average credit card balances increased $1.6 billion (7.6 percent) in 2019, compared with 2018.

TABLE 8 Commercial Real Estate Loans by Property Type and Geography

At December 31 (Dollars in Millions)	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total
Property Type				
Business owner occupied	$ 9,111	22.9%	$ 9,769	24.7%
Commercial property				
Industrial	2,650	6.7	1,695	4.3
Office	5,783	14.5	5,351	13.5
Retail	3,947	9.9	4,150	10.5
Other commercial	3,542	8.9	3,399	8.6
Multi-family	8,260	20.8	8,592	21.7
Hotel/motel	3,154	7.9	3,520	8.9
Residential homebuilders	3,040	7.7	2,764	7.0
Healthcare facilities	259	.7	299	.8
Total	$39,746	100.0%	$39,539	100.0%
Geography				
California	$ 9,980	25.1%	$ 9,784	24.7%
Colorado	1,649	4.1	1,883	4.8
Illinois	1,379	3.5	1,484	3.8
Minnesota	1,927	4.9	1,896	4.8
Missouri	1,114	2.8	1,157	2.9
Ohio	1,235	3.1	1,278	3.2
Oregon	1,735	4.4	1,718	4.4
Washington	3,505	8.8	3,383	8.6
Wisconsin	1,713	4.3	1,892	4.8
Iowa, Kansas, Nebraska, North Dakota, South Dakota	2,049	5.2	2,085	5.3
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	2,828	7.1	2,742	6.9
Idaho, Montana, Wyoming	1,004	2.5	962	2.4
Arizona, Nevada, New Mexico, Utah	3,056	7.7	3,130	7.9
Total banking region	33,174	83.5	33,394	84.5
Florida, Michigan, New York, Pennsylvania, Texas	3,892	9.8	3,613	9.1
All other states	2,680	6.7	2,532	6.4
Total outside Company's banking region	6,572	16.5	6,145	15.5
Total	$39,746	100.0%	$39,539	100.0%

Other Retail Total other retail loans, which include retail leasing, home equity and second mortgages and other retail loans, increased $688 million (1.2 percent) at December 31, 2019, compared with December 31, 2018, reflecting increases in installment loans and auto loans, partially offset by decreases in home equity loans and revolving credit balances. Average other retail loans increased $910 million (1.6 percent) in 2019, compared with 2018. Of the total residential mortgages, credit card and other retail loans outstanding at December 31, 2019, approximately 73.2 percent were to customers located in the Company's primary banking region, compared with 74.0 percent at December 31, 2018. Tables 9, 10 and 11 provide a geographic summary of residential mortgages, credit card loans and other retail loans outstanding, respectively, as of December 31, 2019 and 2018.

TABLE 9 Residential Mortgages by Geography

At December 31 (Dollars in Millions)	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total
California	$22,945	32.5%	$20,176	31.0%
Colorado	3,864	5.5	3,586	5.5
Illinois	3,488	4.9	3,301	5.1
Minnesota	4,359	6.2	4,322	6.6
Missouri	1,704	2.4	1,710	2.6
Ohio	2,017	2.9	2,062	3.2
Oregon	2,485	3.5	2,427	3.7
Washington	4,075	5.8	3,702	5.7
Wisconsin	1,503	2.1	1,527	2.3
Iowa, Kansas, Nebraska, North Dakota, South Dakota	1,970	2.8	2,055	3.2
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	3,921	5.6	3,804	5.9
Idaho, Montana, Wyoming	1,354	1.9	1,326	2.0
Arizona, Nevada, New Mexico, Utah	5,229	7.4	4,851	7.5
Total banking region	58,914	83.5	54,849	84.3
Florida, Michigan, New York, Pennsylvania, Texas	5,162	7.3	4,744	7.3
All other states	6,510	9.2	5,441	8.4
Total outside Company's banking region	11,672	16.5	10,185	15.7
Total	$70,586	100.0%	$65,034	100.0%

TABLE 10 Credit Card Loans by Geography

At December 31 (Dollars in Millions)	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total
California	$ 2,550	10.3%	$ 2,399	10.3%
Colorado	854	3.4	808	3.5
Illinois	1,257	5.1	1,176	5.0
Minnesota	1,305	5.3	1,275	5.5
Missouri	787	3.2	758	3.2
Ohio	1,272	5.1	1,215	5.2
Oregon	710	2.9	684	2.9
Washington	903	3.6	877	3.8
Wisconsin	1,043	4.2	1,017	4.3
Iowa, Kansas, Nebraska, North Dakota, South Dakota	1,122	4.5	1,100	4.7
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	2,106	8.5	1,985	8.5
Idaho, Montana, Wyoming	395	1.6	384	1.6
Arizona, Nevada, New Mexico, Utah	1,286	5.2	1,183	5.1
Total banking region	15,590	62.9	14,861	63.6
Florida, Michigan, New York, Pennsylvania, Texas	4,763	19.2	4,440	19.0
All other states	4,436	17.9	4,062	17.4
Total outside Company's banking region	9,199	37.1	8,502	36.4
Total	$24,789	100.0%	$23,363	100.0%

TABLE 11 Other Retail Loans by Geography

At December 31 (Dollars in Millions)	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total
California	$ 9,596	16.8%	$ 9,826	17.4%
Colorado	2,015	3.5	2,079	3.7
Illinois	2,772	4.8	2,938	5.2
Minnesota	3,147	5.5	3,298	5.8
Missouri	1,820	3.2	1,961	3.5
Ohio	2,594	4.5	2,626	4.7
Oregon	1,530	2.7	1,530	2.7
Washington	1,810	3.2	1,755	3.1
Wisconsin	1,289	2.3	1,350	2.4
Iowa, Kansas, Nebraska, North Dakota, South Dakota	2,320	4.1	2,343	4.2
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	3,927	6.9	3,797	6.7
Idaho, Montana, Wyoming	1,090	1.9	1,043	1.8
Arizona, Nevada, New Mexico, Utah	3,144	5.5	2,976	5.3
Total banking region	37,054	64.9	37,522	66.5
Florida, Michigan, New York, Pennsylvania, Texas	12,564	22.0	11,752	20.8
All other states	7,500	13.1	7,156	12.7
Total outside Company's banking region	20,064	35.1	18,908	33.5
Total	$57,118	100.0%	$56,430	100.0%

TABLE 12 Selected Loan Maturity Distribution

At December 31, 2019 (Dollars in Millions)	One Year or Less	Over One Through Five Years	Over Five Years	Total
Commercial	$40,211	$ 59,926	$ 3,726	$103,863
Commercial real estate	10,322	22,028	7,396	39,746
Residential mortgages	2,490	9,041	59,055	70,586
Credit card	24,789	—	—	24,789
Other retail	10,830	24,741	21,547	57,118
Total loans	$88,642	$115,736	$91,724	$296,102
Total of loans due after one year with				
Predetermined interest rates				$ 97,933
Floating interest rates				$109,527

The Company generally retains portfolio loans through maturity; however, the Company's intent may change over time based upon various factors such as ongoing asset/liability management activities, assessment of product profitability, credit risk, liquidity needs, and capital implications. If the Company's intent or ability to hold an existing portfolio loan changes, it is transferred to loans held for sale.

Loans Held for Sale Loans held for sale, consisting primarily of residential mortgages to be sold in the secondary market, were $5.6 billion at December 31, 2019, compared with $2.1 billion at December 31, 2018. The increase in loans held for sale was principally due to a higher level of mortgage loan closings in late 2019, compared with the same period of 2018, reflecting the impact of declining interest rates. Almost all of the residential mortgage loans the Company originates or purchases for sale follow guidelines that allow the loans to be sold into existing, highly liquid secondary markets; in particular in government agency transactions and to government sponsored enterprises ("GSEs").

TABLE 13 Investment Securities

At December 31 (Dollars in Millions)	2019 Amortized Cost	2019 Fair Value	2019 Weighted-Average Maturity in Years	2019 Weighted-Average Yield[e]	2018 Amortized Cost	2018 Fair Value	2018 Weighted-Average Maturity in Years	2018 Weighted-Average Yield[e]
U.S. Treasury and agencies	$ 19,845	$ 19,839	2.7	1.68%	$ 24,706	$ 24,218	3.0	1.77%
Mortgage-backed securities[a]	95,385	95,564	4.4	2.39	81,464	79,725	5.6	2.60
Asset-backed securities[a]	375	383	3.1	3.09	402	411	3.5	3.69
Obligations of state and political subdivisions[b][c]	6,499	6,814	6.6	4.29	6,842	6,708	10.4	4.35
Other	13	13	.3	2.66	17	17	1.0	3.52
Total investment securities[d]	$122,117	$122,613	4.2	2.38%	$113,431	$111,079	5.3	2.52%

(a) Information related to asset and mortgage-backed securities included above is presented based upon weighted-average maturities that take into account anticipated future prepayments.

(b) Information related to obligations of state and political subdivisions is presented based upon yield to first optional call date if the security is purchased at a premium, and yield to maturity if the security is purchased at par or a discount.

(c) Maturity calculations for obligations of state and political subdivisions are based on the first optional call date for securities with a fair value above par and the contractual maturity date for securities with a fair value equal to or below par.

(d) At December 31, 2019, all investment securities were classified as available-for-sale. At December 31, 2018, total investment securities included held-to-maturity investment securities with a total amortized cost and fair value of $46.0 billion and $45.0 billion, respectively, and available-for-sale investment securities with a total amortized cost and fair value of $67.4 billion and $66.1 billion, respectively. Held-to-maturity investment securities are carried at historical cost, adjusted for amortization of premiums and accretion of discounts. Available-for-sale investment securities are carried at fair value with unrealized net gains or losses reported within accumulated other comprehensive income (loss) in shareholders' equity.

(e) Weighted-average yields for obligations of state and political subdivisions are presented on a fully-taxable equivalent basis based on a federal income tax rate of 21 percent. Yields on investment securities are computed based on amortized cost balances, excluding any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

Investment Securities The Company uses its investment securities portfolio to manage interest rate risk, provide liquidity (including the ability to meet regulatory requirements), generate interest and dividend income, and as collateral for public deposits and wholesale funding sources. While the Company intends to hold its investment securities indefinitely, it may sell available-for-sale securities in response to structural changes in the balance sheet and related interest rate risk and to meet liquidity requirements, among other factors.

Investment securities totaled $122.6 billion at December 31, 2019, compared with $112.2 billion at December 31, 2018. The $10.4 billion (9.3 percent) increase reflected $8.7 billion of net investment purchases and a $1.8 billion favorable change in net unrealized gains (losses) on available-for-sale investment securities. On December 31, 2019, the Company transferred all $43.6 billion of its held-to-maturity investment securities to the available-for-sale category to reflect its new intent for these securities, as a result of changes to regulatory capital requirements promulgated in 2019.

Average investment securities were $117.2 billion in 2019, compared with $113.9 billion in 2018. The weighted-average yield of the investment securities portfolio was 2.38 percent at December 31, 2019, compared with 2.52 percent at December 31, 2018. The weighted-average maturity of the investment securities portfolio was 4.2 years at December 31, 2019, compared with 5.3 years at December 31, 2018. Investment securities by type are shown in Table 13.

The Company's available-for-sale securities are carried at fair value with changes in fair value reflected in other comprehensive income (loss) unless a security is deemed to be other-than-temporarily impaired. At December 31, 2019, the Company's net unrealized gains on available-for-sale securities were $496 million, compared with $1.3 billion of net unrealized losses at December 31, 2018. The favorable change in net unrealized gains (losses) was primarily due to increases in the fair value of U.S. Treasury, mortgage-backed and state and political securities as a result of changes in interest rates. Gross unrealized losses on available-for-sale securities totaled $448 million at December 31, 2019, compared with $1.4 billion at December 31, 2018. The Company conducts a regular assessment of its investment portfolio to determine whether any securities are other-than-temporarily impaired. When assessing unrealized losses for other-than-temporary impairment, the Company considers the nature of the investment, the financial condition of the issuer, the extent and duration of unrealized losses, expected cash flows of underlying assets and market conditions. At December 31, 2019, the Company had no plans to sell securities with unrealized losses, and believes it is more likely than not that it would not be required to sell such securities before recovery of their amortized cost.

Refer to Notes 4 and 21 in the Notes to Consolidated Financial Statements for further information on investment securities.

TABLE 14 Deposits

The composition of deposits was as follows:

At December 31 (Dollars in Millions)	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total	2015 Amount	2015 Percent of Total
Noninterest-bearing deposits	$ 75,590	20.9%	$ 81,811	23.7%	$ 87,557	25.2%	$ 86,097	25.7%	$ 83,766	27.9%
Interest-bearing deposits										
Interest checking	75,949	21.0	73,994	21.4	74,520	21.5	66,298	19.8	59,169	19.7
Money market savings	120,082	33.2	100,396	29.1	107,973	31.1	109,947	32.9	86,159	28.7
Savings accounts	47,401	13.1	44,720	12.9	43,809	12.6	41,783	12.5	38,468	12.8
Total savings deposits	243,432	67.3	219,110	63.4	226,302	65.2	218,028	65.2	183,796	61.2
Time deposits less than $100,000	10,624	2.9	7,422	2.1	7,315	2.1	8,040	2.4	9,050	3.0
Time deposits greater than $100,000										
Domestic	13,077	3.6	19,958	5.8	10,792	3.1	7,230	2.2	7,272	2.4
Foreign	19,193	5.3	17,174	5.0	15,249	4.4	15,195	4.5	16,516	5.5
Total interest-bearing deposits	286,326	79.1	263,664	76.3	259,658	74.8	248,493	74.3	216,634	72.1
Total deposits	$361,916	100.0%	$345,475	100.0%	$347,215	100.0%	$334,590	100.0%	$300,400	100.0%

The maturity of time deposits was as follows:

At December 31, 2019 (Dollars in Millions)	Time Deposits Less Than $100,000	Time Deposits Greater Than $100,000 Domestic	Time Deposits Greater Than $100,000 Foreign	Total
Three months or less	$ 3,807	$ 5,020	$19,158	$27,985
Three months through six months	2,019	2,958	34	5,011
Six months through one year	2,065	2,669	1	4,735
Thereafter	2,733	2,430	—	5,163
Total	$10,624	$13,077	$19,193	$42,894

Deposits Total deposits were $361.9 billion at December 31, 2019, compared with $345.5 billion at December 31, 2018. The $16.4 billion (4.8 percent) increase in total deposits reflected an increase in total savings deposits, partially offset by decreases in noninterest-bearing and time deposits. Average total deposits in 2019 increased $13.4 billion (4.0 percent) over 2018.

Interest-bearing savings deposits increased $24.3 billion (11.1 percent) at December 31, 2019, compared with December 31, 2018. The increase was related to higher money market, savings account and interest checking account deposit balances. Money market deposit balances increased $19.7 billion (19.6 percent), primarily due to higher Wealth Management and Investment Services, and Corporate and Commercial Banking balances. Savings account balances increased $2.7 billion (6.0 percent), primarily due to higher Consumer and Business Banking balances. Interest checking balances increased $2.0 billion (2.6 percent) primarily due to higher Consumer and Business Banking, and Corporate and Commercial Banking balances, partially offset by lower Wealth Management and Investment Services balances. Average interest-bearing savings deposits in 2019 increased $11.9 billion (5.5 percent), compared with 2018, reflecting higher Wealth Management and Investment Services, Corporate and Commercial Banking, and Consumer and Business Banking balances.

Noninterest-bearing deposits at December 31, 2019, decreased $6.2 billion (7.6 percent) from December 31, 2018. Average noninterest-bearing deposits decreased $4.3 billion (5.5 percent) in 2019, compared with 2018. The decreases were primarily due to lower Wealth Management and Investment Services, and Corporate and Commercial Banking balances, resulting primarily from balance migration to interest-bearing deposits and continued deployment of deposits by customers.

Interest-bearing time deposits at December 31, 2019, decreased $1.7 billion (3.7 percent), compared with December 31, 2018. Average time deposits increased $5.8 billion (14.9 percent) in 2019, compared with 2018. The changes were primarily driven by those deposits managed as an alternative to other funding sources, based largely on relative pricing and liquidity characteristics, as well as the migration of consumer customer deposit balances to higher yielding products.

Borrowings The Company utilizes both short-term and long-term borrowings as part of its asset/liability management and funding strategies. Short-term borrowings, which include federal funds purchased, commercial paper, repurchase agreements, borrowings secured by high-grade assets and other short-term borrowings, were $23.7 billion at December 31, 2019, compared with $14.1 billion at December 31, 2018. The $9.6 billion (67.8 percent) increase in short-term borrowings was primarily due to higher commercial paper, federal funds purchased and other short-term borrowings balances, partially offset by lower repurchase agreement balances.

Long-term debt was $40.2 billion at December 31, 2019, compared with $41.3 billion at December 31, 2018. The $1.1 billion (2.8 percent) decrease was primarily due to $8.0 billion of bank note repayments and maturities, and $1.5 billion of medium-term note repayments, partially offset by

issuances of $4.8 billion of bank notes, $2.7 billion of medium-term notes and $1.0 billion of subordinated notes.

Refer to Notes 12 and 13 of the Notes to Consolidated Financial Statements for additional information regarding short-term borrowings and long-term debt, and the "Liquidity Risk Management" section for discussion of liquidity management of the Company.

Corporate Risk Profile

Overview Managing risks is an essential part of successfully operating a financial services company. The Company's Board of Directors has approved a risk management framework which establishes governance and risk management requirements for all risk-taking activities. This framework includes Company and business line risk appetite statements which set boundaries for the types and amount of risk that may be undertaken in pursuing business objectives and initiatives. The Board of Directors, primarily through its Risk Management Committee, oversees performance relative to the risk management framework, risk appetite statements, and other policy requirements.

The Executive Risk Committee ("ERC"), which is chaired by the Chief Risk Officer and includes the Chief Executive Officer and other members of the executive management team, oversees execution against the risk management framework and risk appetite statements. The ERC focuses on current and emerging risks, including strategic and reputation risks, by directing timely and comprehensive actions. Senior operating committees have also been established, each responsible for overseeing a specified category of risk.

The Company's most prominent risk exposures are credit, interest rate, market, liquidity, operational, compliance, strategic, and reputation. 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 ("MLHFS"), MSRs 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 serving existing customer relationships. In addition to the risks identified above, other risk factors exist that may impact the Company. Refer to "Risk Factors" beginning on page 146, for a detailed discussion of these factors.

The Company's Board and management-level governance committees are supported by a "three lines of defense" model for establishing effective checks and balances. The first line of defense, the business lines, manages risks in conformity with established limits and policy requirements. In turn, business line leaders and their risk officers establish programs to ensure conformity with these limits and policy requirements. The second line of defense, which includes the Chief Risk Officer's organization as well as policy and oversight activities of corporate support functions, translates risk appetite and strategy into actionable risk limits and policies. The second line of defense monitors first line of defense conformity with limits and policies, and provides reporting and escalation of emerging risks and other concerns to senior management and the Risk Management Committee of the Board of Directors. The third line of defense, internal audit, is responsible for providing the Audit Committee of the Board of Directors and senior management with independent assessment and assurance regarding the effectiveness of the Company's governance, risk management and control processes.

Management regularly provides reports to the Risk Management Committee of the Board of Directors. The Risk Management Committee discusses with management the Company's risk management performance, and provides a summary of key risks to the entire Board of Directors, covering the status of existing matters, areas of potential future concern and specific information on certain types of loss events. The Risk Management Committee considers quarterly reports by management assessing the Company's performance relative to the risk appetite statements and the associated risk limits, including:

- Macroeconomic environment and other qualitative considerations, such as regulatory and compliance changes, litigation developments, and technology and cybersecurity;
- Credit measures, including adversely rated and nonperforming loans, leveraged transactions, credit concentrations and lending limits;
- Interest rate and market risk, including market value and net income simulation, and trading-related Value at Risk ("VaR");
- Liquidity risk, including funding projections under various stressed scenarios;
- Operational and compliance risk, including losses stemming from events such as fraud, processing errors, control breaches, breaches in data security or adverse business decisions, as well as reporting on technology performance, and various legal and regulatory compliance measures;

– Capital ratios and projections, including regulatory measures and stressed scenarios; and
– Strategic and reputation risk considerations, impacts and responses.

Credit Risk Management The Company's strategy for credit risk management includes well-defined, centralized credit policies, uniform underwriting criteria, and ongoing risk monitoring and review processes for all commercial and consumer credit exposures. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit examinations and management reviews of loans exhibiting deterioration of credit quality. The Risk Management Committee oversees the Company's credit risk management process.

In addition, credit quality ratings as defined by the Company, are an important part of the Company's overall credit risk management and evaluation of its allowance for credit losses. Loans with a pass rating represent those loans not classified on the Company's rating scale for problem credits, as minimal risk has been identified. Loans with a special mention or classified rating, including loans that are 90 days or more past due and still accruing, nonaccrual loans, those loans considered troubled debt restructurings ("TDRs"), and loans in a junior lien position that are current but are behind a modified or delinquent loan in a first lien position, encompass all loans held by the Company that it considers to have a potential or well-defined weakness that may put full collection of contractual cash flows at risk. The Company's internal credit quality ratings for consumer loans are primarily based on delinquency and nonperforming status, except for a limited population of larger loans within those portfolios that are individually evaluated. For this limited population, the determination of the internal credit quality rating may also consider collateral value and customer cash flows. The Company strives to identify potential problem loans early, record any necessary charge-offs promptly and maintain appropriate allowance levels for probable loan losses. Refer to Notes 1 and 5 in the Notes to Consolidated Financial Statements for further discussion of the Company's loan portfolios including internal credit quality ratings.

The Company categorizes its loan portfolio into two segments, which is the level at which it develops and documents a systematic methodology to determine the allowance for credit losses. The Company's two loan portfolio segments are commercial lending and consumer lending.

The commercial lending segment includes loans and leases made to small business, middle market, large corporate, commercial real estate, financial institution, non-profit and public sector customers. Key risk characteristics relevant to commercial lending segment loans include the industry and geography of the borrower's business, purpose of the loan, repayment source, borrower's debt capacity and financial flexibility, loan covenants, and nature of pledged collateral, if any. These risk characteristics, among others, are considered in determining estimates about the likelihood of default by the borrowers and the severity of loss in the event of default. The Company considers these risk characteristics in assigning internal risk ratings to, or forecasting losses on, these loans, which are the significant factors in determining the allowance for credit losses for loans in the commercial lending segment.

The consumer lending segment represents loans and leases made to consumer customers, including residential mortgages, credit card loans, and other retail loans such as revolving consumer lines, auto loans and leases, home equity loans and lines, and student loans, a run-off portfolio. Home equity or second mortgage loans are junior lien closed-end accounts fully disbursed at origination. These loans typically are fixed rate loans, secured by residential real estate, with a 10- or 15-year fixed payment amortization schedule. Home equity lines are revolving accounts giving the borrower the ability to draw and repay balances repeatedly, up to a maximum commitment, and are secured by residential real estate. These include accounts in either a first or junior lien position. Typical terms on home equity lines in the portfolio are variable rates benchmarked to the prime rate, with a 10- or 15-year draw period during which a minimum payment is equivalent to the monthly interest, followed by a 20- or 10-year amortization period, respectively. At December 31, 2019, substantially all of the Company's home equity lines were in the draw period. Approximately $1.3 billion, or 10 percent, of the outstanding home equity line balances at December 31, 2019, will enter the amortization period within the next 36 months. Key risk characteristics relevant to consumer lending segment loans primarily relate to the borrowers' capacity and willingness to repay and include unemployment rates and other economic factors, customer payment history and credit scores, and in some cases, updated loan-to-value ("LTV") information reflecting current market conditions on real estate-based loans. These risk characteristics, among others, are reflected in forecasts of delinquency levels, bankruptcies and losses which are the primary factors in determining the allowance for credit losses for the consumer lending segment.

The Company further disaggregates its loan portfolio segments into various classes based on their underlying risk characteristics. The two classes within the commercial lending segment are commercial loans and commercial real estate loans. The three classes within the consumer lending segment are residential mortgages, credit card loans and other retail loans.

Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments. The Company also engages in non-lending activities that may give rise to credit risk, including derivative transactions for balance sheet hedging purposes, foreign exchange transactions, deposit overdrafts and interest rate contracts for customers, investments in securities and other financial assets, and settlement risk, including Automated Clearing House transactions and the processing of credit card transactions for merchants. These activities are subject to credit review, analysis and approval processes.

Economic and Other Factors In evaluating its credit risk, the Company considers changes, if any, in underwriting activities, the

loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), collateral values, trends in loan performance and macroeconomic factors, such as changes in unemployment rates, gross domestic product and consumer bankruptcy filings, as well as the potential impact on customers and the domestic economy resulting from new tariffs or increases in existing tariffs.

During 2019, domestic economic conditions continued to be favorable as evidenced by overall growth and a strong labor market with the lowest unemployment rate in decades, despite the challenging headwinds created by trade conflict and slowing global growth. The domestic economy has experienced moderate productivity growth over the past few years supported by strong consumer spending, although business investment remains muted due to weak foreign growth and domestic trade policies. In an effort to reduce the impact of these risks to the domestic economy, the Federal Reserve Bank decreased short-term interest rates during 2019. Although the domestic economy is expected to grow at a modest pace in the next year, supported by strong consumer confidence and a healthy job market, uncertainty remains of the impact resulting from new tariffs, increases in existing tariffs, or future changes in interest rates or other domestic economic or trade policies. Current or anticipated changes to these policies that lessen their expansionary effect on the domestic economy could slow or further slow the expansion of the domestic and global economies.

Credit Diversification The Company manages its credit risk, in part, through diversification of its loan portfolio which is achieved through limit setting by product type criteria, such as industry, and identification of credit concentrations. As part of its normal business activities, the Company offers a broad array of traditional commercial lending products and specialized products such as asset-based lending, commercial lease financing, agricultural credit, warehouse mortgage lending, small business lending, commercial real estate lending, health care lending and correspondent banking financing. The Company also offers an array of consumer lending products, including residential mortgages, credit card loans, auto loans, retail leases, home equity loans and lines, revolving credit arrangements and other consumer loans. These consumer lending products are primarily offered through the branch office network, home mortgage and loan production offices, mobile and on-line banking, and indirect distribution channels, such as auto dealers. The Company monitors and manages the portfolio diversification by industry, customer and geography. Table 6 provides information with respect to the overall product diversification and changes in the mix during 2019.

The commercial loan class is diversified among various industries with higher concentrations in manufacturing, finance and insurance, wholesale trade, retail trade, and real estate, rental and leasing. Additionally, the commercial loan class is diversified across the Company's geographical markets with 61.4 percent of total commercial loans within the Company's Consumer and Business Banking region. Credit relationships outside of the Company's Consumer and Business Banking region relate to the corporate banking, mortgage banking, auto dealer and leasing businesses, focusing on large national customers and specifically targeted industries, such as healthcare, utilities, energy and public administration. Loans to mortgage banking customers are primarily warehouse lines which are collateralized with the underlying mortgages. The Company regularly monitors its mortgage collateral position to manage its risk exposure. Table 7 provides a summary of significant industry groups and geographical locations of commercial loans outstanding at December 31, 2019 and 2018.

The commercial real estate loan class reflects the Company's focus on serving business owners within its geographic footprint as well as regional and national investment-based real estate owners and builders. Within the commercial real estate loan class, different property types have varying degrees of credit risk. Table 8 provides a summary of the significant property types and geographical locations of commercial real estate loans outstanding at December 31, 2019 and 2018. At December 31, 2019, approximately 22.9 percent of the commercial real estate loans represented business owner-occupied properties that tend to exhibit less credit risk than non owner-occupied properties. The investment-based real estate mortgages are diversified among various property types with somewhat higher concentrations in multi-family, office and retail properties. From a geographical perspective, the Company's commercial real estate loan class is generally well diversified. However, at December 31, 2019, 25.1 percent of the Company's commercial real estate loans were secured by collateral in California, which has historically experienced higher credit quality deterioration in recessionary periods due to excess inventory levels and declining valuations. Included in commercial real estate at year-end 2019 was approximately $407 million in loans related to land held for development and $433 million of loans related to residential and commercial acquisition and development properties. These loans are subject to quarterly monitoring for changes in local market conditions due to a higher credit risk profile. The commercial real estate loan class is diversified across the Company's geographical markets with 83.5 percent of total commercial real estate loans outstanding at December 31, 2019, within the Company's Consumer and Business Banking region.

The Company's consumer lending segment utilizes several distinct business processes and channels to originate consumer credit, including traditional branch lending, mobile and on-line banking, indirect lending, correspondent banks and loan brokers. Each distinct underwriting and origination activity manages unique credit risk characteristics and prices its loan production commensurate with the differing risk profiles.

Residential mortgage originations are generally limited to prime borrowers and are performed through the Company's branches, loan production offices, mobile and on-line services, and a wholesale network of originators. The Company may retain residential mortgage loans it originates on its balance sheet or sell the loans into the secondary market while retaining the servicing rights and customer relationships. Utilizing the secondary markets enables the Company to effectively reduce its credit and other

asset/liability risks. For residential mortgages that are retained in the Company's portfolio and for home equity and second mortgages, credit risk is also diversified by geography and managed by adherence to LTV and borrower credit criteria during the underwriting process.

The Company estimates updated LTV information on its outstanding residential mortgages quarterly, based on a method that combines automated valuation model updates and relevant home price indices. LTV is the ratio of the loan's outstanding principal balance to the current estimate of property value. For home equity and second mortgages, combined loan-to-value ("CLTV") is the combination of the first mortgage original principal balance and the second lien outstanding principal balance, relative to the current estimate of property value. Certain loans do not have a LTV or CLTV, primarily due to lack of availability of relevant automated valuation model and/or home price indices values, or lack of necessary valuation data on acquired loans.

The following tables provide summary information of residential mortgages and home equity and second mortgages by LTV and borrower type at December 31, 2019:

Residential Mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	$2,536	$57,774	$60,310	85.5%
Over 80% through 90%	12	5,942	5,954	8.4
Over 90% through 100%	1	719	720	1.0
Over 100%	–	189	189	.3
No LTV available	–	27	27	–
Loans purchased from GNMA mortgage pools[(a)]	–	3,386	3,386	4.8
Total	$2,549	$68,037	$70,586	100.0%
Borrower Type				
Prime borrowers	$2,549	$64,048	$66,597	94.3%
Sub-prime borrowers	–	603	603	.9
Loans purchased from GNMA mortgage pools[(a)]	–	3,386	3,386	4.8
Total	$2,549	$68,037	$70,586	100.0%

(a) Represents loans purchased from Government National Mortgage Association ("GNMA") mortgage pools whose payments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

Home Equity and Second Mortgages (Dollars in Millions)	Lines	Loans	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	$11,124	$ 937	$12,061	80.2%
Over 80% through 90%	1,653	679	2,332	15.5
Over 90% through 100%	328	61	389	2.6
Over 100%	120	10	130	.9
No LTV/CLTV available	118	6	124	.8
Total	$13,343	$1,693	$15,036	100.0%
Borrower Type				
Prime borrowers	$13,309	$1,655	$14,964	99.5%
Sub-prime borrowers	34	38	72	.5
Total	$13,343	$1,693	$15,036	100.0%

Home equity and second mortgages were $15.0 billion at December 31, 2019, compared with $16.1 billion at December 31, 2018, and included $3.8 billion of home equity lines in a first lien position and $11.2 billion of home equity and second mortgage loans and lines in a junior lien position. Loans and lines in a junior lien position at December 31, 2019, included approximately $4.5 billion of loans and lines for which the Company also serviced the related first lien loan, and approximately $6.7 billion where the Company did not service the related first lien loan. The Company was able to determine the status of the related first liens using information the Company has as the servicer of the first lien or information reported on customer credit bureau files. The Company also evaluates other indicators of credit risk for these junior lien loans and lines, including delinquency, estimated average CLTV ratios and updated weighted-average credit scores in making its assessment of credit risk, related loss estimates and determining the allowance for credit losses.

The following table provides a summary of delinquency statistics and other credit quality indicators for the Company's junior lien positions at December 31, 2019:

	Junior Liens Behind		
(Dollars in Millions)	Company Owned or Serviced First Lien	Third Party First Lien	Total
Total	$4,514	$6,709	$11,223
Percent 30 - 89 days past due	.30%	.53%	.44%
Percent 90 days or more past due	.06%	.07%	.06%
Weighted-average CLTV	69%	66%	67%
Weighted-average credit score	780	776	778

See the "Analysis and Determination of the Allowance for Credit Losses" section for additional information on how the Company determines the allowance for credit losses for loans in a junior lien position.

Credit card and other retail loans are diversified across customer segments and geographies. Diversification in the credit card portfolio is achieved with broad customer relationship distribution through the Company's and financial institution partners' branches, retail and affinity partners, and digital channels.

Tables 9, 10 and 11 provide a geographical summary of the residential mortgage, credit card and other retail loan portfolios, respectively.

Loan Delinquencies Trends in delinquency ratios are an indicator, among other considerations, of credit risk within the Company's loan portfolios. The entire balance of a loan account is considered delinquent if the minimum payment contractually required to be made is not received by the date specified on the billing statement. The Company measures delinquencies, both including and excluding nonperforming loans, to enable comparability with other companies. Delinquent loans purchased from Government National Mortgage Association ("GNMA") mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of

TABLE 15 Delinquent Loan Ratios as a Percent of Ending Loan Balances

At December 31 90 days or more past due **excluding** nonperforming loans	2019	2018	2017	2016	2015
Commercial					
Commercial	.08%	.07%	.06%	.06%	.06%
Lease financing	–	–	–	–	–
Total commercial	.08	.07	.06	.06	.05
Commercial Real Estate					
Commercial mortgages	.01	–	–	.01	–
Construction and development	–	–	.05	.05	.13
Total commercial real estate	.01	–	.01	.02	.03
Residential Mortgages[(a)]	.17	.18	.22	.27	.33
Credit Card	1.23	1.25	1.28	1.16	1.09
Other Retail					
Retail leasing	.05	.04	.03	.02	.02
Home equity and second mortgages	.32	.35	.28	.25	.25
Other	.13	.15	.15	.13	.11
Total other retail	.17	.19	.17	.15	.15
Covered Loans	–	–	4.74	5.53	6.31
Total loans	.20%	.20%	.26%	.28%	.32%

At December 31 90 days or more past due **including** nonperforming loans	2019	2018	2017	2016	2015
Commercial	.27%	.27%	.31%	.57%	.25%
Commercial real estate	.21	.29	.37	.31	.33
Residential mortgages[(a)]	.51	.63	.96	1.31	1.66
Credit card	1.23	1.25	1.28	1.18	1.13
Other retail	.46	.54	.46	.45	.46
Covered loans	–	–	4.93	5.68	6.48
Total loans	.44%	.49%	.62%	.78%	.78%

(a) Delinquent loan ratios exclude $1.7 billion, $1.7 billion, $1.9 billion, $2.5 billion, and $2.9 billion at December 31, 2019, 2018, 2017, 2016, and 2015, respectively, of loans purchased from GNMA mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs. Including these loans, the ratio of residential mortgages 90 days or more past due including all nonperforming loans was 2.92 percent, 3.21 percent, 4.16 percent, 5.73 percent, and 7.15 percent at December 31, 2019, 2018, 2017, 2016, and 2015, respectively.

Veterans Affairs, are excluded from delinquency statistics. In addition, in certain situations, a consumer lending customer's account may be re-aged to remove it from delinquent status. Generally, the purpose of re-aging accounts is to assist customers who have recently overcome temporary financial difficulties and have demonstrated both the ability and willingness to resume regular payments. To qualify for re-aging, the account must have been open for at least nine months and cannot have been re-aged during the preceding 365 days. An account may not be re-aged more than two times in a five-year period. To qualify for re-aging, the customer must also have made three regular minimum monthly payments within the last 90 days. In addition, the Company may re-age the consumer lending account of a customer who has experienced longer-term financial difficulties and apply modified, concessionary terms and conditions to the account. Such additional re-ages are limited to one in a five-year period and must meet the qualifications for re-aging described above. All re-aging strategies must be independently approved by the Company's risk management department. Commercial lending loans are generally not subject to re-aging policies.

Accruing loans 90 days or more past due totaled $605 million at December 31, 2019, compared with $584 million at December 31, 2018. Accruing loans 90 days or more past due are not included in nonperforming assets and continue to accrue interest because they are adequately secured by collateral, are in the process of collection and are reasonably expected to result in repayment or restoration to current status, or are managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines. The ratio of accruing loans 90 days or more past due to total loans was 0.20 percent at December 31, 2019, unchanged from December 31, 2018.

The following table provides summary delinquency information for residential mortgages, credit card and other retail loans included in the consumer lending segment:

At December 31 (Dollars in Millions)	Amount 2019	Amount 2018	As a Percent of Ending Loan Balances 2019	As a Percent of Ending Loan Balances 2018
Residential Mortgages[(a)]				
30-89 days	$154	$181	.22%	.27%
90 days or more	120	114	.17	.18
Nonperforming	241	296	.34	.46
Total	$515	$591	.73%	.91%
Credit Card				
30-89 days	$321	$324	1.30%	1.39%
90 days or more	306	293	1.23	1.25
Nonperforming	—	—	—	—
Total	$627	$617	2.53%	2.64%
Other Retail				
Retail Leasing				
30-89 days	$ 45	$ 37	.53%	.43%
90 days or more	4	3	.05	.04
Nonperforming	13	12	.15	.14
Total	$ 62	$ 52	.73%	.61%
Home Equity and Second Mortgages				
30-89 days	$ 77	$ 90	.51%	.56%
90 days or more	48	57	.32	.35
Nonperforming	116	145	.77	.90
Total	$241	$292	1.60%	1.81%
Other[(b)]				
30-89 days	$271	$276	.81%	.87%
90 days or more	45	48	.13	.15
Nonperforming	36	40	.11	.13
Total	$352	$364	1.05%	1.15%

(a) Excludes $428 million of loans 30-89 days past due and $1.7 billion of loans 90 days or more past due at December 31, 2019, purchased from GNMA mortgage pools that continue to accrue interest, compared with $430 million and $1.7 billion at December 31, 2018, respectively.

(b) Includes revolving credit, installment, automobile and student loans.

Restructured Loans In certain circumstances, the Company may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near-term. In most cases the modification is either a concessionary reduction in interest rate, extension of the maturity date or reduction in the principal balance that would otherwise not be considered.

Troubled Debt Restructurings Concessionary modifications are classified as TDRs unless the modification results in only an insignificant delay in the payments to be received. TDRs accrue interest if the borrower complies with the revised terms and conditions and has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles, which is generally six months or greater. At December 31, 2019, performing TDRs were $3.8 billion, compared with $3.9 billion, $4.0 billion, $4.2 billion and $4.7 billion at December 31, 2018, 2017, 2016 and 2015, respectively. Loans classified as TDRs are considered impaired loans for reporting and measurement purposes.

The Company continues to work with customers to modify loans for borrowers who are experiencing financial difficulties. Many of the Company's TDRs are determined on a case-by-case basis in connection with ongoing loan collection processes. The modifications vary within each of the Company's loan classes. Commercial lending segment TDRs generally include extensions of the maturity date and may be accompanied by an increase or decrease to the interest rate. The Company may also work with the borrower to make other changes to the loan to mitigate losses, such as obtaining additional collateral and/or guarantees to support the loan.

The Company has also implemented certain residential mortgage loan restructuring programs that may result in TDRs. The Company modifies residential mortgage loans under Federal Housing Administration, United States Department of Veterans Affairs, and its own internal programs. Under these programs, the Company offers qualifying homeowners the opportunity to permanently modify their loan and achieve more affordable monthly payments by providing loan concessions. These concessions may include adjustments to interest rates, conversion of adjustable rates to fixed rates, extensions of maturity dates or deferrals of payments, capitalization of accrued interest and/or outstanding advances, or in limited situations, partial forgiveness of loan principal. In most instances, participation in residential mortgage loan restructuring programs requires the customer to complete a short-term trial period. A permanent loan modification is contingent on the customer successfully completing the trial period arrangement, and the loan documents are not modified until that time. The Company reports loans in a trial period arrangement as TDRs and continues to report them as TDRs after the trial period.

Credit card and other retail loan TDRs are generally part of distinct restructuring programs providing customers modification solutions over a specified time period, generally up to 60 months.

In accordance with regulatory guidance, the Company considers secured consumer loans that have had debt discharged through bankruptcy where the borrower has not reaffirmed the debt to be TDRs. If the loan amount exceeds the collateral value, the loan is charged down to collateral value and the remaining amount is reported as nonperforming.

Acquired loans restructured after acquisition are not considered TDRs for purposes of the Company's accounting and disclosure if the loans evidenced credit deterioration as of the acquisition date and are accounted for in pools.

The following table provides a summary of TDRs by loan class, including the delinquency status for TDRs that continue to accrue interest and TDRs included in nonperforming assets:

At December 31, 2019 (Dollars in Millions)	Performing TDRs	As a Percent of Performing TDRs: 30-89 Days Past Due	As a Percent of Performing TDRs: 90 Days or More Past Due	Nonperforming TDRs	Total TDRs
Commercial	$ 279	4.4%	2.2%	$ 87[(a)]	$ 366
Commercial real estate	160	.9	—	38[(b)]	198
Residential mortgages	1,274	3.0	4.4	148	1,422[(d)]
Credit card	263	10.8	6.3	—	263
Other retail	153	7.2	6.9	32[(c)]	185[(e)]
TDRs, excluding loans purchased from GNMA mortgage pools	2,129	4.3	4.2	305	2,434
Loans purchased from GNMA mortgage pools[(g)]	1,622	—	—	—	1,622[(f)]
Total	$3,751	2.4%	2.4%	$305	$4,056

(a) Primarily represents loans less than six months from the modification date that have not met the performance period required to return to accrual status (generally six months) and small business credit cards with a modified rate equal to 0 percent.

(b) Primarily represents loans less than six months from the modification date that have not met the performance period required to return to accrual status (generally six months).

(c) Primarily represents loans with a modified rate equal to 0 percent.

(d) Includes $306 million of residential mortgage loans to borrowers that have had debt discharged through bankruptcy and $34 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(e) Includes $85 million of other retail loans to borrowers that have had debt discharged through bankruptcy and $17 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(f) Includes $137 million of Federal Housing Administration and United States Department of Veterans Affairs residential mortgage loans to borrowers that have had debt discharged through bankruptcy and $415 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(g) Approximately 6.9 percent and 47.3 percent of the total TDR loans purchased from GNMA mortgage pools are 30-89 days past due and 90 days or more past due, respectively, but are not classified as delinquent as their repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

Short-term Modifications The Company makes short-term modifications that it does not consider to be TDRs, in limited circumstances, to assist borrowers experiencing temporary hardships. Consumer lending programs include payment reductions, deferrals of up to three past due payments, and the ability to return to current status if the borrower makes required payments. The Company may also make short-term modifications to commercial lending loans, with the most common modification being an extension of the maturity date of three months or less. Such extensions generally are used when the maturity date is imminent and the borrower is experiencing some level of financial stress, but the Company believes the borrower will pay all contractual amounts owed. Short-term modifications were not material at December 31, 2019.

Nonperforming Assets The level of nonperforming assets represents another indicator of the potential for future credit losses. Nonperforming assets include nonaccrual loans, restructured loans not performing in accordance with modified terms and not accruing interest, restructured loans that have not met the performance period required to return to accrual status, OREO and other nonperforming assets owned by the Company. Interest payments collected from assets on nonaccrual status are generally applied against the principal balance and not recorded as income. However, interest income may be recognized for interest payments if the remaining carrying amount of the loan is believed to be collectible.

At December 31, 2019, total nonperforming assets were $829 million, compared with $989 million at December 31, 2018. The $160 million (16.2 percent) decrease in nonperforming assets, from December 31, 2018 to December 31, 2019, was driven by improvements in nonperforming residential mortgages, commercial real estate loans, other retail loans and OREO. The ratio of total nonperforming assets to total loans and other real estate was 0.28 percent at December 31, 2019, compared with 0.34 percent at December 31, 2018.

OREO was $78 million at December 31, 2019, compared with $111 million at December 31, 2018, and was related to foreclosed properties that previously secured loan balances. These balances exclude foreclosed GNMA loans whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

TABLE 16 Nonperforming Assets[a]

At December 31 (Dollars in Millions)	2019	2018	2017	2016	2015
Commercial					
Commercial	$172	$186	$ 225	$ 443	$ 160
Lease financing	32	23	24	40	14
Total commercial	204	209	249	483	174
Commercial Real Estate					
Commercial mortgages	74	76	108	87	92
Construction and development	8	39	34	37	35
Total commercial real estate	82	115	142	124	127
Residential Mortgages[b]	241	296	442	595	712
Credit Card	—	—	1	3	9
Other Retail					
Retail leasing	13	12	8	2	3
Home equity and second mortgages	116	145	126	128	136
Other	36	40	34	27	23
Total other retail	165	197	168	157	162
Covered Loans	—	—	6	6	8
Total nonperforming loans	692	817	1,008	1,368	1,192
Other Real Estate[c]	78	111	141	186	280
Covered Other Real Estate	—	—	21	26	32
Other Assets	59	61	30	23	19
Total nonperforming assets	$829	$989	$1,200	$1,603	$1,523
Accruing loans 90 days or more past due[b]	$605	$584	$ 720	$ 764	$ 831
Nonperforming loans to total loans	.23%	.28%	.36%	.50%	.46%
Nonperforming assets to total loans plus other real estate[c]	.28%	.34%	.43%	.59%	.58%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Residential Mortgages, Credit Card and Other Retail	Total
Balance December 31, 2018	$ 338	$ 651	$ 989
Additions to nonperforming assets			
New nonaccrual loans and foreclosed properties	683	303	986
Advances on loans	14	2	16
Total additions	697	305	1,002
Reductions in nonperforming assets			
Paydowns, payoffs	(217)	(145)	(362)
Net sales	(266)	(90)	(356)
Return to performing status	(13)	(193)	(206)
Charge-offs[d]	(218)	(20)	(238)
Total reductions	(714)	(448)	(1,162)
Net additions to (reductions in) nonperforming assets	(17)	(143)	(160)
Balance December 31, 2019	$ 321	$ 508	$ 829

(a) Throughout this document, nonperforming assets and related ratios do not include accruing loans 90 days or more past due.

(b) Excludes $1.7 billion, $1.7 billion, $1.9 billion, $2.5 billion and $2.9 billion at December 31, 2019, 2018, 2017, 2016 and 2015, respectively, of loans purchased from GNMA mortgage pools that are 90 days or more past due that continue to accrue interest, as their repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

(c) Foreclosed GNMA loans of $155 million, $235 million, $267 million, $373 million and $535 million at December 31, 2019, 2018, 2017, 2016 and 2015, respectively, continue to accrue interest and are recorded as other assets and excluded from nonperforming assets because they are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

(d) Charge-offs exclude actions for certain card products and loan sales that were not classified as nonperforming at the time the charge-off occurred.

The following table provides an analysis of OREO, as a percent of their related loan balances, including geographical location detail for residential (residential mortgage, home equity and second mortgage) and commercial (commercial and commercial real estate) loan balances:

At December 31 (Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	2019	2018	2019	2018
Residential				
Illinois	$10	$ 11	.22%	.25%
California	7	11	.03	.04
Minnesota	6	5	.10	.08
New York	6	8	.66	.97
Oregon	4	5	.12	.15
All other states	41	66	.09	.16
Total residential	74	106	.09	.13
Commercial				
California	3	3	.01	.01
Idaho	—	1	—	.09
All other states	1	1	—	—
Total commercial	4	5	—	—
Total	$78	$111	.03%	.04%

Analysis of Loan Net Charge-offs Total loan net charge-offs were $1.5 billion in 2019, compared with $1.4 billion in 2018. The $100 million (7.4 percent) increase in total net charge-offs in 2019, compared with 2018, reflected higher credit card, commercial, and commercial real estate loan net charge-offs, partially offset by lower residential mortgage loan net charge-offs. The ratio of total loan net charge-offs to average loans outstanding was 0.50 percent in 2019, compared with 0.48 percent in 2018.

Commercial and commercial real estate loan net charge-offs for 2019 were $299 million (0.21 percent of average loans outstanding), compared with $232 million (0.17 percent of average loans outstanding) in 2018. The increase in net charge-offs in 2019, compared with 2018, reflected higher commercial and commercial real estate loan charge-offs and lower commercial real estate loan recoveries.

Residential mortgage loan net charge-offs for 2019 were $3 million, compared with $17 million (0.03 percent of average loans outstanding) in 2018. Credit card loan net charge-offs in 2019 were $893 million (3.83 percent of average loans outstanding), compared with $846 million (3.90 percent of average loans outstanding) in 2018. Other retail loan net charge-offs for 2019 were $259 million (0.45 percent of average loans outstanding), compared with $259 million (0.46 percent of average loans outstanding) in 2018. The increase in total residential mortgage, credit card and other retail loan net charge-offs in 2019, compared with 2018, reflected higher credit card loan net charge-offs due to portfolio growth, partially offset by lower residential mortgage loan net charge-offs due to favorable economic conditions during 2019.

TABLE 17 Net Charge-offs as a Percent of Average Loans Outstanding

Year Ended December 31	2019	2018	2017	2016	2015
Commercial					
Commercial	.28%	.25%	.27%	.35%	.26%
Lease financing	.22	.25	.31	.34	.27
Total commercial	.28	.25	.28	.35	.26
Commercial Real Estate					
Commercial mortgages	.04	(.06)	.03	(.01)	.02
Construction and development	.02	(.02)	(.07)	(.08)	(.33)
Total commercial real estate	.04	(.05)	—	(.03)	(.07)
Residential Mortgages	—	.03	.06	.11	.21
Credit Card	3.83	3.90	3.76	3.30	3.61
Other Retail					
Retail leasing	.15	.15	.14	.09	.09
Home equity and second mortgages	(.02)	(.02)	(.03)	.01	.24
Other	.76	.79	.75	.71	.65
Total other retail	.45	.46	.44	.42	.45
Total loans	.50%	.48%	.48%	.47%	.47%

Analysis and Determination of the Allowance for Credit Losses Through December 31, 2019, the allowance for credit losses was established to reserve for probable and estimable losses incurred in the Company's loan and lease portfolio, including unfunded credit commitments. Effective January 1, 2020, the Company adopted new accounting guidance which changes previous impairment recognition to a model that is based on expected losses rather than incurred losses. The allowance for credit losses is increased through provisions charged to earnings and reduced by net charge-offs. Management evaluates the appropriateness of the allowance for credit losses on a quarterly basis. The evaluation of each element and the overall allowance is based on a continuing assessment of problem loans, recent loss experience and other factors, including external factors such as regulatory guidance and economic conditions. Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments, which is included in other liabilities in the Consolidated Balance Sheet. Both the allowance for loan losses and the liability for unfunded credit commitments are included in the Company's analysis of credit losses and reported reserve ratios.

At December 31, 2019, the allowance for credit losses was $4.5 billion (1.52 percent of period-end loans), compared with an allowance of $4.4 billion (1.55 percent of period-end loans) at December 31, 2018. The ratio of the allowance for credit losses to nonperforming loans was 649 percent at December 31, 2019, compared with 544 percent at December 31, 2018. The ratio of the allowance for credit losses to annual loan net charge-offs at December 31, 2019, was 309 percent, compared with 328 percent at December 31, 2018. Management determined the allowance for credit losses was appropriate at December 31, 2019.

The allowance recorded for loans in the commercial lending segment through December 31, 2019, was based on reviews of individual credit relationships and considered the migration analysis of commercial lending segment loans and actual loss experience. For each loan type, this historical loss experience was adjusted as necessary to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices or economic conditions. The results of the analysis were evaluated quarterly to confirm the selected loss experience was appropriate for each commercial loan type. The allowance recorded for impaired loans greater than $5 million in the commercial lending segment was based on an individual loan analysis utilizing expected cash flows discounted using the original effective interest rate, the observable market price of the loan, or the fair value of the collateral, less selling costs, for collateral-dependent loans, rather than the migration analysis. The allowance recorded for all other commercial lending segment loans was determined on a homogenous pool basis and included consideration of product mix, risk characteristics of the portfolio, delinquency status, bankruptcy experience, portfolio growth and historical losses, adjusted for current trends. The allowance established for commercial lending segment loans was $2.3 billion at December 31, 2019 compared with $2.2 billion December 31, 2018, reflecting overall portfolio growth.

The allowance recorded for TDR loans and purchased impaired loans in the consumer lending segment through December 31, 2019, was determined on a homogenous pool basis utilizing expected cash flows discounted using the original effective interest rate of the pool, or the prior quarter effective rate, respectively. The allowance for collateral-dependent loans in the consumer lending segment was determined based on the fair value of the collateral less costs to sell. The allowance recorded for all other consumer lending segment loans was determined on a homogenous pool basis and included consideration of product mix, risk characteristics of the portfolio, bankruptcy experience, delinquency status, refreshed LTV ratios when possible, portfolio growth and historical losses, adjusted for current trends. Credit card and other retail loans 90 days or more past due are generally not placed on nonaccrual status because of the relatively short period of time to charge-off and, therefore, were excluded from nonperforming loans and measures that include nonperforming loans as part of the calculation.

TABLE 18 Summary of Allowance for Credit Losses

(Dollars in Millions)	2019	2018	2017	2016	2015
Balance at beginning of year	$4,441	$4,417	$4,357	$4,306	$4,375
Charge-Offs					
Commercial					
Commercial	380	328	387	388	289
Lease financing	19	22	27	29	25
Total commercial	399	350	414	417	314
Commercial real estate					
Commercial mortgages	17	6	28	12	20
Construction and development	4	3	2	10	2
Total commercial real estate	21	9	30	22	22
Residential mortgages	34	48	65	85	135
Credit card	1,028	970	887	759	726
Other retail					
Retail leasing	24	21	16	9	8
Home equity and second mortgages	19	25	31	40	73
Other	342	337	308	283	238
Total other retail	385	383	355	332	319
Total charge-offs	1,867	1,760	1,751	1,615	1,516
Recoveries					
Commercial					
Commercial	107	91	140	81	84
Lease financing	7	8	10	11	11
Total commercial	114	99	150	92	95
Commercial real estate					
Commercial mortgages	5	23	20	16	15
Construction and development	2	5	10	19	35
Total commercial real estate	7	28	30	35	50
Residential mortgages	31	31	28	25	26
Credit card	135	124	101	83	75
Other retail					
Retail leasing	11	9	6	4	3
Home equity and second mortgages	22	28	36	39	35
Other	93	87	70	68	60
Total other retail	126	124	112	111	98
Total recoveries	413	406	421	346	344
Net Charge-Offs					
Commercial					
Commercial	273	237	247	307	205
Lease financing	12	14	17	18	14
Total commercial	285	251	264	325	219
Commercial real estate					
Commercial mortgages	12	(17)	8	(4)	5
Construction and development	2	(2)	(8)	(9)	(33)
Total commercial real estate	14	(19)	–	(13)	(28)
Residential mortgages	3	17	37	60	109
Credit card	893	846	786	676	651
Other retail					
Retail leasing	13	12	10	5	5
Home equity and second mortgages	(3)	(3)	(5)	1	38
Other	249	250	238	215	178
Total other retail	259	259	243	221	221
Total net charge-offs	1,454	1,354	1,330	1,269	1,172
Provision for credit losses	1,504	1,379	1,390	1,324	1,132
Other changes	–	(1)	–	(4)	(29)
Balance at end of year	$4,491	$4,441	$4,417	$4,357	$4,306
Components					
Allowance for loan losses	$4,020	$3,973	$3,925	$3,813	$3,863
Liability for unfunded credit commitments	471	468	492	544	443
Total allowance for credit losses	$4,491	$4,441	$4,417	$4,357	$4,306
Allowance for Credit Losses as a Percentage of					
Period-end loans	1.52%	1.55%	1.58%	1.59%	1.65%
Nonperforming loans	649	544	438	318	361
Nonperforming and accruing loans 90 days or more past due	346	317	256	204	213
Nonperforming assets	542	449	368	272	283
Net charge-offs	309	328	332	343	367

TABLE 19 Elements of the Allowance for Credit Losses

At December 31 (Dollars in Millions)	Allowance Amount 2019	2018	2017	2016	2015	Allowance as a Percent of Loans 2019	2018	2017	2016	2015
Commercial										
Commercial	$1,413	$1,388	$1,298	$1,376	$1,231	1.44%	1.43%	1.41%	1.56%	1.48%
Lease financing	71	66	74	74	56	1.25	1.18	1.32	1.36	1.06
Total commercial	1,484	1,454	1,372	1,450	1,287	1.43	1.42	1.41	1.55	1.46
Commercial Real Estate										
Commercial mortgages	272	269	295	282	285	.93	.94	1.00	.89	.90
Construction and development	527	531	536	530	439	5.10	4.85	4.83	4.61	4.24
Total commercial real estate	799	800	831	812	724	2.01	2.02	2.05	1.88	1.72
Residential Mortgages	433	455	449	510	631	.61	.70	.75	.89	1.18
Credit Card	1,128	1,102	1,056	934	883	4.55	4.72	4.76	4.29	4.20
Other Retail										
Retail leasing	78	25	21	11	12	.92	.29	.26	.17	.23
Home equity and second mortgages	232	265	298	300	448	1.54	1.64	1.83	1.83	2.73
Other	337	340	359	306	283	1.00	1.07	1.09	.98	.96
Total other retail	647	630	678	617	743	1.13	1.12	1.18	1.15	1.45
Covered Loans	–	–	31	34	38	–	–	.99	.89	.83
Total allowance	$4,491	$4,441	$4,417	$4,357	$4,306	1.52%	1.55%	1.58%	1.59%	1.65%

When evaluating the appropriateness of the allowance for credit losses for any loans and lines in a junior lien position, the Company considered the delinquency and modification status of the first lien. At December 31, 2019, the Company serviced the first lien on 40 percent of the home equity loans and lines in a junior lien position. The Company also considered information received from its primary regulator on the status of the first liens that were serviced by other large servicers in the industry and the status of first lien mortgage accounts reported on customer credit bureau files. Regardless of whether or not the Company serviced the first lien, an assessment was made of economic conditions, problem loans, recent loss experience and other factors in determining the allowance for credit losses. Based on the available information, the Company estimated $273 million or 1.8 percent of its total home equity portfolio at December 31, 2019, represented non-delinquent junior liens where the first lien was delinquent or modified.

The Company used historical loss experience on the loans and lines in a junior lien position where the first lien was serviced by the Company, or could be identified in credit bureau data, to establish loss estimates for junior lien loans and lines the Company serviced that were current, but the first lien was delinquent or modified. Historically, the number of junior lien defaults has been a small percentage of the total portfolio (approximately 1 percent annually), while the long-term average loss rate on loans that default has been approximately 90 percent. In addition, the Company obtains updated credit scores on its home equity portfolio each quarter, and in some cases more frequently, and used this information to qualitatively supplement its loss estimation methods. Credit score distributions for the portfolio are monitored monthly and any changes in the distribution are one of the factors considered in assessing the Company's loss estimates. In its evaluation of the allowance for credit losses, the Company also considered the increased risk of loss associated with home equity lines that are contractually scheduled to convert from a revolving status to a fully amortizing payment and with residential lines and loans that have a balloon payoff provision.

The allowance established for consumer lending segment loans was $2.2 billion at December 31, 2019 and 2018, reflecting overall portfolio growth, partially offset by continued improvement in housing market conditions.

In addition, through December 31, 2019, the evaluation of the appropriate allowance for credit losses on purchased non-impaired loans acquired after January 1, 2009, in the various loan segments considered credit discounts recorded as a part of the initial determination of the fair value of the loans. For these loans, no allowance for credit losses was recorded at the purchase date. Credit discounts representing the principal losses expected over the life of the loans were a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans was similar to originated loans; however, the Company recorded a provision for credit losses only when the required allowance exceeded any remaining credit discounts.

The evaluation of the appropriate allowance for credit losses for purchased impaired loans in the various loan segments through December 31, 2019, considered the expected cash flows to be collected from the borrower. These loans were initially recorded at fair value and, therefore, no allowance for credit losses was recorded at the purchase date.

Subsequent to the purchase date, the expected cash flows of purchased loans were subject to evaluation. Decreases in expected cash flows were recognized by recording an allowance

for credit losses. If the expected cash flows on the purchased loans increased such that a previously recorded impairment allowance could have been reversed, the Company recorded a reduction in the allowance. Increases in expected cash flows of purchased loans, when there are no reversals of previous impairment allowances, were recognized over the remaining life of the loans. Refer to Note 1 of the Notes to Consolidated Financial Statements, for more information.

The Company's methodology for determining the appropriate allowance for credit losses for both loan segments also considered the imprecision inherent in the methodologies used. As a result, in addition to the amounts determined under the methodologies described above, management also considered the potential impact of other qualitative factors which include, but are not limited to, the following: economic factors; geographic and other concentration risks; delinquency and nonaccrual trends; current business conditions; changes in lending policy, underwriting standards and other relevant business practices; results of internal review; and the regulatory environment. The consideration of these items resulted in adjustments to allowance amounts included in the Company's allowance for credit losses for both loan segments. Table 19 shows the amount of the allowance for credit losses by loan class and underlying portfolio category.

Although the Company determined the amount of each element of the allowance separately and considers this process to be an important credit management tool, the entire allowance for credit losses is available for the entire loan portfolio. The actual amount of losses can vary significantly from the estimated amounts.

Residual Value Risk Management The Company manages its risk to changes in the residual value of leased vehicles, office and business equipment, and other assets through disciplined residual valuation setting at the inception of a lease, diversification of its leased assets, regular residual asset valuation reviews and monitoring of residual value gains or losses upon the disposition of assets. Lease originations are subject to the same well-defined underwriting standards referred to in the "Credit Risk Management" section, which includes an evaluation of the residual value risk. Retail lease residual value risk is mitigated further by effective end-of-term marketing of off-lease vehicles.

Included in the retail leasing portfolio was approximately $6.6 billion of retail leasing residuals at December 31, 2019 and 2018. The Company monitors concentrations of leases by manufacturer and vehicle type. As of December 31, 2019, vehicle lease residuals related to sport utility vehicles were 48.8 percent of the portfolio, while truck and crossover utility vehicle classes represented approximately 25.3 percent and 15.1 percent of the portfolio, respectively. At year-end 2019, the individual vehicle model with the largest residual value outstanding represented 12.2 percent of the aggregate residual value of all vehicles in the portfolio. At December 31, 2019, the weighted-average origination term of the portfolio was 41 months, compared with 40 months at December 31, 2018. At December 31, 2019, the commercial leasing portfolio had $481 million of residuals, compared with $495 million at December 31, 2018. At year-end 2019, lease residuals related to business and office equipment represented 33.9 percent of the total residual portfolio, while trucks and other transportation equipment represented 31.2 percent.

Operational Risk Management 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 fraud, litigation and breaches in data security. The Company operates in many different businesses in diverse markets and relies on the ability of its employees and systems to process a high number of transactions. Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of the Company's objectives. Business lines have direct and primary responsibility and accountability for identifying, controlling, and monitoring operational risks embedded in their business activities. The Company maintains a system of controls with the objective of providing proper transaction authorization and execution, proper system operations, proper oversight of third parties with whom it does business, safeguarding of assets from misuse or theft, and ensuring the reliability and security of financial and other data.

Business continuation and disaster recovery planning is also critical to effectively managing operational risks. Each business unit of the Company is required to develop, maintain and test these plans at least annually to ensure that recovery activities, if needed, can support mission critical functions, including technology, networks and data centers supporting customer applications and business operations.

While the Company believes it has designed effective processes to minimize operational risks, there is no absolute assurance that business disruption or operational losses would not occur from an external event or internal control breakdown. On an ongoing basis, management makes process changes and investments to enhance its systems of internal controls and business continuity and disaster recovery plans.

In the past, the Company has experienced attack attempts on its computer systems, including various denial-of-service attacks on customer-facing websites. The Company has not experienced any material losses relating to these attempts, as a result of its controls, processes and systems to protect its networks, computers, software and data from attack, damage or unauthorized access but future attacks could be more disruptive or damaging. Attack attempts on the Company's computer systems are evolving and increasing, and the Company continues to develop and enhance its controls and processes to protect against these attempts.

Compliance Risk Management The Company may suffer legal or regulatory sanctions, material financial loss, or damage to its reputation through failure to comply with laws, regulations, rules, standards of good practice, and codes of conduct, including those related to compliance with Bank Secrecy Act/anti-money laundering requirements, sanctions compliance requirements as

administered by the Office of Foreign Assets Control, consumer protection and other requirements. The Company has controls and processes in place for the assessment, identification, monitoring, management and reporting of compliance risks and issues. Refer to “Supervision and Regulation” in the Company’s Annual Report on Form 10-K for further discussion of the regulatory framework applicable to bank holding companies and their subsidiaries.

Interest Rate Risk Management In the banking industry, changes in interest rates are a significant risk that can impact earnings and the safety and soundness of an entity. The Company manages its exposure to changes in interest rates through asset and liability management activities within guidelines established by its Asset Liability Management Committee (“ALCO”) and approved by the Board of Directors. The ALCO has the responsibility for approving and ensuring compliance with the ALCO management policies, including interest rate risk exposure. One way the Company measures and analyzes its interest rate risk is through net interest income simulation analysis.

Simulation analysis incorporates substantially all of the Company’s assets and liabilities and off-balance sheet instruments, together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. Through this simulation, management estimates the impact on net interest income of various interest rate changes that differ in the direction, amount and speed of change over time, as well as the shape of the yield curve. This simulation includes assumptions about how the balance sheet is likely to be affected by changes in loan and deposit growth. Assumptions are made to project interest rates for new loans and deposits based on historical analysis, management’s outlook and re-pricing strategies. These assumptions are reviewed and validated on a periodic basis with sensitivity analysis being provided for key variables of the simulation. The results are reviewed monthly by the ALCO and are used to guide asset/liability management strategies.

The Company manages its interest rate risk position by holding assets with desired interest rate risk characteristics on its balance sheet, implementing certain pricing strategies for loans and deposits and selecting derivatives and various funding and investment portfolio strategies.

Table 20 summarizes the projected impact to net interest income over the next 12 months of various potential interest rate changes. The sensitivity of the projected impact to net interest income over the next 12 months is dependent on balance sheet growth, product mix, deposit behavior, pricing and funding decisions. While the Company utilizes assumptions based on historical information and expected behaviors, actual outcomes could vary significantly. For example, if deposit outflows are more limited (stable) than the assumptions the Company used in preparing Table 20, the projected impact to net interest income would be an increase of 1.26 percent in the “Up 50 bps” and 1.93 percent in the “Up 200 bps” scenarios.

TABLE 20 Sensitivity of Net Interest Income

	December 31, 2019				December 31, 2018			
	Down 50 bps Immediate	Up 50 bps Immediate	Down 200 bps Gradual	Up 200 bps Gradual	Down 50 bps Immediate	Up 50 bps Immediate	Down 200 bps Gradual	Up 200 bps Gradual
Net interest income	(1.43)%	.83%	*	.21%	(1.43)%	1.02%	(3.90)%	1.45%

* *Given the level of interest rates, downward rate scenario is not computed.*

Use of Derivatives to Manage Interest Rate and Other Risks
To manage the sensitivity of earnings and capital to interest rate, prepayment, credit, price and foreign currency fluctuations (asset and liability management positions), the Company enters into derivative transactions. The Company uses derivatives for asset and liability management purposes primarily in the following ways:

- To convert fixed-rate debt from fixed-rate payments to floating-rate payments;
- To convert the cash flows associated with floating-rate debt from floating-rate payments to fixed-rate payments;
- To mitigate changes in value of the Company's unfunded mortgage loan commitments, funded MLHFS and MSRs;
- To mitigate remeasurement volatility of foreign currency denominated balances; and
- To mitigate the volatility of the Company's net investment in foreign operations driven by fluctuations in foreign currency exchange rates.

In addition, the Company enters into interest rate and foreign exchange derivative contracts to support the business requirements of its customers (customer-related positions). The Company minimizes the market and liquidity risks of customer-related positions by either entering into similar offsetting positions with broker-dealers, or on a portfolio basis by entering into other derivative or non-derivative financial instruments that partially or fully offset the exposure from these customer-related positions. The Company may enter into derivative contracts that are either exchange-traded, centrally cleared through clearinghouses or over-the-counter. The Company does not utilize derivatives for speculative purposes.

The Company does not designate all of the derivatives that it enters into for risk management purposes as accounting hedges because of the inefficiency of applying the accounting requirements and may instead elect fair value accounting for the related hedged items. In particular, the Company enters into interest rate swaps, swaptions, forward commitments to buy to-be-announced securities ("TBAs"), U.S. Treasury and Eurodollar futures and options on U.S. Treasury futures to mitigate fluctuations in the value of its MSRs, but does not designate those derivatives as accounting hedges. The estimated net sensitivity to changes in interest rates of the fair value of the MSRs and the related derivative instruments at December 31, 2019, to an immediate 25, 50 and 100 bps downward movement in interest rates would be a decrease of approximately $1 million, $10 million and $50 million, respectively. An immediate upward movement in interest rates at December 31, 2019, of 25, 50 and 100 bps would result in a decrease of approximately $2 million, $10 million and $65 million, in the fair value of the MSRs and related derivative instruments, respectively. Refer to Note 9 of the Notes to Consolidated Financial Statements for additional information regarding MSRs.

Additionally, the Company uses forward commitments to sell TBAs and other commitments to sell residential mortgage loans at specified prices to economically hedge the interest rate risk in its residential mortgage loan production activities. At December 31, 2019, the Company had $6.9 billion of forward commitments to sell, hedging $4.6 billion of MLHFS and $3.0 billion of unfunded mortgage loan commitments. The forward commitments to sell and the unfunded mortgage loan commitments on loans intended to be sold are considered derivatives under the accounting guidance related to accounting for derivative instruments and hedging activities. The Company has elected the fair value option for the MLHFS.

Derivatives are subject to credit risk associated with counterparties to the contracts. Credit risk associated with derivatives is measured by the Company based on the probability of counterparty default. The Company manages the credit risk of its derivative positions by diversifying its positions among various counterparties, by entering into master netting arrangements, and, where possible, by requiring collateral arrangements. The Company may also transfer counterparty credit risk related to interest rate swaps to third parties through the use of risk participation agreements. In addition, certain interest rate swaps, interest rate forwards and credit contracts are required to be centrally cleared through clearinghouses to further mitigate counterparty credit risk.

For additional information on derivatives and hedging activities, refer to Notes 19 and 20 in the Notes to Consolidated Financial Statements.

LIBOR Transition In July 2017, the United Kingdom's Financial Conduct Authority announced that it would no longer require banks to submit rates for the London InterBank Offered Rate ("LIBOR") after 2021. The Company holds financial instruments that will be impacted by the discontinuance of LIBOR, including certain loans, investment securities, derivatives, borrowings and other financial instruments that use LIBOR as the benchmark rate. The Company also provides various services to customers in its capacity as trustee, which involve financial instruments that will be similarly impacted by the discontinuance of LIBOR. The Company anticipates these financial instruments will require transition to a new reference rate. This transition will occur over the next several years as many of these arrangements do not have an alternative rate referenced in their contracts or a clear path for the parties to agree upon an alternative reference rate. In order to facilitate the transition process, the Company has instituted a LIBOR Transition Office and commenced an enterprise-wide project to identify, assess and monitor risks associated with the expected discontinuance or unavailability of LIBOR, actively engage with industry working groups and regulators, achieve operational readiness and engage impacted customers. Refer to "Risk Factors" beginning on page 146, for further discussion on potential risks that could adversely affect the Company's financial results as a result of the LIBOR transition.

Market Risk Management 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. For purposes of its internal capital adequacy assessment process, the Company considers risk arising from its trading activities, as well as the remeasurement volatility of foreign currency denominated balances included on its Consolidated Balance Sheet (collectively, "Covered Positions"), employing methodologies consistent with the requirements of regulatory rules for market risk. The Company's Market Risk Committee ("MRC"), within the framework of the ALCO, oversees market risk management. The MRC monitors and reviews the Company's Covered Positions and establishes policies for market risk management, including exposure limits for each portfolio. The Company uses a VaR approach to measure general market risk. Theoretically, VaR represents the statistical risk of loss the Company has to adverse market movements over a one-day time horizon. The Company uses the Historical Simulation method to calculate VaR for its Covered Positions measured at the ninety-ninth percentile using a one-year look-back period for distributions derived from past market data. The market factors used in the calculations include those pertinent to market risks inherent in the underlying trading portfolios, principally those that affect the Company's corporate bond trading business, foreign currency transaction business, client derivatives business, loan trading business and municipal securities business, as well as those inherent in the Company's foreign denominated balances and the derivatives used to mitigate the related measurement volatility. On average, the Company expects the one-day VaR to be exceeded by actual losses two to three times per year related to these positions. The Company monitors the accuracy of internal VaR models and modeling processes by back-testing model performance, regularly updating the historical data used by the VaR models and regular model validations to assess the accuracy of the models' input, processing, and reporting components. All models are required to be independently reviewed and approved prior to being placed in use. If the Company were to experience market losses in excess of the estimated VaR more often than expected, the VaR models and associated assumptions would be analyzed and adjusted.

The average, high, low and period-end one-day VaR amounts for the Company's Covered Positions were as follows:

Year Ended December 31 (Dollars in Millions)	2019	2018
Average	$1	$1
High	2	1
Low	1	1
Period-end	1	1

The Company did not experience any actual losses for its combined Covered Positions that exceeded VaR during 2019 and 2018. The Company stress tests its market risk measurements to provide management with perspectives on market events that may not be captured by its VaR models, including worst case historical market movement combinations that have not necessarily occurred on the same date.

The Company calculates Stressed VaR using the same underlying methodology and model as VaR, except that a historical continuous one-year look-back period is utilized that reflects a period of significant financial stress appropriate to the Company's Covered Positions. The period selected by the Company includes the significant market volatility of the last four months of 2008.

The average, high, low and period-end one-day Stressed VaR amounts for the Company's Covered Positions were as follows:

Year Ended December 31 (Dollars in Millions)	2019	2018
Average	$6	$5
High	9	8
Low	4	2
Period-end	5	6

Valuations of positions in client derivatives and foreign currency activities are based on discounted cash flow or other valuation techniques using market-based assumptions. These valuations are compared to third-party quotes or other market prices to determine if there are significant variances. Significant variances are approved by senior management in the Company's corporate functions. Valuation of positions in the corporate bond trading, loan trading and municipal securities businesses are based on trader marks. These trader marks are evaluated against third-party prices, with significant variances approved by senior management in the Company's corporate functions.

The Company also measures the market risk of its hedging activities related to residential MLHFS and MSRs using the Historical Simulation method. The VaRs are measured at the ninety-ninth percentile and employ factors pertinent to the market risks inherent in the valuation of the assets and hedges. A one-year look-back period is used to obtain past market data for the models.

The average, high and low VaR amounts for the residential MLHFS and related hedges and the MSRs and related hedges were as follows:

Year Ended December 31 (Dollars in Millions)	2019	2018
Residential Mortgage Loans Held For Sale and Related Hedges		
Average	$ 3	$1
High	8	2
Low	–	–
Mortgage Servicing Rights and Related Hedges		
Average	$ 7	$5
High	11	7
Low	4	4

Liquidity Risk Management The Company's liquidity risk management process is designed to identify, measure, and manage the Company's funding and liquidity risk to meet its daily funding needs and to address expected and unexpected

changes in its funding requirements. The Company engages in various activities to manage its liquidity risk. These activities include diversifying its funding sources, stress testing, and holding readily-marketable assets which can be used as a source of liquidity if needed. In addition, the Company's profitable operations, sound credit quality and strong capital position have enabled it to develop a large and reliable base of core deposit funding within its market areas and in domestic and global capital markets.

The Company's Board of Directors approves the Company's liquidity policy. The Risk Management Committee of the Company's Board of Directors oversees the Company's liquidity risk management process and approves a contingency funding plan. The ALCO reviews the Company's liquidity policy and limits, and regularly assesses the Company's ability to meet funding requirements arising from adverse company-specific or market events.

The Company's liquidity policy requires it to maintain diversified wholesale funding sources to avoid maturity, entity and market concentrations. The Company operates a Cayman Islands branch for issuing Eurodollar time deposits. In addition, the Company has relationships with dealers to issue national market retail and institutional savings certificates and short-term and medium-term notes. The Company also maintains a significant correspondent banking network and relationships. Accordingly, the Company has access to national federal funds, funding through repurchase agreements and sources of stable certificates of deposit and commercial paper.

The Company regularly projects its funding needs under various stress scenarios and maintains a contingency funding plan consistent with the Company's access to diversified sources of contingent funding. The Company maintains a substantial level of total available liquidity in the form of on-balance sheet and off-balance sheet funding sources. These liquidity sources include cash at the Federal Reserve Bank and certain European central banks, unencumbered liquid assets, and capacity to borrow from the FHLB and at Federal Reserve Bank's Discount Window. Unencumbered liquid assets in the Company's investment securities portfolio provides asset liquidity through the Company's ability to sell the securities or pledge and borrow against them. At December 31, 2019, the fair value of unencumbered investment securities totaled $114.2 billion, compared with $100.2 billion at December 31, 2018. Refer to Note 4 of the Notes to Consolidated Financial Statements and "Balance Sheet Analysis" for further information on investment securities maturities and trends. Asset liquidity is further enhanced by the Company's practice of pledging loans to access secured borrowing facilities through the FHLB and Federal Reserve Bank. At December 31, 2019, the Company could have borrowed an additional $97.4 billion from the FHLB and Federal Reserve Bank based on collateral available for additional borrowings.

The Company's diversified deposit base provides a sizeable source of relatively stable and low-cost funding, while reducing the Company's reliance on the wholesale markets. Total deposits were $361.9 billion at December 31, 2019, compared with $345.5 billion at December 31, 2018. Refer to Table 14 and "Balance Sheet Analysis" for further information on the Company's deposits.

Additional funding is provided by long-term debt and short-term borrowings. Long-term debt was $40.2 billion at December 31, 2019, and is an important funding source because of its multi-year borrowing structure. Refer to Note 13 of the Notes to Consolidated Financial Statements for information on the terms and maturities of the Company's long-term debt issuances and "Balance Sheet Analysis" for discussion on long-term debt trends. Short-term borrowings were $23.7 billion at December 31, 2019, and supplement the Company's other funding sources. Refer to Note 12 of the Notes to Consolidated Financial Statements and "Balance Sheet Analysis" for information on the terms and trends of the Company's short-term borrowings.

The Company's ability to raise negotiated funding at competitive prices is influenced by rating agencies' views of the Company's credit quality, liquidity, capital and earnings. Table 21 details the rating agencies' most recent assessments.

In addition to assessing liquidity risk on a consolidated basis, the Company monitors the parent company's liquidity. The parent company's routine funding requirements consist primarily of operating expenses, dividends paid to shareholders, debt service, repurchases of common stock and funds used for

TABLE 21 Debt Ratings

	Moody's	Standard & Poor's	Fitch	Dominion Bond Rating Service
U.S. Bancorp				
Long-term issuer rating	A1	A+	AA-	AA
Short-term issuer rating		A-1	F1+	R-1 (middle)
Senior unsecured debt	A1	A+	AA-	AA
Subordinated debt	A1	A-	A+	AA (low)
Junior subordinated debt	A2	BBB		AA (low)
Preferred stock	A3	BBB	BBB	A
Commercial paper	P-1		F1+	
U.S. Bank National Association				
Long-term issuer rating	A1	AA-	AA-	AA (high)
Short-term issuer rating	P-1	A-1+	F1+	R-1 (high)
Long-term deposits	Aa1		AA	AA (high)
Short-term deposits	P-1		F1+	
Senior unsecured debt	A1	AA-	AA-	AA (high)
Subordinated debt	A1	A	A+	AA
Commercial paper	P-1	A-1+	F1+	
Counterparty risk assessment	Aa2(cr)/P-1(cr)			
Counterparty risk rating	Aa3/P-1			
Baseline credit assessment	aa3			

acquisitions. The parent company obtains funding to meet its obligations from dividends collected from its subsidiaries and the issuance of debt and capital securities. The Company establishes limits for the minimal number of months into the future where the parent company can meet existing and forecasted obligations with cash and securities held that can be readily monetized. The Company measures and manages this limit in both normal and adverse conditions. The Company maintains sufficient funding to meet expected capital and debt service obligations for 24 months without the support of dividends from subsidiaries and assuming access to the wholesale markets is maintained. The Company maintains sufficient liquidity to meet its capital and debt service obligations for 12 months under adverse conditions without the support of dividends from subsidiaries or access to the wholesale markets. The parent company is currently well in excess of required liquidity minimums.

Under United States Securities and Exchange Commission rules, the parent company is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. "Well-known seasoned issuers" generally include those companies with outstanding common securities with a market value of at least $700 million held by non-affiliated parties or those companies that have issued at least $1 billion in aggregate principal amount of non-convertible securities, other than common equity, in the last three years. However, the parent company's ability to issue debt and other securities under a registration statement filed with the United States Securities and Exchange Commission under these rules is limited by the debt issuance authority granted by the Company's Board of Directors and/or the ALCO policy.

At December 31, 2019, parent company long-term debt outstanding was $18.6 billion, compared with $16.3 billion at December 31, 2018. The increase was primarily due to $2.7 billion of medium-term note and $1.0 billion of subordinated note issuances, partially offset by $1.5 billion of medium-term note repayments. As of December 31, 2019, there was no parent company debt scheduled to mature in 2020. Future debt maturities may be met through medium-term note and capital security issuances and dividends from subsidiaries, as well as from parent company cash and cash equivalents.

Dividend payments to the Company by its subsidiary bank are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends to the parent company from its banking subsidiary are limited by rules which compare dividends to net income for regulatorily-defined periods. For further information, see Note 24 of the Notes to Consolidated Financial Statements.

The Company is subject to a regulatory Liquidity Coverage Ratio ("LCR") requirement which requires banks to maintain an adequate level of unencumbered high quality liquid assets to meet estimated liquidity needs over a 30-day stressed period. At December 31, 2019, the Company was compliant with this requirement.

European Exposures The Company provides merchant processing and corporate trust services in Europe either directly or through banking affiliations in Europe. Revenue generated from sources in Europe represented approximately 2 percent of the Company's total net revenue for 2019. Operating cash for these businesses is deposited on a short-term basis typically with certain European central banks. For deposits placed at other European banks, exposure is mitigated by the Company placing deposits at multiple banks and managing the amounts on deposit at any bank based on institution-specific deposit limits. At December 31, 2019, the Company had an aggregate amount on

TABLE 22 Contractual Obligations

At December 31, 2019 (Dollars in Millions)	Payments Due By Period				
	One Year or Less	Over One Through Three Years	Over Three Through Five Years	Over Five Years	Total
Contractual Obligations[a]					
Long-term debt[b]	$ 3,772	$15,728	$ 8,462	$12,205	$40,167
Operating leases	296	493	312	391	1,492
Benefit obligations[c]	25	56	63	212	356
Time deposits	37,731	3,883	1,275	5	42,894
Contractual interest payments[d]	1,758	1,523	925	738	4,944
Equity investment commitments	2,048	829	28	66	2,971
Other[e]	196	110	27	100	433
Total	$45,826	$22,622	$11,092	$13,717	$93,257

(a) Unrecognized tax positions of $432 million at December 31, 2019, are excluded as the Company cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority.

(b) Includes obligations under finance leases.

(c) Amounts only include obligations related to the unfunded non-qualified pension plans.

(d) Includes accrued interest and future contractual interest obligations.

(e) Primarily includes purchase obligations for goods and services covered by noncancellable contracts including cancellation fees.

deposit with European banks of approximately $8.5 billion, predominately with the Central Bank of Ireland and Bank of England.

In addition, the Company provides financing to domestic multinational corporations that generate revenue from customers in European countries, transacts with various European banks as counterparties to certain derivative-related activities, and through a subsidiary, manages money market funds that hold certain investments in European sovereign debt. Any deterioration in economic conditions in Europe, including the potential negative impact of the United Kingdom's withdrawal from the European Union ("Brexit"), is not expected to have a significant effect on the Company related to these activities. The Company is focused on providing continuity of services, with minimal disruption resulting from Brexit, to customers with activities in European countries. The Company has made certain structural changes to its legal entities and operations in the United Kingdom and European Union, where needed, and migrated certain business activities to the appropriate jurisdictions to continue to provide such services and generate revenue.

Off-Balance Sheet Arrangements Off-balance sheet arrangements include any contractual arrangements to which an unconsolidated entity is a party, under which the Company has an obligation to provide credit or liquidity enhancements or market risk support. Off-balance sheet arrangements also include any obligation related to a variable interest held in an unconsolidated entity that provides financing, liquidity, credit enhancement or market risk support. The Company has not utilized private label asset securitizations as a source of funding.

Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. Many of the Company's commitments to extend credit expire without being drawn and, therefore, total commitment amounts do not necessarily represent future liquidity requirements or the Company's exposure to credit loss. Commitments to extend credit also include consumer credit lines that are cancelable upon notification to the consumer. Total contractual amounts of commitments to extend credit at December 31, 2019 were $324.1 billion. The Company also issues and confirms various types of letters of credit, including standby and commercial. Total contractual amounts of letters of credit at December 31, 2019 were $10.6 billion. For more information on the Company's commitments to extend credit and letters of credit, refer to Note 22 in the Notes to Consolidated Financial Statements.

The Company's off-balance sheet arrangements with unconsolidated entities primarily consist of private investment funds or partnerships that make equity investments, provide debt financing or support community-based investments in tax-advantaged projects. In addition to providing investment returns, these arrangements in many cases assist the Company in complying with requirements of the Community Reinvestment Act. The investments in these entities generate a return primarily through the realization of federal and state income tax credits and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. The entities in which the Company invests are generally considered variable interest entities ("VIEs"). The Company's recorded net investment in these entities as of December 31, 2019 was approximately $3.2 billion.

The Company also has non-controlling financial investments in private funds and partnerships considered VIEs. The Company's recorded investment in these entities was approximately $31 million at December 31, 2019, and the Company had unfunded commitments to invest an additional $24 million. For more information on the Company's interests in unconsolidated VIEs, refer to Note 7 in the Notes to Consolidated Financial Statements.

Guarantees are contingent commitments issued by the Company to customers or other third parties requiring the Company to perform if certain conditions exist or upon the occurrence or nonoccurrence of a specified event, such as a scheduled payment to be made under contract. The Company's

primary guarantees include commitments from securities lending activities in which indemnifications are provided to customers; indemnification or buy-back provisions related to sales of loans and tax credit investments; and merchant charge-back guarantees through the Company's involvement in providing merchant processing services. For certain guarantees, the Company may have access to collateral to support the guarantee, or through the exercise of other recourse provisions, be able to offset some or all of any payments made under these guarantees.

The Company and certain of its subsidiaries, along with other Visa U.S.A. Inc. member banks, have a contingent guarantee obligation to indemnify Visa Inc. for potential losses arising from antitrust lawsuits challenging the practices of Visa U.S.A. Inc. and MasterCard International. The indemnification by the Company and other Visa U.S.A. Inc. member banks has no maximum amount. Refer to Note 22 in the Notes to Consolidated Financial Statements for further details regarding guarantees, other commitments, and contingent liabilities, including maximum potential future payments and current carrying amounts.

Capital Management The Company is committed to managing capital to maintain strong protection for depositors and creditors and for maximum shareholder benefit. The Company continually assesses its business risks and capital position. The Company also manages its capital to exceed regulatory capital requirements for banking organizations. To achieve its capital goals, the Company employs a variety of capital management tools, including dividends, common share repurchases, and the issuance of subordinated debt, non-cumulative perpetual preferred stock, common stock and other capital instruments.

On September 17, 2019, the Company announced its Board of Directors had approved a 13.5 percent increase in the Company's dividend rate per common share, from $0.37 per quarter to $0.42 per quarter.

The Company repurchased approximately 81 million shares of its common stock in 2019, compared with approximately 54 million shares in 2018. The average price paid for the shares repurchased in 2019 was $55.88 per share, compared with $52.57 per share in 2018. As of December 31, 2019, the approximate dollar value of shares that may yet be purchased by the Company under the current share repurchase program approved by the Board of Directors was $2.4 billion. For a more complete analysis of activities impacting shareholders' equity and capital management programs, refer to Note 14 of the Notes to Consolidated Financial Statements.

Total U.S. Bancorp shareholders' equity was $51.9 billion at December 31, 2019, compared with $51.0 billion at December 31, 2018. The increase was primarily the result of corporate earnings and changes in unrealized gains and losses on available-for-sale investment securities included in other comprehensive income (loss), partially offset by common share repurchases and dividends.

The regulatory capital requirements effective for the Company follow Basel III, which includes two comprehensive methodologies for calculating risk-weighted assets: a general standardized approach and more risk-sensitive advanced approaches. Prior to December 31, 2019, the Company's capital adequacy was evaluated against the methodology that was most restrictive. In November 2019, the Company's regulators issued final rules which tailor regulations to reduce certain compliance requirements for banking organizations with less risk. These rules reduced the Company's capital and liquidity requirements and no longer subject the Company to calculating its capital adequacy as a percentage of risk-weighted assets under advanced approaches effective December 31, 2019. Under Basel III, banking regulators define minimum capital requirements for banks and financial services holding companies. These requirements are expressed in the form of a minimum common equity tier 1 capital ratio, tier 1 capital ratio, total risk-based capital ratio, tier 1 leverage ratio and a tier 1 total leverage exposure, or supplementary leverage, ratio. The Company's minimum required level for these ratios at December 31, 2019, which include a capital conservation buffer of 2.5 percent for the common equity tier 1 capital, tier 1 capital and total capital ratios, was 7.0 percent, 8.5 percent, 10.5 percent, 4.0 percent, and 3.0 percent, respectively. The Company targets its regulatory capital levels, at both the bank and bank holding company level, to exceed the "well-capitalized" threshold for these ratios under the FDIC Improvement Act prompt corrective action provisions that are applicable to all banks. At December 31, 2019, the Company's minimum "well-capitalized" threshold for the common equity tier 1 capital ratio, tier 1 capital ratio, total risk-based capital ratio, tier 1 leverage ratio, and tier 1 total leverage exposure ratio was 6.5 percent, 8.0 percent, 10.0 percent, 5.0 percent, and 3.0 percent, respectively. The most recent notification from the Office of the Comptroller of the Currency categorized the Company's bank subsidiary as "well-capitalized". There are no conditions or events since that notification that management believes have changed the risk-based category of its covered subsidiary bank.

In addition, as a result of the November 2019 rule changes, the Company received approval from the Board of Governors of the Federal Reserve System in late 2019 to increase the authorization amount of its common stock repurchase program effective through June 30, 2020, which enabled it to reduce its common equity tier 1 capital ratio from 9.6 percent at September 30, 2019 to 9.1 percent at December 31, 2019.

As an approved mortgage seller and servicer, U.S. Bank National Association, through its mortgage banking division, is required to maintain various levels of shareholder's equity, as specified by various agencies, including the United States Department of Housing and Urban Development, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. At December 31, 2019, U.S. Bank National Association met these requirements.

Table 23 provides a summary of statutory regulatory capital ratios in effect for the Company at December 31, 2019 and 2018. All regulatory ratios exceeded regulatory "well-capitalized" requirements.

TABLE 23 Regulatory Capital Ratios

At December 31 (Dollars in Millions)	2019	2018
Basel III standardized approach:		
Common equity tier 1 capital	$ 35,713	$ 34,724
Tier 1 capital	41,721	40,741
Total risk-based capital	49,744	48,178
Risk-weighted assets	391,269	381,661
Common equity tier 1 capital as a percent of risk-weighted assets	9.1%	9.1%
Tier 1 capital as a percent of risk-weighted assets	10.7	10.7
Total risk-based capital as a percent of risk-weighted assets	12.7	12.6
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	8.8	9.0
Basel III advanced approaches:[a]		
Common equity tier 1 capital		$ 34,724
Tier 1 capital		40,741
Total risk-based capital		45,136
Risk-weighted assets		295,002
Common equity tier 1 capital as a percent of risk-weighted assets		11.8%
Tier 1 capital as a percent of risk-weighted assets		13.8
Total risk-based capital as a percent of risk-weighted assets		15.3
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	7.0%	7.2

(a) Effective December 31, 2019, the Company is no longer subject to calculating its capital adequacy as a percentage of risk-weighted assets under advanced approaches.

The Company believes certain other capital ratios are useful in evaluating its capital adequacy. The Company's tangible common equity, as a percent of tangible assets and as a percent of risk-weighted assets calculated under the standardized approach, was 7.5 percent and 9.3 percent, respectively, at December 31, 2019, compared with 7.8 percent and 9.4 percent, respectively, at December 31, 2018. Refer to "Non-GAAP Financial Measures" beginning on page 62 for further information on these other capital ratios.

Fourth Quarter Summary

The Company reported net income attributable to U.S. Bancorp of $1.5 billion for the fourth quarter of 2019, or $0.90 per diluted common share, compared with $1.9 billion, or $1.10 per diluted common share, for the fourth quarter of 2018. Return on average assets and return on average common equity were 1.21 percent and 11.8 percent, respectively, for the fourth quarter of 2019, compared with 1.59 percent and 15.8 percent, respectively, for the fourth quarter of 2018. The results for the fourth quarter of 2019 included the impact of the severance and asset impairment restructuring charges, and the increased derivative liability related to Visa shares previously sold by the Company. Combined, these items decreased fourth quarter 2019 diluted earnings per common share by $0.18.

Total net revenue for the fourth quarter of 2019, was $162 million (2.8 percent) lower than the fourth quarter of 2018, reflecting a 2.9 percent decrease in net interest income (3.0 percent on a taxable-equivalent basis) and a 2.5 percent decrease in noninterest income. The decrease in net interest income from the fourth quarter of 2018 was mainly a result of the impact of the yield curve and changes in deposit and funding mix, partially offset by higher yields on the reinvestment of securities in addition to loan growth. The noninterest income decrease was driven by lower other noninterest income and deposit service charges, partially offset by growth in payment services revenue, trust and investment management fees and mortgage banking revenue.

Noninterest expense in the fourth quarter of 2019 was $121 million (3.7 percent) higher than the fourth quarter of 2018, primarily due to increases in personnel expense driven by stronger fee revenue production in mortgage activities, technology and communications expense in support of business growth, net occupancy and equipment expense due to capital expenditures in support of business growth, and other noninterest expense.

Fourth quarter 2019 net interest income, on a taxable-equivalent basis, was $3.2 billion, compared with $3.3 billion in the fourth quarter of 2018. The $100 million (3.0 percent) decrease was principally driven by the impact of lower interest rates and a flatter yield curve in addition to changes in deposit and funding mix, partially offset by higher yields on reinvestment of securities and loan growth. Average earning assets were $19.3 billion (4.6 percent) higher in the fourth quarter of 2019, compared with the fourth quarter of 2018, reflecting increases of $11.2 billion (3.9 percent) in average loans and $7.5 billion (6.6 percent) in average investment securities. The net interest margin, on a taxable-equivalent basis, in the fourth quarter of 2019 was 2.92 percent, compared with 3.15 percent in the fourth quarter of 2018. The decrease in net interest margin was primarily due to the impact of declining interest rates on the yield curve in addition to changes in deposit and funding mix.

TABLE 24 Fourth Quarter Results

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended December 31 2019	2018
Condensed Income Statement		
Net interest income	$3,207	$3,303
Taxable-equivalent adjustment[a]	24	28
Net interest income (taxable-equivalent basis)[b]	3,231	3,331
Noninterest income	2,410	2,493
Securities gains (losses), net	26	5
Total net revenue	5,667	5,829
Noninterest expense	3,401	3,280
Provision for credit losses	395	368
Income before taxes	1,871	2,181
Income taxes and taxable-equivalent adjustment	378	319
Net income	1,493	1,862
Net (income) loss attributable to noncontrolling interests	(7)	(6)
Net income attributable to U.S. Bancorp	$1,486	$1,856
Net income applicable to U.S. Bancorp common shareholders	$1,408	$1,777
Per Common Share		
Earnings per share	$ .91	$ 1.10
Diluted earnings per share	$ .90	$ 1.10
Dividends declared per share	$ .42	$ .37
Average common shares outstanding	1,556	1,615
Average diluted common shares outstanding	1,558	1,618
Financial Ratios		
Return on average assets	1.21%	1.59%
Return on average common equity	11.8	15.8
Net interest margin (taxable-equivalent basis)[a]	2.92	3.15
Efficiency ratio[b]	60.3	56.3

(a) Based on a federal income tax rate of 21 percent for those assets and liabilities whose income or expense is not included for federal income tax purposes.
(b) See Non-GAAP Financial Measures beginning on page 62.

Noninterest income in the fourth quarter of 2019 was $2.4 billion, representing a decrease of $62 million (2.5 percent) from the fourth quarter of 2018. The decrease reflected lower other noninterest income and deposit service charges, partially offset by growth in payment services revenue, trust and investment management fees and mortgage banking revenue. Other noninterest income decreased $172 million (55.5 percent) in the fourth quarter of 2019, compared with the same period of the prior year, reflecting the net impact in the fourth quarter of 2019 of the $140 million charge for the increased derivative liability related to Visa shares previously sold by the Company, partially offset by a gain on the sale of a loan portfolio, and the net impact in the fourth quarter of 2018 of the $340 million gain recorded from the sale of the Company's ATM servicing business, partially offset by $264 million of asset impairment charges related to the sale of a majority of the Company's covered loans and certain other assets. Deposit service charges decreased $22 million (8.7 percent) primarily due to the sale of the Company's ATM servicing business in the fourth quarter of 2018. The increase in payment services revenue reflected higher merchant processing services revenue of $20 million (5.1 percent), driven by higher sales volumes and merchant fees, partially offset by slightly lower credit and debit card revenue of $4 million (1.0 percent) and corporate payment products revenue of $5 million (3.1 percent). The decline in corporate payment products revenue was driven by lower commercial business sales volumes. Trust and investment management fees increased $29 million (7.1 percent) due to business growth and favorable market conditions, while mortgage banking revenue increased $73 million (42.7 percent) due to higher mortgage production and gain on sale margins.

Noninterest expense in the fourth quarter of 2019 was $3.4 billion, compared with $3.3 billion in the same period of 2018, representing an increase of $121 million (3.7 percent). The increase was primarily due to higher personnel expense, technology and communications expense, net occupancy and equipment expense, and other noninterest expense. Compensation expense in the fourth quarter of 2019 increased $29 million (1.8 percent) over the same period of the prior year, driven by the impact of hiring to support business growth, merit increases and higher variable compensation related to business production within mortgage banking, while employee benefits expense increased $7 million (2.3 percent) primarily due to higher medical costs. Technology and communications expense

increased $37 million (14.6 percent) and net occupancy and equipment expense increased $20 million (7.5 percent), primarily to support business growth. Other noninterest expense increased $26 million (5.0 percent) primarily due to the net impacts of severance charges and other accruals of $200 million in the fourth quarter of 2019, partially offset by severance charges and accruals for legal matters of $174 million in the fourth quarter of 2018.

The provision for credit losses for the fourth quarter of 2019 was $395 million, an increase of $27 million (7.3 percent) from the same period of 2018. The provision for credit losses was $10 million higher than net charge-offs in the fourth quarter of 2019 and $15 million higher than net charge-offs in the fourth quarter of 2018. The increase in the allowance for credit losses during the fourth quarter of 2019 reflected loan portfolio growth. Net charge-offs were $385 million in the fourth quarter of 2019, compared with $353 million in the fourth quarter of 2018. The net charge-off ratio was 0.52 percent in the fourth quarter of 2019, compared with 0.49 percent in the fourth quarter of 2018.

The provision for income taxes was $354 million (an effective rate of 19.2 percent) for the fourth quarter of 2019, compared with $291 million (an effective rate of 13.5 percent) for the same period of 2018. The fourth quarter of 2018 provision for income taxes reflected the favorable impact of deferred tax assets and liabilities adjustments related to tax reform legislation enacted in late 2017.

Line of Business Financial Review

The Company's major lines of business are Corporate and Commercial Banking, Consumer and Business Banking, Wealth Management and Investment Services, Payment Services, and Treasury and Corporate Support. These operating segments are components of the Company about which financial information is prepared and is evaluated regularly by management in deciding how to allocate resources and assess performance.

Basis for Financial Presentation Business line results are derived from the Company's business unit profitability reporting systems by specifically attributing managed balance sheet assets, deposits and other liabilities and their related income or expense. Refer to Note 23 of the Notes to Consolidated Financial Statements for further information on the business lines' basis for financial presentation.

Designations, assignments and allocations change from time to time as management systems are enhanced, methods of evaluating performance or product lines change or business segments are realigned to better respond to the Company's diverse customer base. During 2019, certain organization and methodology changes were made and, accordingly, 2018 results were restated and presented on a comparable basis.

Corporate and Commercial Banking Corporate and Commercial Banking offers lending, equipment finance and small-ticket leasing, depository services, treasury management, capital markets services, international trade services and other financial services to middle market, large corporate, commercial real estate, financial institution, non-profit and public sector clients. Corporate and Commercial Banking contributed $1.5 billion of the Company's net income in 2019, or a decrease of $52 million (3.3 percent), compared with 2018.

Net revenue decreased $41 million (1.1 percent) in 2019, compared with 2018. Net interest income, on a taxable-equivalent basis, decreased $65 million (2.2 percent) in 2019, compared with 2018, primarily due to lower noninterest-bearing deposit balances from 2018 and lower rates on loans, reflecting a competitive marketplace, partially offset by the impact of higher rates on the margin benefit from deposits and loan and interest-bearing deposit growth. Noninterest-bearing deposits are declining as customers deploy balances to support business growth. Noninterest income increased $24 million (2.8 percent) in 2019, compared with 2018, primarily due to higher trading revenue and corporate bond underwriting fees, partially offset by lower loan syndications revenue.

Noninterest expense increased $16 million (1.0 percent) in 2019, compared with 2018, reflecting higher net shared services expense driven by technology development and investment in infrastructure, higher salary expense driven by merit increases, and increases in production incentives associated with higher capital markets revenue. These increases were partially offset by lower FDIC assessment costs. The provision for credit losses increased $13 million (20.0 percent) in 2019, compared with 2018, due to higher net charge-offs, partially offset by a favorable change in the reserve allocation.

Consumer and Business Banking Consumer and Business Banking delivers products and services through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing and mobile devices. It encompasses community banking, metropolitan banking and indirect lending, as well as mortgage banking. Consumer and Business Banking contributed $2.3 billion of the Company's net income in 2019, or an increase of $38 million (1.7 percent), compared with 2018.

Net revenue increased $176 million (2.1 percent) in 2019, compared with 2018. Net interest income, on a taxable-equivalent basis, increased $105 million (1.7 percent) in 2019, compared with 2018, primarily due to the impact of higher rates on the margin benefit from deposits, as well as growth in both interest-bearing deposit balances and loan balances, partially offset by lower rates on loans. Noninterest income increased $71 million (3.1 percent) in 2019, compared with 2018, primarily due to higher mortgage banking revenue driven by higher mortgage production and gain on sale margins, partially offset by changes in MSRs valuations, net of hedging activities, as well as higher transition services agreement revenue associated with the sale of the Company's ATM third-party servicing business during 2018, partially offset by reductions in ATM processing services revenue due to the sale.

Noninterest expense increased $46 million (0.9 percent) in 2019, compared with 2018, primarily due to higher net shared services expense and higher production incentives, partially offset by lower FDIC assessment costs and lower mortgage banking costs. The increase in net shared services expense reflected the

impact of technology development and investment in infrastructure supporting business growth, as well as higher costs to manage the business, while production incentives were higher in support of business growth. The provision for credit losses increased $78 million (33.6 percent) in 2019, compared with 2018, reflecting an unfavorable change in the reserve allocation as well as higher net charge-offs.

Wealth Management and Investment Services Wealth Management and Investment Services provides private banking, financial advisory services, investment management, retail brokerage services, insurance, trust, custody and fund servicing through four businesses: Wealth Management, Global Corporate Trust & Custody, U.S. Bancorp Asset Management and Fund Services. Wealth Management and Investment Services contributed $895 million of the Company's net income in 2019, or an increase of $81 million (10.0 percent), compared with 2018.

Net revenue increased $77 million (2.7 percent) in 2019, compared with 2018. Net interest income, on a taxable-equivalent basis, increased $26 million (2.3 percent) in 2019, compared with 2018, primarily due to the impact of higher deposit balances and the impact of higher rates on the margin benefit from deposits. Noninterest income increased $51 million (2.9 percent) in 2019, compared with 2018, principally due to favorable market conditions and business growth.

Noninterest expense decreased $29 million (1.6 percent) in 2019, compared with 2018, reflecting lower costs related to FDIC assessment and litigation settlements. These decreases were partially offset by higher compensation expense, reflecting the impact of merit increases, increased staffing, and higher medical costs, as well as increased net shared service expense due to technology development.

Payment Services Payment Services includes consumer and business credit cards, stored-value cards, debit cards, corporate, government and purchasing card services, consumer lines of credit and merchant processing. Payment Services contributed $1.5 billion of the Company's net income in 2019, or an increase of $25 million (1.7 percent), compared with 2018.

Net revenue increased $158 million (2.6 percent) in 2019, compared with 2018. Net interest income, on a taxable-equivalent basis, increased $50 million (2.0 percent) in 2019, compared with 2018, primarily due to growth in average loans as well as loan fees, partially offset by compression on loan rates. Noninterest income increased $108 million (3.0 percent) in 2019, compared with 2018, primarily due to higher merchant processing services revenue, corporate payment products revenue and credit and debit card revenue, all driven by higher sales volumes.

Noninterest expense increased $98 million (3.3 percent) in 2019, compared with 2018, principally due to higher net shared services expense to support business growth, technology development and investment in infrastructure, in addition to increases in personnel expense in support of business development and merit increases. The provision for credit losses increased $27 million (2.5 percent) in 2019, compared with 2018, reflecting higher net charge-offs, partially offset by a favorable change in the reserve allocation.

TABLE 25 Line of Business Financial Performance

Year Ended December 31 (Dollars in Millions)	Corporate and Commercial Banking 2019	Corporate and Commercial Banking 2018	Percent Change	Consumer and Business Banking 2019	Consumer and Business Banking 2018	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 2,871	$ 2,936	(2.2)%	$ 6,261	$ 6,156	1.7%
Noninterest income	867	843	2.8	2,387	2,316	3.1
Securities gains (losses), net	—	—	—	—	—	—
Total net revenue	3,738	3,779	(1.1)	8,648	8,472	2.1
Noninterest expense	1,607	1,591	1.0	5,285	5,232	1.0
Other intangibles	4	4	—	20	27	(25.9)
Total noninterest expense	1,611	1,595	1.0	5,305	5,259	.9
Income before provision and income taxes	2,127	2,184	(2.6)	3,343	3,213	4.0
Provision for credit losses	78	65	20.0	310	232	33.6
Income before income taxes	2,049	2,119	(3.3)	3,033	2,981	1.7
Income taxes and taxable-equivalent adjustment	513	531	(3.4)	759	745	1.9
Net income	1,536	1,588	(3.3)	2,274	2,236	1.7
Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	—
Net income attributable to U.S. Bancorp	$ 1,536	$ 1,588	(3.3)	$ 2,274	$ 2,236	1.7
Average Balance Sheet						
Commercial	$ 78,141	$ 75,009	4.2%	$ 9,601	$ 9,857	(2.6)%
Commercial real estate	18,461	18,838	(2.0)	16,107	16,303	(1.2)
Residential mortgages	5	6	(16.7)	63,867	58,549	9.1
Credit card	—	—	—	—	—	—
Other retail	1	1	—	55,020	53,997	1.9
Total loans, excluding covered loans	96,608	93,854	2.9	144,595	138,706	4.2
Covered loans	—	—	—	—	2,169	*
Total loans	96,608	93,854	2.9	144,595	140,875	2.6
Goodwill	1,647	1,647	—	3,475	3,604	(3.6)
Other intangible assets	8	11	(27.3)	2,617	2,953	(11.4)
Assets	106,716	102,801	3.8	158,884	155,267	2.3
Noninterest-bearing deposits	29,152	32,938	(11.5)	27,876	27,691	.7
Interest checking	11,972	10,043	19.2	51,323	50,137	2.4
Savings products	43,154	41,904	3.0	62,322	61,475	1.4
Time deposits	17,654	17,966	(1.7)	15,644	13,322	17.4
Total deposits	101,932	102,851	(.9)	157,165	152,625	3.0
Total U.S. Bancorp shareholders' equity	10,399	10,463	(.6)	11,713	11,812	(.8)

* *Not meaningful*

Wealth Management and Investment Services			Payment Services			Treasury and Corporate Support			Consolidated Company		
2019	2018	Percent Change	2019	2018	Percent Change	2019	2018	Percent Change	2019	2018	Percent Change
$ 1,157	$ 1,131	2.3%	$ 2,493	$ 2,443	2.0%	$ 373	$ 369	1.1%	$ 13,155	$ 13,035	.9%
1,799	1,748	2.9	3,707	3,599	3.0	998	1,066	(6.4)	9,758	9,572	1.9
—	—	—	—	—	—	73	30	*	73	30	*
2,956	2,879	2.7	6,200	6,042	2.6	1,444	1,465	(1.4)	22,986	22,637	1.5
1,752	1,778	(1.5)	2,940	2,859	2.8	1,033	843	22.5	12,617	12,303	2.6
13	16	(18.8)	131	114	14.9	—	—	—	168	161	4.3
1,765	1,794	(1.6)	3,071	2,973	3.3	1,033	843	22.5	12,785	12,464	2.6
1,191	1,085	9.8	3,129	3,069	2.0	411	622	(33.9)	10,201	10,173	.3
(3)	(2)	(50.0)	1,108	1,081	2.5	11	3	*	1,504	1,379	9.1
1,194	1,087	9.8	2,021	1,988	1.7	400	619	(35.4)	8,697	8,794	(1.1)
299	273	9.5	505	497	1.6	(325)	(376)	13.6	1,751	1,670	4.9
895	814	10.0	1,516	1,491	1.7	725	995	(27.1)	6,946	7,124	(2.5)
—	—	—	—	—	—	(32)	(28)	(14.3)	(32)	(28)	(14.3)
$ 895	$ 814	10.0	$ 1,516	$ 1,491	1.7	$ 693	$ 967	(28.3)	$ 6,914	$ 7,096	(2.6)
$ 4,023	$ 3,778	6.5%	$ 9,905	$ 9,026	9.7%	$ 1,528	$ 1,184	29.1%	$ 103,198	$ 98,854	4.4%
509	520	(2.1)	—	—	—	4,309	4,316	(.2)	39,386	39,977	(1.5)
3,875	3,333	16.3	—	—	—	—	5	*	67,747	61,893	9.5
—	—	—	23,309	21,672	7.6	—	—	—	23,309	21,672	7.6
1,673	1,733	(3.5)	352	404	(12.9)	—	1	*	57,046	56,136	1.6
10,080	9,364	7.6	33,566	31,102	7.9	5,837	5,506	6.0	290,686	278,532	4.4
—	—	—	—	—	—	—	—	—	—	2,169	*
10,080	9,364	7.6	33,566	31,102	7.9	5,837	5,506	6.0	290,686	280,701	3.6
1,617	1,618	(.1)	2,839	2,570	10.5	—	—	—	9,578	9,439	1.5
49	63	(22.2)	538	406	32.5	—	—	—	3,212	3,433	(6.4)
13,330	12,437	7.2	39,743	36,912	7.7	156,980	149,597	4.9	475,653	457,014	4.1
13,195	14,006	(5.8)	1,205	1,099	9.6	2,435	2,462	(1.1)	73,863	78,196	(5.5)
9,056	9,928	(8.8)	—	—	—	202	46	*	72,553	70,154	3.4
49,545	42,215	17.4	113	107	5.6	845	744	13.6	155,979	146,445	6.5
3,430	3,857	(11.1)	2	3	(33.3)	7,687	3,519	*	44,417	38,667	14.9
75,226	70,006	7.5	1,320	1,209	9.2	11,169	6,771	65.0	346,812	333,462	4.0
2,525	2,476	2.0	7,084	6,629	6.9	20,902	18,383	13.7	52,623	49,763	5.7

Treasury and Corporate Support Treasury and Corporate Support includes the Company's investment portfolios, funding, capital management, interest rate risk management, income taxes not allocated to the business lines, including most investments in tax-advantaged projects, and the residual aggregate of those expenses associated with corporate activities that are managed on a consolidated basis. Treasury and Corporate Support recorded net income of $693 million in 2019, compared with $967 million in 2018.

Net revenue decreased $21 million (1.4 percent) in 2019, compared with 2018. Net interest income, on a taxable-equivalent basis, increased $4 million (1.1 percent) in 2019, compared with 2018, primarily due to growth in the investment portfolio, partially offset by changes in funding mix. Noninterest income decreased $25 million (2.3 percent) in 2019, compared with 2018, primarily due to a 2019 charge for an increased derivative liability related to Visa shares previously sold by the Company, and the 2018 net impact of the gain recorded from the sale of the ATM third-party servicing business and certain asset impairment charges. These decreases were partially offset by a 2019 gain on the sale of a loan portfolio and higher income from equity investments and gains on the sale of securities.

Noninterest expense increased $190 million (22.5 percent) in 2019, compared with 2018, principally due to higher compensation expense, reflecting the impact of increased staffing and merit increases, and higher implementation costs of capital investments to support business growth. Noninterest expense further increased due to the net impact of severance charges and asset impairment accruals recorded in 2019, and severance charges and legal matter accruals recorded in 2018. These increases were partially offset by lower net shared services expense and lower costs related to tax-advantaged projects. The provision for credit losses was $8 million higher in 2019, compared with 2018, due to an unfavorable change in the reserve allocation and higher net charge-offs.

Income taxes are assessed to each line of business at a managerial tax rate of 25.0 percent with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Treasury and Corporate Support.

Non-GAAP Financial Measures

In addition to capital ratios defined by banking regulators, the Company considers various other measures when evaluating capital utilization and adequacy, including:

– Tangible common equity to tangible assets, and
– Tangible common equity to risk-weighted assets.

These capital measures are viewed by management as useful additional methods of evaluating the Company's utilization of its capital held and the level of capital available to withstand unexpected negative market or economic conditions. Additionally, presentation of these measures allows investors, analysts and banking regulators to assess the Company's capital position relative to other financial services companies. These capital measures are not defined in generally accepted accounting principles ("GAAP"), or are not defined in banking regulations. As a result, these capital measures disclosed by the Company may be considered non-GAAP financial measures. Management believes this information helps investors assess trends in the Company's capital adequacy.

The Company also discloses net interest income and related ratios and analysis on a taxable-equivalent basis, which may also be considered non-GAAP financial measures. The Company believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison of net interest income arising from taxable and tax-exempt sources. In addition, certain performance measures, including the efficiency ratio and net interest margin utilize net interest income on a taxable-equivalent basis.

There may be limits in the usefulness of these measures to investors. As a result, the Company encourages readers to consider the consolidated financial statements and other financial information contained in this report in their entirety, and not to rely on any single financial measure.

The following table shows the Company's calculation of these non-GAAP financial measures:

At December 31 (Dollars in Millions)	2019	2018	2017	2016	2015
Total equity	$ 52,483	$ 51,657	$ 49,666	$ 47,933	$ 46,817
Preferred stock	(5,984)	(5,984)	(5,419)	(5,501)	(5,501)
Noncontrolling interests	(630)	(628)	(626)	(635)	(686)
Goodwill (net of deferred tax liability)[1]	(8,788)	(8,549)	(8,613)	(8,203)	(8,295)
Intangible assets, other than mortgage servicing rights	(677)	(601)	(583)	(712)	(838)
Tangible common equity[a]	36,404	35,895	34,425	32,882	31,497
Total assets	495,426	467,374	462,040	445,964	421,853
Goodwill (net of deferred tax liability)[1]	(8,788)	(8,549)	(8,613)	(8,203)	(8,295)
Intangible assets, other than mortgage servicing rights	(677)	(601)	(583)	(712)	(838)
Tangible assets[b]	485,961	458,224	452,844	437,049	412,720
Risk-weighted assets, determined in accordance with the Basel III standardized approach[c]	391,269	381,661	367,771	358,237	341,360
Ratios					
Tangible common equity to tangible assets[a]/[b]	7.5%	7.8%	7.6%	7.5%	7.6%
Tangible common equity to risk-weighted assets[a]/[c]	9.3	9.4	9.4	9.2	9.2

	Three Months Ended December 31		Year Ended December 31				
	2019	2018	2019	2018	2017	2016	2015
Net interest income	$3,207	$3,303	$13,052	$12,919	$12,380	$11,666	$11,151
Taxable-equivalent adjustment[2]	24	28	103	116	205	203	213
Net interest income, on a taxable-equivalent basis	3,231	3,331	13,155	13,035	12,585	11,869	11,364
Net interest income, on a taxable-equivalent basis (as calculated above)	3,231	3,331	13,155	13,035	12,585	11,869	11,364
Noninterest income	2,436	2,498	9,831	9,602	9,317	9,290	8,818
Less: Securities gains (losses), net	26	5	73	30	57	22	—
Total net revenue, excluding net securities gains (losses)[d]	5,641	5,824	22,913	22,607	21,845	21,137	20,182
Noninterest expense[e]	3,401	3,280	12,785	12,464	12,790	11,527	10,807
Efficiency ratio[e]/[d]	60.3%	56.3%	55.8%	55.1%	58.5%	54.5%	53.5%

(1) Includes goodwill related to certain investments in unconsolidated financial institutions per prescribed regulatory requirements.

(2) Based on federal income tax rates of 21 percent for 2019 and 2018 and 35 percent for 2017, 2016 and 2015, for those assets and liabilities whose income or expense is not included for federal income tax purposes.

Accounting Changes

Note 2 of the Notes to Consolidated Financial Statements discusses accounting standards recently issued but not yet required to be adopted and the expected impact of these changes in accounting standards. To the extent the adoption of new accounting standards materially affects the Company's financial condition or results of operations, the impacts are discussed in the applicable section(s) of the Management's Discussion and Analysis and the Notes to Consolidated Financial Statements.

Critical Accounting Policies

The accounting and reporting policies of the Company comply with accounting principles generally accepted in the United States and conform to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. The Company's financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding the Company's financial statements. Critical accounting policies are those policies management believes are the most important to the portrayal of the Company's financial condition and results, and require management to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information (including third-party sources or available prices), sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under GAAP. Management has discussed the development and the selection of critical accounting policies with the Company's Audit Committee.

Significant accounting policies are discussed in Note 1 of the Notes to Consolidated Financial Statements. Those policies considered to be critical accounting policies are described below.

Allowance for Credit Losses Management's evaluation of the appropriate allowance for credit losses is often the most critical of all the accounting estimates for a banking institution. It is an inherently subjective process impacted by many factors as discussed throughout the Management's Discussion and Analysis section of the Annual Report. Through December 31, 2019, the allowance for credit losses was established to provide for probable and estimable losses incurred in the Company's credit portfolio. Effective January 1, 2020, the Company adopted new accounting guidance which changes previous impairment recognition to a model that is based on expected losses rather than incurred losses. Refer to Note 2 of the Notes to Consolidated Financial Statements for discussion on the effect of the adoption of this guidance on the Company's financial statements.

The methods utilized to estimate the allowance for credit losses, key assumptions and quantitative and qualitative information considered by management in determining the appropriate allowance for credit losses at December 31, 2019 are discussed in the "Credit Risk Management" section. Although methodologies utilized to determine each element of the allowance reflect management's assessment of credit risk as identified through assessments completed of individual credits and of homogenous pools affected by material credit events, degrees of imprecision exist in these measurement tools due in part to subjective judgments involved and an inherent lag in the data available to quantify current conditions and events that affect credit loss reserve estimates. As discussed in the "Analysis and Determination of Allowance for Credit Losses" section, management considered the effect of changes in economic conditions, risk management practices, and other factors that contributed to imprecision of loss estimates in determining the allowance for credit losses. If not considered, incurred losses in the credit portfolio related to imprecision and other subjective factors could have a dramatic adverse impact on the liquidity and financial viability of a banking institution.

Given the many subjective factors affecting the credit portfolio, changes in the allowance for credit losses may not directly coincide with changes in the risk ratings of the credit portfolio reflected in the risk rating process. This is in part due to the timing of the risk rating process in relation to changes in the business cycle, the exposure and mix of loans within risk rating categories, levels of nonperforming loans and the timing of charge-offs and recoveries. The allowance for credit losses on commercial lending segment loans measures the incurred loss content on the remaining portfolio exposure, while nonperforming loans and net charge-offs are measures of specific impairment events that have already been confirmed. Therefore, the degree of change in the commercial lending allowance may differ from the level of changes in nonperforming loans and net charge-offs. Management maintains an appropriate allowance for credit losses by updating aggregate allowance rates to reflect changes in economic uncertainty or business cycle conditions.

Some factors considered in determining the appropriate allowance for credit losses are quantifiable while other factors require qualitative judgment. Management conducts an analysis with respect to the accuracy of risk ratings and the volatility of inherent losses, and utilizes this analysis along with qualitative factors that can affect the precision of credit loss estimates, including economic conditions, such as changes in unemployment or bankruptcy rates, and concentration risks, such as risks associated with specific industries, collateral valuations, and loans to highly leveraged enterprises, in determining the overall level of the allowance for credit losses. The Company's determination of the allowance for commercial lending segment loans is sensitive to the assigned credit risk ratings and inherent loss rates at December 31, 2019. If 10 percent of period ending loan balances (including unfunded

commitments) within each risk category of this segment of the loan portfolio experienced downgrades of two risk categories, the allowance for credit losses would have increased by approximately $223 million at December 31, 2019. The Company believes the allowance for credit losses appropriately considers the imprecision in estimating credit losses based on credit risk ratings and inherent loss rates but actual losses may differ from those estimates. If inherent loss or estimated loss rates for commercial lending segment loans increased by 10 percent, the allowance for credit losses would have increased by approximately $177 million at December 31, 2019. The Company's determination of the allowance for consumer lending segment loans is sensitive to changes in estimated loss rates and estimated impairments on restructured loans. In the event that estimated losses for this segment of the loan portfolio increased by 10 percent, the allowance for credit losses would have increased by approximately $174 million at December 31, 2019. Because several quantitative and qualitative factors are considered in determining the allowance for credit losses, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the allowance for credit losses. They are intended to provide insights into the impact of adverse changes in risk rating and inherent losses and do not imply any expectation of future deterioration in the risk rating or loss rates. Given current processes employed by the Company, management believes the risk ratings and inherent loss rates currently assigned are appropriate. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions that could be significant to the Company's financial statements. Refer to the "Analysis and Determination of the Allowance for Credit Losses" section for further information.

Fair Value Estimates A portion of the Company's assets and liabilities are carried at fair value on the Consolidated Balance Sheet, with changes in fair value recorded either through earnings or other comprehensive income (loss) in accordance with applicable accounting principles generally accepted in the United States. These include all of the Company's available-for-sale investment securities, derivatives and other trading instruments, MSRs and MLHFS. The estimation of fair value also affects other loans held for sale, which are recorded at the lower-of-cost-or-fair value. The determination of fair value is important for certain other assets that are periodically evaluated for impairment using fair value estimates, including goodwill and other intangible assets, impaired loans, OREO and other repossessed assets.

Fair value is generally defined as the exit price at which an asset or liability could be exchanged in a current transaction between willing, unrelated parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices in an active market, or if market prices are not available, is estimated using models employing techniques such as matrix pricing or discounting expected cash flows. The significant assumptions used in the models, which include assumptions for interest rates, discount rates, prepayments and credit losses, are independently verified against observable market data where possible. Where observable market data is not available, the estimate of fair value becomes more subjective and involves a high degree of judgment. In this circumstance, fair value is estimated based on management's judgment regarding the value that market participants would assign to the asset or liability. This valuation process takes into consideration factors such as market illiquidity. Imprecision in estimating these factors can impact the amount recorded on the balance sheet for a particular asset or liability with related impacts to earnings or other comprehensive income (loss).

When available, trading and available-for-sale securities are valued based on quoted market prices. However, certain securities are traded less actively and, therefore, quoted market prices may not be available. The determination of fair value may require benchmarking to similar instruments or performing a discounted cash flow analysis using estimates of future cash flows and prepayment, interest and default rates. For more information on investment securities, refer to Note 4 of the Notes to Consolidated Financial Statements.

As few derivative contracts are listed on an exchange, the majority of the Company's derivative positions are valued using valuation techniques that use readily observable market inputs. Certain derivatives, however, must be valued using techniques that include unobservable inputs. For these instruments, the significant assumptions must be estimated and, therefore, are subject to judgment. Note 19 of the Notes to Consolidated Financial Statements provides a summary of the Company's derivative positions.

Refer to Note 21 of the Notes to Consolidated Financial Statements for additional information regarding estimations of fair value.

Mortgage Servicing Rights MSRs are capitalized as separate assets when loans are sold and servicing is retained, or may be purchased from others. The Company records MSRs at fair value. Because MSRs do not trade in an active market with readily observable prices, the Company determines the fair value by estimating the present value of the asset's future cash flows utilizing market-based prepayment rates, option adjusted spread, and other assumptions validated through comparison to trade information, industry surveys and independent third-party valuations. Changes in the fair value of MSRs are recorded in earnings during the period in which they occur. Risks inherent in the valuation of MSRs include higher than expected prepayment rates and/or delayed receipt of cash flows. The Company utilizes derivatives, including interest rate swaps, swaptions, forward commitments to buy TBAs, U.S. Treasury and Eurodollar futures and options on U.S. Treasury futures, to mitigate the valuation risk. Refer to Notes 9 and 21 of the Notes to Consolidated Financial Statements for additional information on the assumptions used in determining the fair value of MSRs and an analysis of the sensitivity to changes in interest rates of the fair value of the MSRs portfolio and the related derivative instruments used to mitigate the valuation risk.

Income Taxes The Company estimates income tax expense based on amounts expected to be owed to the various tax jurisdictions in which it operates, including federal, state and local domestic jurisdictions, and an insignificant amount to foreign jurisdictions. The estimated income tax expense is reported in the Consolidated Statement of Income. Accrued taxes are reported in other assets or other liabilities on the Consolidated Balance Sheet and represent the net estimated amount due to or to be received from taxing jurisdictions either currently or deferred to future periods. Deferred taxes arise from differences between assets and liabilities measured for financial reporting purposes versus income tax reporting purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit management believes is more likely than not to be realized upon settlement. In estimating accrued taxes, the Company assesses the relative merits and risks of the appropriate tax treatment considering statutory, judicial and regulatory guidance in the context of the tax position. Because of the complexity of tax laws and regulations, interpretation can be difficult and subject to legal judgment given specific facts and circumstances. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions regarding the estimated amounts of accrued taxes.

Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by various taxing authorities, and newly enacted statutory, judicial and regulatory guidance that impacts the relative merits and risks of tax positions. These changes, when they occur, affect accrued taxes and can be significant to the operating results of the Company. Refer to Note 18 of the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Controls and Procedures

Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon this evaluation, the principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

During the most recently completed fiscal quarter, there was no change made in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The annual report of the Company's management on internal control over financial reporting is provided on page 67. The audit report of Ernst & Young LLP, the Company's independent accountants, regarding the Company's internal control over financial reporting is provided on page 70.

Report of Management

Responsibility for the financial statements and other information presented throughout this Annual Report rests with the management of U.S. Bancorp. The Company believes the consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and present the substance of transactions based on the circumstances and management's best estimates and judgment.

In meeting its responsibilities for the reliability of the financial statements, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's system of internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of publicly filed financial statements in accordance with accounting principles generally accepted in the United States.

To test compliance, the Company carries out an extensive audit program. This program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of the system of internal control. Although control procedures are designed and tested, it must be recognized that there are limits inherent in all systems of internal control and, therefore, errors and irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. Projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Board of Directors of the Company has an Audit Committee composed of directors who are independent of U.S. Bancorp. The Audit Committee meets periodically with management, the internal auditors and the independent accountants to consider audit results and to discuss internal accounting control, auditing and financial reporting matters.

Management assessed the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its Internal Control-Integrated Framework (2013 framework). Based on our assessment and those criteria, management believes the Company designed and maintained effective internal control over financial reporting as of December 31, 2019.

The Company's independent registered accountants, Ernst & Young LLP, have been engaged to render an independent professional opinion on the financial statements and issue an attestation report on the Company's internal control over financial reporting. Their opinion on the financial statements appearing on pages 68 and 69 and their attestation on internal control over financial reporting appearing on page 70 are based on procedures conducted in accordance with auditing standards of the Public Company Accounting Oversight Board (United States).

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of U.S. Bancorp

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of U.S. Bancorp (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 20, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

Description of the Matter

The Company's loan and lease portfolio totaled $296.1 billion as of December 31, 2019 and the associated allowance for credit losses (ACL), comprised of allowance for loan losses and a liability for unfunded credit commitments, was $4.5 billion. As discussed in Notes 1 and 5 to the consolidated financial statements, the ACL is established for probable and estimable losses incurred in the Company's loan and lease portfolio by primarily using migration analysis for commercial loans and unfunded credit commitments and historical losses for consumer loans (the quantitative models), adjusted for qualitative factors.

Auditing management's estimate of the ACL involved a high degree of subjectivity in evaluating the completeness of the qualitative factors that management identifies and assesses, including, but not limited to, economic conditions; concentration risks; credit quality trends; business conditions and the regulatory environment, as well as the measurement of each qualitative factor.

How We Addressed the Matter in Our Audit

Our audit procedures related to the qualitative component of the ACL included the following procedures, among others. We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's process for establishing the ACL, including controls over the ACL methodology and governance process. We tested management's validation of incurred loss models to determine whether the risks inherent in the Company's loan and lease portfolio are captured. We assessed and tested the review and approval processes management has in place for adjustments applied to the quantitative models to reflect management's consideration of qualitative factors.

With respect to the completeness of qualitative factors identified and incorporated into measuring the ACL, we evaluated the potential impact of imprecision in the quantitative models (and hence the need to consider a qualitative adjustment to the reserve); changes and adjustments to the models; sufficiency, availability and relevance of historical loss data used in the models; and assumptions and risk factors used in the models.

Regarding measurement of the qualitative factors, we evaluated and tested external market data as well as internal data used in the Company's calculation by agreeing significant inputs and underlying data used in the determination of the qualitative adjustments to internal and external sources. We searched for and evaluated information that corroborates or contradicts the Company's identification and measurement of qualitative factors as of the consolidated balance sheet date.

We evaluated the overall ACL amount, including adjustments for qualitative factors, and whether the amount appropriately reflects losses incurred in the loan and lease portfolio as of the consolidated balance sheet date. We reviewed subsequent events and transactions and considered whether they corroborate or contradict the Company's measurement of the ACL as of the consolidated balance sheet date.

Ernst & Young LLP

We have served as the Company's auditor since 2003.

Minneapolis, Minnesota
February 20, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of U.S. Bancorp

Opinion on Internal Control over Financial Reporting

We have audited U.S. Bancorp's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, U.S. Bancorp (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes of the Company and our report dated February 20, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Minneapolis, Minnesota
February 20, 2020

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U.S. Bancorp
Consolidated Balance Sheet

At December 31 (Dollars in Millions)	2019	2018
Assets		
Cash and due from banks	$ 22,405	$ 21,453
Investment securities		
Held-to-maturity (2018 fair value $44,964)	–	46,050
Available-for-sale ($269 and $2,057 pledged as collateral, respectively)[a]	122,613	66,115
Loans held for sale (including $5,533 and $2,035 of mortgage loans carried at fair value, respectively)	5,578	2,056
Loans		
Commercial	103,863	102,444
Commercial real estate	39,746	39,539
Residential mortgages	70,586	65,034
Credit card	24,789	23,363
Other retail	57,118	56,430
Total loans	296,102	286,810
Less allowance for loan losses	(4,020)	(3,973)
Net loans	292,082	282,837
Premises and equipment	3,702	2,457
Goodwill	9,655	9,369
Other intangible assets	3,223	3,392
Other assets (including $951 and $843 of trading securities at fair value pledged as collateral, respectively)[a]	36,168	33,645
Total assets	$495,426	$467,374
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	$ 75,590	$ 81,811
Interest-bearing[b]	286,326	263,664
Total deposits	361,916	345,475
Short-term borrowings	23,723	14,139
Long-term debt	40,167	41,340
Other liabilities	17,137	14,763
Total liabilities	442,943	415,717
Shareholders' equity		
Preferred stock	5,984	5,984
Common stock, par value $0.01 a share — authorized: 4,000,000,000 shares; issued: 2019 and 2018 — 2,125,725,742 shares	21	21
Capital surplus	8,475	8,469
Retained earnings	63,186	59,065
Less cost of common stock in treasury: 2019 — 591,570,506 shares; 2018 — 517,391,021 shares	(24,440)	(20,188)
Accumulated other comprehensive income (loss)	(1,373)	(2,322)
Total U.S. Bancorp shareholders' equity	51,853	51,029
Noncontrolling interests	630	628
Total equity	52,483	51,657
Total liabilities and equity	$495,426	$467,374

(a) Includes only collateral pledged by the Company where counterparties have the right to sell or pledge the collateral.

(b) Includes time deposits greater than $250,000 balances of $7.8 billion and $15.3 billion at December 31, 2019 and 2018, respectively.

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Income

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2019	2018	2017
Interest Income			
Loans	$14,099	$13,120	$11,788
Loans held for sale	162	165	144
Investment securities	2,893	2,616	2,232
Other interest income	340	272	182
Total interest income	17,494	16,173	14,346
Interest Expense			
Deposits	2,855	1,869	1,041
Short-term borrowings	360	378	141
Long-term debt	1,227	1,007	784
Total interest expense	4,442	3,254	1,966
Net interest income	13,052	12,919	12,380
Provision for credit losses	1,504	1,379	1,390
Net interest income after provision for credit losses	11,548	11,540	10,990
Noninterest Income			
Credit and debit card revenue	1,413	1,401	1,289
Corporate payment products revenue	664	644	575
Merchant processing services	1,601	1,531	1,486
Trust and investment management fees	1,673	1,619	1,522
Deposit service charges	909	1,070	1,035
Treasury management fees	578	594	618
Commercial products revenue	934	895	954
Mortgage banking revenue	874	720	834
Investment products fees	186	188	173
Realized securities gains (losses), net	73	30	57
Other	926	910	774
Total noninterest income	9,831	9,602	9,317
Noninterest Expense			
Compensation	6,325	6,162	5,746
Employee benefits	1,286	1,231	1,134
Net occupancy and equipment	1,123	1,063	1,019
Professional services	454	407	419
Marketing and business development	426	429	542
Technology and communications	1,095	978	903
Postage, printing and supplies	290	324	323
Other intangibles	168	161	175
Other	1,618	1,709	2,529
Total noninterest expense	12,785	12,464	12,790
Income before income taxes	8,594	8,678	7,517
Applicable income taxes	1,648	1,554	1,264
Net income	6,946	7,124	6,253
Net (income) loss attributable to noncontrolling interests	(32)	(28)	(35)
Net income attributable to U.S. Bancorp	$ 6,914	$ 7,096	$ 6,218
Net income applicable to U.S. Bancorp common shareholders	$ 6,583	$ 6,784	$ 5,913
Earnings per common share	$ 4.16	$ 4.15	$ 3.53
Diluted earnings per common share	$ 4.16	$ 4.14	$ 3.51
Average common shares outstanding	1,581	1,634	1,677
Average diluted common shares outstanding	1,583	1,638	1,683

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Comprehensive Income

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Net income	$6,946	$7,124	$6,253
Other Comprehensive Income (Loss)			
Changes in unrealized gains and losses on investment securities available-for-sale	1,693	(656)	178
Unrealized gains and losses on held-to-maturity investment securities transferred to available-for-sale	141	–	–
Changes in unrealized gains and losses on derivative hedges	(229)	39	(5)
Foreign currency translation	26	3	(2)
Changes in unrealized gains and losses on retirement plans	(380)	(302)	(41)
Reclassification to earnings of realized gains and losses	20	93	77
Income taxes related to other comprehensive income (loss)	(322)	205	(76)
Total other comprehensive income (loss)	949	(618)	131
Comprehensive income	7,895	6,506	6,384
Comprehensive (income) loss attributable to noncontrolling interests	(32)	(28)	(35)
Comprehensive income attributable to U.S. Bancorp	$7,863	$6,478	$6,349

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Shareholders' Equity

(Dollars and Shares in Millions, Except Per Share Data)	U.S. Bancorp Shareholders									
	Common Shares Outstanding	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total U.S. Bancorp Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance December 31, 2016	1,697	$ 5,501	$21	$8,440	$50,151	$(15,280)	$(1,535)	$47,298	$635	$47,933
Net income (loss)					6,218			6,218	35	6,253
Other comprehensive income (loss)							131	131		131
Preferred stock dividends[a]					(267)			(267)		(267)
Common stock dividends ($1.16 per share)					(1,950)			(1,950)		(1,950)
Issuance of preferred stock		993						993		993
Redemption of preferred stock		(1,075)			(10)			(1,085)		(1,085)
Issuance of common and treasury stock	8			(138)		300		162		162
Purchase of treasury stock	(49)					(2,622)		(2,622)		(2,622)
Distributions to noncontrolling interests								–	(47)	(47)
Net other changes in noncontrolling interests								–	3	3
Stock option and restricted stock grants				162				162		162
Balance December 31, 2017	1,656	$ 5,419	$21	$8,464	$54,142	$(17,602)	$(1,404)	$49,040	$626	$49,666
Changes in accounting principle[b]					299		(300)	(1)		(1)
Net income (loss)					7,096			7,096	28	7,124
Other comprehensive income (loss)							(618)	(618)		(618)
Preferred stock dividends[c]					(282)			(282)		(282)
Common stock dividends ($1.34 per share)					(2,190)			(2,190)		(2,190)
Issuance of preferred stock		565						565		565
Issuance of common and treasury stock	6			(167)		258		91		91
Purchase of treasury stock	(54)					(2,844)		(2,844)		(2,844)
Distributions to noncontrolling interests								–	(31)	(31)
Net other changes in noncontrolling interests								–	5	5
Stock option and restricted stock grants				172				172		172
Balance December 31, 2018	1,608	$ 5,984	$21	$8,469	$59,065	$(20,188)	$(2,322)	$51,029	$628	$51,657
Changes in accounting principle					2			2		2
Net income (loss)					6,914			6,914	32	6,946
Other comprehensive income (loss)							949	949		949
Preferred stock dividends[d]					(302)			(302)		(302)
Common stock dividends ($1.58 per share)					(2,493)			(2,493)		(2,493)
Issuance of common and treasury stock	7			(174)		263		89		89
Purchase of treasury stock	(81)					(4,515)		(4,515)		(4,515)
Distributions to noncontrolling interests								–	(31)	(31)
Net other changes in noncontrolling interests								–	1	1
Stock option and restricted stock grants				180				180		180
Balance December 31, 2019	1,534	$ 5,984	$21	$8,475	$63,186	$(24,440)	$(1,373)	$51,853	$630	$52,483

(a) Reflects dividends declared per share on the Company's Series A, Series B, Series F, Series G, Series H, Series I and Series J Non-Cumulative Perpetual Preferred Stock of $3,548.61, $887.15, $1,625.00, $375.00, $1,287.52, $1,281.25 and $890.69, respectively.

(b) Reflects the adoption of new accounting guidance on January 1, 2018 to reclassify the impact of the reduced federal statutory tax rate for corporations included in 2017 tax reform legislation from accumulated other comprehensive income to retained earnings.

(c) Reflects dividends declared per share on the Company's Series A, Series B, Series F, Series H, Series I, Series J and Series K Non-Cumulative Perpetual Preferred Stock of $3,548.61, $887.15, $1,625.00, $1,287.52, $1,281.25, $1,325.00 and $576.74, respectively.

(d) Reflects dividends declared per share on the Company's Series A, Series B, Series F, Series H, Series I, Series J and Series K Non-Cumulative Perpetual Preferred Stock of $3,654.95, $887.15, $1,625.00, $1,287.52, $1,281.25, $1,325.00 and $1,375.00, respectively.

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Operating Activities			
Net income attributable to U.S. Bancorp	$ 6,914	$ 7,096	$ 6,218
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	1,504	1,379	1,390
Depreciation and amortization of premises and equipment	334	306	293
Amortization of intangibles	168	161	175
(Gain) loss on sale of loans held for sale	(762)	(394)	(772)
(Gain) loss on sale of securities and other assets	(469)	(510)	(502)
Loans originated for sale in the secondary market, net of repayments	(36,561)	(29,214)	(35,743)
Proceeds from sales of loans held for sale	33,303	30,730	37,462
Other, net	458	1,010	(2,049)
Net cash provided by operating activities	4,889	10,564	6,472
Investing Activities			
Proceeds from sales of available-for-sale investment securities	11,252	1,400	3,084
Proceeds from maturities of held-to-maturity investment securities	9,137	6,619	8,306
Proceeds from maturities of available-for-sale investment securities	11,454	11,411	13,042
Purchases of held-to-maturity investment securities	(6,701)	(9,793)	(9,712)
Purchases of available-for-sale investment securities	(33,814)	(10,077)	(17,860)
Net increase in loans outstanding	(9,871)	(9,234)	(8,054)
Proceeds from sales of loans	2,899	4,862	2,458
Purchases of loans	(3,805)	(3,694)	(3,040)
Net increase (decrease) in securities purchased under agreements to resell	(816)	(182)	54
Other, net	(1,295)	(289)	(404)
Net cash used in investing activities	(21,560)	(8,977)	(12,126)
Financing Activities			
Net increase (decrease) in deposits	16,441	(1,740)	12,625
Net increase (decrease) in short-term borrowings	9,584	(2,512)	2,688
Proceeds from issuance of long-term debt	9,899	12,078	9,434
Principal payments or redemption of long-term debt	(11,119)	(2,928)	(10,517)
Proceeds from issuance of preferred stock	–	565	993
Proceeds from issuance of common stock	88	86	159
Repurchase of preferred stock	–	–	(1,085)
Repurchase of common stock	(4,525)	(2,822)	(2,631)
Cash dividends paid on preferred stock	(302)	(274)	(284)
Cash dividends paid on common stock	(2,443)	(2,092)	(1,928)
Net cash provided by financing activities	17,623	361	9,454
Change in cash and due from banks	952	1,948	3,800
Cash and due from banks at beginning of period	21,453	19,505	15,705
Cash and due from banks at end of period	$ 22,405	$ 21,453	$ 19,505
Supplemental Cash Flow Disclosures			
Cash paid for income taxes	$ 941	$ 365	$ 555
Cash paid for interest	4,404	3,056	2,086
Noncash transfer of held-to-maturity investment securities to available-for-sale	43,596	–	–
Net noncash transfers to foreclosed property	60	115	163

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1 Significant Accounting Policies

U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. U.S. Bancorp and its subsidiaries (the "Company") provide a full range of financial services, including lending and depository services through banking offices principally in the Midwest and West regions of the United States. The Company also engages in credit card, merchant, and ATM processing, mortgage banking, cash management, capital markets, insurance, trust and investment management, brokerage, and leasing activities, principally in domestic markets.

Basis of Presentation The consolidated financial statements include the accounts of the Company and its subsidiaries and all variable interest entities ("VIEs") for which the Company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. Consolidation eliminates intercompany accounts and transactions. Certain items in prior periods have been reclassified to conform to the current presentation.

Uses of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual experience could differ from those estimates.

Securities

Realized gains or losses on securities are determined on a trade date basis based on the specific amortized cost of the investments sold.

Trading Securities Securities held for resale are classified as trading securities and are included in other assets and reported at fair value. Changes in fair value and realized gains or losses are reported in noninterest income.

Available-for-sale Securities Debt securities that are not trading securities but may be sold before maturity in response to changes in the Company's interest rate risk profile, funding needs, demand for collateralized deposits by public entities or other reasons, are carried at fair value with unrealized net gains or losses reported within other comprehensive income (loss). Declines in fair value for credit-related other-than-temporary impairment, if any, are reported in noninterest income.

Held-to-maturity Securities Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Declines in fair value for credit-related other-than-temporary impairment, if any, are reported in noninterest income.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase Securities purchased under agreements to resell and securities sold under agreements to repurchase are accounted for as collateralized financing transactions with a receivable or payable recorded at the amounts at which the securities were acquired or sold, plus accrued interest. Collateral requirements are continually monitored and additional collateral is received or provided as required. The Company records a receivable or payable for cash collateral paid or received.

Equity Investments

Equity investments in entities where the Company has a significant influence (generally between 20 percent and 50 percent ownership), but does not control the entity, are accounted for using the equity method. Investments in limited partnerships and similarly structured limited liability companies where the Company's ownership interest is greater than 5 percent are accounted for using the equity method. Equity investments not using the equity method are accounted for at fair value with changes in fair value and realized gains or losses reported in noninterest income, unless fair value is not readily determinable, in which case the investment is carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. Most of the Company's equity investments do not have readily determinable fair values. All equity investments are evaluated for impairment at least annually and more frequently if certain criteria are met.

Loans

The Company offers a broad array of lending products and categorizes its loan portfolio into two segments, which is the level at which it develops and documents a systematic methodology to determine the allowance for credit losses. The Company's two loan portfolio segments are commercial lending and consumer lending. Previously, the Company categorized loans covered under loss sharing or similar credit protection agreements with the Federal Deposit Insurance Corporation ("FDIC"), along with the related indemnification asset, in a separate covered loans segment. During 2018 the majority of these loans were sold and the loss share coverage expired. Any remaining balances were reclassified to the loan segment they would have otherwise been included in had the loss share coverage not been in place. The Company further disaggregates its loan portfolio segments into various classes based on their underlying risk characteristics. The two classes within the commercial lending segment are commercial loans and commercial real estate loans. The three classes within the consumer lending segment are residential mortgages, credit card loans and other retail loans.

The Company's accounting methods for loans differ depending on whether the loans are originated or purchased, and

for purchased loans, whether the loans were acquired at a discount related to evidence of credit deterioration since date of origination.

Originated Loans Held for Investment Loans the Company originates as held for investment are reported at the principal amount outstanding, net of unearned interest income and deferred fees and costs, and any direct principal charge-offs. Interest income is accrued on the unpaid principal balances as earned. Loan and commitment fees and certain direct loan origination costs are deferred and recognized over the life of the loan and/or commitment period as yield adjustments.

Purchased Loans All purchased loans (non-impaired and impaired) acquired after January 1, 2009 are initially measured at fair value as of the acquisition date in accordance with applicable authoritative accounting guidance. Credit discounts are included in the determination of fair value. An allowance for credit losses is not recorded at the acquisition date for loans purchased after January 1, 2009. In accordance with applicable authoritative accounting guidance, purchased non-impaired loans acquired in a business combination prior to January 1, 2009 were generally recorded at the predecessor's carrying value including an allowance for credit losses.

In determining the acquisition date fair value of purchased impaired loans, and in subsequent accounting, the Company generally aggregates purchased consumer loans and certain smaller balance commercial loans into pools of loans with common risk characteristics, while accounting for larger balance commercial loans individually. Expected cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. The present value of any decreases in expected cash flows, other than from decreases in variable interest rates, after the purchase date is recognized by recording an allowance for credit losses. Revolving loans, including lines of credit and credit cards loans, and leases are excluded from purchased impaired loans accounting.

For purchased loans acquired after January 1, 2009 that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, the Company records a provision for credit losses only when the required allowance exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in interest income over the life of the loans.

Commitments to Extend Credit Unfunded commitments for residential mortgage loans intended to be held for sale are considered derivatives and recorded in other assets and other liabilities on the Consolidated Balance Sheet at fair value with changes in fair value recorded in noninterest income. All other unfunded loan commitments are not considered derivatives and are not reported on the Consolidated Balance Sheet. For loans purchased after January 1, 2009, the fair value of the unfunded credit commitments is generally considered in the determination of the fair value of the loans recorded at the date of acquisition. Reserves for credit exposure on all other unfunded credit commitments are recorded in other liabilities.

Allowance for Credit Losses The allowance for credit losses is established for probable and estimable losses incurred in the Company's loan and lease portfolio, including unfunded credit commitments. The allowance for credit losses is increased through provisions charged to earnings and reduced by net charge-offs. Management evaluates the appropriateness of the allowance for incurred losses on a quarterly basis.

The allowance recorded for loans in the commercial lending segment is based on reviews of individual credit relationships and considers the migration analysis of commercial lending segment loans and actual loss experience. For each loan type, this historical loss experience is adjusted as necessary to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices or economic conditions. The results of the analysis are evaluated quarterly to confirm the selected loss experience is appropriate for each commercial loan type. The allowance recorded for impaired loans greater than $5 million in the commercial lending segment is based on an individual loan analysis utilizing expected cash flows discounted using the original effective interest rate, the observable market price of the loan, or the fair value of the collateral, less selling costs, for collateral-dependent loans, rather than the migration analysis. The allowance recorded for all other commercial lending segment loans is determined on a homogenous pool basis and includes consideration of product mix, risk characteristics of the portfolio, delinquency status, bankruptcy experience, portfolio growth and historical losses, adjusted for current trends. The Company also considers the impacts of any loan modifications made to commercial lending segment loans and any subsequent payment defaults to its expectations of cash flows, principal balance, and current expectations about the borrower's ability to pay in determining the allowance for credit losses.

The allowance recorded for Troubled Debt Restructuring ("TDR") loans and purchased impaired loans in the consumer lending segment is determined on a homogenous pool basis utilizing expected cash flows discounted using the original effective interest rate of the pool, or the prior quarter effective rate, respectively. The allowance for collateral-dependent loans in the consumer lending segment is determined based on the fair value of the collateral less costs to sell. The allowance recorded for all other consumer lending segment loans is determined on a homogenous pool basis and includes consideration of product mix, risk characteristics of the portfolio, bankruptcy experience, delinquency status, refreshed loan-to-value ratios when possible, portfolio growth and historical losses, adjusted for current trends. The Company also considers any modifications made to

consumer lending segment loans including the impacts of any subsequent payment defaults since modification in determining the allowance for credit losses, such as the borrower's ability to pay under the restructured terms, and the timing and amount of payments.

In addition, subsequent payment defaults on loan modifications considered TDRs are considered in the underlying factors used in the determination of the appropriateness of the allowance for credit losses. For each loan segment, the Company estimates future loan charge-offs through a variety of analysis, trends and underlying assumptions. With respect to the commercial lending segment, TDRs may be collectively evaluated for impairment where observed performance history, including defaults, is a primary driver of the loss allocation. For commercial TDRs individually evaluated for impairment, attributes of the borrower are the primary factors in determining the allowance for credit losses. However, historical loss experience is also incorporated into the allowance methodology applied to this category of loans. With respect to the consumer lending segment, performance of the portfolio, including defaults on TDRs, is considered when estimating future cash flows.

The Company's methodology for determining the appropriate allowance for credit losses for each loan segment also considers the imprecision inherent in the methodologies used. As a result, in addition to the amounts determined under the methodologies described above, management also considers the potential impact of other qualitative factors which include, but are not limited to, economic factors; geographic and other concentration risks; delinquency and nonaccrual trends; current business conditions; changes in lending policy, underwriting standards and other relevant business practices; results of internal review; and the regulatory environment. The consideration of these items results in adjustments to allowance amounts included in the Company's allowance for credit losses for each of the above loan segments.

The Company also assesses the credit risk associated with off-balance sheet loan commitments, letters of credit, and derivatives. Credit risk associated with derivatives is reflected in the fair values recorded for those positions. The liability for off-balance sheet credit exposure related to loan commitments and other credit guarantees is included in other liabilities. Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments.

Credit Quality The credit quality of the Company's loan portfolios is assessed as a function of net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by the Company.

For all loan classes, loans are considered past due based on the number of days delinquent except for monthly amortizing loans which are classified delinquent based upon the number of contractually required payments not made (for example, two missed payments is considered 30 days delinquent). When a loan is placed on nonaccrual status, unpaid accrued interest is reversed, reducing interest income in the current period.

Commercial lending segment loans are generally placed on nonaccrual status when the collection of principal and interest has become 90 days past due or is otherwise considered doubtful. Commercial lending segment loans are generally fully or partially charged down to the fair value of the collateral securing the loan, less costs to sell, when the loan is placed on nonaccrual.

Consumer lending segment loans are generally charged-off at a specific number of days or payments past due. Residential mortgages and other retail loans secured by 1-4 family properties are generally charged down to the fair value of the collateral securing the loan, less costs to sell, at 180 days past due. Residential mortgage loans and lines in a first lien position are placed on nonaccrual status in instances where a partial charge-off occurs unless the loan is well secured and in the process of collection. Residential mortgage loans and lines in a junior lien position secured by 1-4 family properties are placed on nonaccrual status at 120 days past due or when they are behind a first lien that has become 180 days or greater past due or placed on nonaccrual status. Any secured consumer lending segment loan whose borrower has had debt discharged through bankruptcy, for which the loan amount exceeds the fair value of the collateral, is charged down to the fair value of the related collateral and the remaining balance is placed on nonaccrual status. Credit card loans continue to accrue interest until the account is charged-off. Credit cards are charged-off at 180 days past due. Other retail loans not secured by 1-4 family properties are charged-off at 120 days past due; and revolving consumer lines are charged-off at 180 days past due. Similar to credit cards, other retail loans are generally not placed on nonaccrual status because of the relative short period of time to charge-off. Certain retail customers having financial difficulties may have the terms of their credit card and other loan agreements modified to require only principal payments and, as such, are reported as nonaccrual.

For all loan classes, interest payments received on nonaccrual loans are generally recorded as a reduction to a loan's carrying amount while a loan is on nonaccrual and are recognized as interest income upon payoff of the loan. However, interest income may be recognized for interest payments if the remaining carrying amount of the loan is believed to be collectible. In certain circumstances, loans in any class may be restored to accrual status, such as when a loan has demonstrated sustained repayment performance or no amounts are past due and prospects for future payment are no longer in doubt; or when the loan becomes well secured and is in the process of collection. Loans where there has been a partial charge-off may be returned to accrual status if all principal and interest (including amounts previously charged-off) is expected to be collected and the loan is current. Generally, purchased impaired loans are considered accruing loans. However, the timing and amount of future cash flows for some loans is not reasonably estimable, and those loans are classified as nonaccrual loans with interest income not

recognized until the timing and amount of the future cash flows can be reasonably estimated.

The Company classifies its loan portfolios using internal credit quality ratings on a quarterly basis. These ratings include pass, special mention and classified, and are an important part of the Company's overall credit risk management process and evaluation of the allowance for credit losses. Loans with a pass rating represent those loans not classified on the Company's rating scale for problem credits, as minimal credit risk has been identified. Special mention loans are those loans that have a potential weakness deserving management's close attention. Classified loans are those loans where a well-defined weakness has been identified that may put full collection of contractual cash flows at risk. It is possible that others, given the same information, may reach different reasonable conclusions regarding the credit quality rating classification of specific loans.

Troubled Debt Restructurings In certain circumstances, the Company may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near-term. Concessionary modifications are classified as TDRs unless the modification results in only an insignificant delay in payments to be received. The Company recognizes interest on TDRs if the borrower complies with the revised terms and conditions as agreed upon with the Company and has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles, which is generally six months or greater. To the extent a previous restructuring was insignificant, the Company considers the cumulative effect of past restructurings related to the receivable when determining whether a current restructuring is a TDR. Loans classified as TDRs are considered impaired loans for reporting and measurement purposes.

The Company has implemented certain restructuring programs that may result in TDRs. However, many of the Company's TDRs are also determined on a case-by-case basis in connection with ongoing loan collection processes.

For the commercial lending segment, modifications generally result in the Company working with borrowers on a case-by-case basis. Commercial and commercial real estate modifications generally include extensions of the maturity date and may be accompanied by an increase or decrease to the interest rate, which may not be deemed a market interest rate. In addition, the Company may work with the borrower in identifying other changes that mitigate loss to the Company, which may include additional collateral or guarantees to support the loan. To a lesser extent, the Company may waive contractual principal. The Company classifies all of the above concessions as TDRs to the extent the Company determines that the borrower is experiencing financial difficulty.

Modifications for the consumer lending segment are generally part of programs the Company has initiated. The Company modifies residential mortgage loans under Federal Housing Administration, United States Department of Veterans Affairs, or its own internal programs. Under these programs, the Company offers qualifying homeowners the opportunity to permanently modify their loan and achieve more affordable monthly payments by providing loan concessions. These concessions may include adjustments to interest rates, conversion of adjustable rates to fixed rates, extension of maturity dates or deferrals of payments, capitalization of accrued interest and/or outstanding advances, or in limited situations, partial forgiveness of loan principal. In most instances, participation in residential mortgage loan restructuring programs requires the customer to complete a short-term trial period. A permanent loan modification is contingent on the customer successfully completing the trial period arrangement, and the loan documents are not modified until that time. The Company reports loans in a trial period arrangement as TDRs and continues to report them as TDRs after the trial period.

Credit card and other retail loan TDRs are generally part of distinct restructuring programs providing customers experiencing financial difficulty with modifications whereby balances may be amortized up to 60 months, and generally include waiver of fees and reduced interest rates.

In addition, the Company considers secured loans to consumer borrowers that have debt discharged through bankruptcy where the borrower has not reaffirmed the debt to be TDRs.

Acquired loans restructured after acquisition are not considered TDRs for accounting and disclosure purposes if the loans evidenced credit deterioration as of the acquisition date and are accounted for in pools.

Impaired Loans For all loan classes, a loan is considered to be impaired when, based on current events or information, it is probable the Company will be unable to collect all amounts due per the contractual terms of the loan agreement. Impaired loans include all nonaccrual and TDR loans. For all loan classes, interest income on TDR loans is recognized under the modified terms and conditions if the borrower has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles. Interest income is generally not recognized on other impaired loans until the loan is paid off. However, interest income may be recognized for interest payments if the remaining carrying amount of the loan is believed to be collectible.

Factors used by the Company in determining whether all principal and interest payments due on commercial and commercial real estate loans will be collected and, therefore, whether those loans are impaired include, but are not limited to, the financial condition of the borrower, collateral and/or guarantees on the loan, and the borrower's estimated future ability to pay based on industry, geographic location and certain financial ratios. The evaluation of impairment on residential mortgages, credit card loans and other retail loans is primarily driven by delinquency status of individual loans or whether a loan has been modified, and considers any government guarantee where applicable.

Leases The Company, as a lessor, originates retail and commercial leases either directly to the consumer or indirectly through dealer networks. Retail leases, primarily automobiles,

have 3 to 5 year terms. Commercial leases may include high dollar assets such as aircraft or lower cost items such as office equipment. At lease inception, retail lease customers are provided with an end-of-term purchase option, which is based on the expected fair value of the automobile at the expiration of the lease. Automobile leases do not typically contain options to extend or terminate the lease. Equipment leases may contain various types of purchase options. Some option amounts are a stated value, while others are determined using the fair market value at the time of option exercise.

Residual values on leased assets are reviewed regularly for impairment. Residual valuations for retail leases are based on independent assessments of expected used automobile sale prices at the end of the lease term. Impairment tests are conducted based on these valuations considering the probability of the lessee returning the asset to the Company, re-marketing efforts, insurance coverage and ancillary fees and costs. Valuations for commercial leases are based upon external or internal management appraisals. The Company manages its risk to changes in the residual value of leased vehicles, office and business equipment, and other assets through disciplined residual valuation setting at the inception of a lease, diversification of its leased assets, regular residual asset valuation reviews and monitoring of residual value gains or losses upon the disposition of assets. Retail lease residual value risk is mitigated further by the purchase of residual value insurance coverage and effective end-of-term marketing of off-lease vehicles.

The Company, as lessee, leases certain assets for use in its operations. Leased assets primarily include retail branches, operations centers and other corporate locations, and, to a lesser extent, office and computer equipment. For each lease with an original term greater than 12 months, the Company records a lease liability and a corresponding right of use (“ROU”) asset. The Company accounts for the lease and non-lease components in the majority of its lease contracts as a single lease component, with the determination of the lease liability at lease inception based on the present value of the consideration to be paid under the contract. The discount rate used by the Company is determined at commencement of the lease using a secured rate for a similar term as the period of the lease. The Company’s leases do not include significant variable lease payments.

Certain of the Company’s real estate leases include options to extend. Lease extension options are generally exercisable at market rates. Such option periods do not provide a significant incentive, and their exercise is not reasonably certain. Accordingly, the Company does not recognize payments occurring during option periods in the calculation of its ROU assets and lease liabilities.

Other Real Estate Other real estate owned (“OREO”) is included in other assets, and is property acquired through foreclosure or other proceedings on defaulted loans. OREO is initially recorded at fair value, less estimated selling costs. The fair value of OREO is evaluated regularly and any decreases in value along with holding costs, such as taxes and insurance, are reported in noninterest expense.

Loans Held For Sale

Loans held for sale (“LHFS”) represent mortgage loans intended to be sold in the secondary market and other loans that management has an active plan to sell. LHFS are carried at the lower-of-cost-or-fair value as determined on an aggregate basis by type of loan with the exception of loans for which the Company has elected fair value accounting, which are carried at fair value. The credit component of any writedowns upon the transfer of loans to LHFS is reflected in loan charge-offs.

Where an election is made to carry the LHFS at fair value, any change in fair value is recognized in noninterest income. Where an election is made to carry LHFS at lower-of-cost-or-fair value, any further decreases are recognized in noninterest income and increases in fair value above the loan cost basis are not recognized until the loans are sold. Fair value elections are made at the time of origination or purchase based on the Company’s fair value election policy. The Company has elected fair value accounting for substantially all its mortgage loans held for sale (“MLHFS”).

Derivative Financial Instruments

In the ordinary course of business, the Company enters into derivative transactions to manage various risks and to accommodate the business requirements of its customers. Derivative instruments are reported in other assets or other liabilities at fair value. Changes in a derivative’s fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

All derivative instruments that qualify and are designated for hedge accounting are recorded at fair value and classified as either a hedge of the fair value of a recognized asset or liability (“fair value hedge”); a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”); or a hedge of the volatility of a net investment in foreign operations driven by changes in foreign currency exchange rates (“net investment hedge”). Changes in the fair value of a derivative that is highly effective and designated as a fair value hedge, and the offsetting changes in the fair value of the hedged item, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and designated as a cash flow hedge are recorded in other comprehensive income (loss) until cash flows of the hedged item are realized. Changes in the fair value of net investment hedges that are highly effective are recorded in other comprehensive income (loss). The Company performs an assessment, at inception and, at a minimum, quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the value or cash flows of the hedged item(s).

If a derivative designated as a cash flow hedge is terminated or ceases to be highly effective, the gain or loss in other comprehensive income (loss) is amortized to earnings over the period the forecasted hedged transactions impact earnings. If a hedged forecasted transaction is no longer probable, hedge accounting is ceased and any gain or loss included in other

comprehensive income (loss) is reported in earnings immediately, unless the forecasted transaction is at least reasonably possible of occurring, whereby the amounts remain within other comprehensive income (loss).

Revenue Recognition

In the ordinary course of business, the Company recognizes income derived from various revenue generating activities. Certain revenues are generated from contracts where they are recognized when, or as services or products are transferred to customers for amounts the Company expects to be entitled. Revenue generating activities related to financial assets and liabilities are also recognized; including mortgage servicing fees, loan commitment fees, foreign currency remeasurements, and gains and losses on securities, equity investments and unconsolidated subsidiaries. Certain specific policies include the following:

Credit and Debit Card Revenue Credit and debit card revenue includes interchange from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Company records interchange as services are provided. Transaction and account management fees are recognized as services are provided, except for annual fees which are recognized over the applicable period. Costs for rewards programs and certain payments to partners and credit card associations are also recorded within credit and debit card revenue when services are provided. The Company predominately records credit and debit card revenue within the Payment Services line of business.

Corporate Payment Products Revenue Corporate payment products revenue primarily includes interchange from commercial card products processed through card association networks and revenue from proprietary network transactions. The Company records corporate payment products revenue as services are provided. Certain payments to credit card associations and customers are also recorded within corporate payment products revenue as services are provided. Corporate payment products revenue is recorded within the Payment Services line of business.

Merchant Processing Services Merchant processing services revenue consists principally of merchant discount and other transaction and account management fees charged to merchants for the electronic processing of card association network transactions, less interchange paid to the card-issuing bank, card association assessments, and revenue sharing amounts. All of these are recognized at the time the merchant's services are performed. The Company may enter into revenue sharing agreements with referral partners or in connection with purchases of merchant contracts from sellers. The revenue sharing amounts are determined primarily on sales volume processed or revenue generated for a particular group of merchants. Merchant processing revenue also includes revenues related to point-of-sale equipment recorded as sales when the equipment is shipped or as earned for equipment rentals. The Company records merchant processing services revenue within the Payment Services line of business.

Trust and Investment Management Fees Trust and investment management fees are recognized over the period in which services are performed and are based on a percentage of the fair value of the assets under management or administration, fixed based on account type, or transaction-based fees. Services provided to clients include trustee, transfer agent, custodian, fiscal agent, escrow, fund accounting and administration services. Services provided to mutual funds may include selling, distribution and marketing services. Trust and investment management fees are predominately recorded within the Wealth Management and Investment Services line of business.

Deposit Service Charges Deposit service charges include service charges on deposit accounts received under depository agreements with customers to provide access to deposited funds, serve as a custodian of funds, and when applicable, pay interest on deposits. Checking or savings accounts may contain fees for various services used on a day to day basis by a customer. Fees are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged. Deposit service charges also include revenue generated from ATM transaction processing and settlement services which is recognized at the time the services are performed. Certain payments to partners and card associations related to ATM processing services are also recorded within deposit service charges as services are provided. Deposit service charges are reported primarily within the Consumer and Business Banking line of business.

Treasury Management Fees Treasury management fees include fees for a broad range of products and services that enables customers to manage their cash more efficiently. These products and services include cash and investment management, receivables management, disbursement services, funds transfer services, and information reporting. Revenue is recognized as products and services are provided to customers. The Company reflects a discount calculated on monthly average collected customer balances. Total treasury management fees are reported primarily within the Corporate and Commercial Banking and Consumer and Business Banking lines of business.

Commercial Products Revenue Commercial products revenue primarily includes revenue related to ancillary services provided to Corporate and Commercial Banking and Consumer and Business Banking customers, including standby letter of credit fees, non-yield related loan fees, capital markets related revenue, sales of direct financing leases, and loan and syndication fees. Sales of direct financing leases are recognized at the point of sale. In addition, the Company may lead or participate with a group of underwriters in raising investment capital on behalf of securities issuers and charge underwriting fees. These fees are recognized at securities issuance. The Company, in its role as lead underwriter, arranges deal structuring and use of outside vendors

for the underwriting group. The Company recognizes only those fees and expenses related to its underwriting commitment.

Mortgage Banking Revenue Mortgage banking revenue includes revenue derived from mortgages originated and subsequently sold, generally with servicing retained. The primary components include: gains and losses on mortgage sales; servicing revenue; changes in fair value for mortgage loans originated with the intent to sell and measured at fair value under the fair value option; changes in fair value for derivative commitments to purchase and originate mortgage loans; changes in the fair value of mortgage servicing rights ("MSRs"); and the impact of risk management activities associated with the mortgage origination pipeline, funded loans and MSRs. Net interest income from mortgage loans is recorded in interest income. Refer to Other Significant Policies in Note 1, as well as Note 9 and Note 21 for a further discussion of MSRs. Mortgage banking revenue is reported within the Consumer and Business Banking line of business.

Investment Products Fees Investment products fees include commissions related to the execution of requested security trades, distribution fees from sale of mutual funds, and investment advisory fees. Commissions and investment advisory fees are recognized as services are delivered to and utilized by the customer. Distribution fees are received over time, are dependent on the consumer maintaining their mutual fund asset position and the value of such position. These revenues are estimated and recognized at the point a significant reversal of revenue becomes remote. Investment products fees are predominately reported within the Wealth Management and Investment Services line of business.

Other Noninterest Income Other noninterest income is primarily related to financial assets including income on unconsolidated subsidiaries and equity method investments, gains on sale of other investments and corporate owned life insurance proceeds. The Company reports other noninterest income across all lines of business.

Other Significant Policies

Goodwill and Other Intangible Assets Goodwill is recorded on acquired businesses if the purchase price exceeds the fair value of the net assets acquired. Other intangible assets are recorded at their fair value upon completion of a business acquisition or certain other transactions, and generally represent the value of customer contracts or relationships. Goodwill is not amortized but is subject, at a minimum, to annual tests for impairment at a reporting unit level. In certain situations, an interim impairment test may be required if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other intangible assets are amortized over their estimated useful lives, using straight-line and accelerated methods and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. Determining the amount of goodwill impairment, if any, includes assessing the current implied fair value of the reporting unit as if it were being acquired in a business combination and comparing it to the carrying amount of the reporting unit's goodwill. Determining the amount of other intangible asset impairment, if any, includes assessing the present value of the estimated future cash flows associated with the intangible asset and comparing it to the carrying amount of the asset.

Income Taxes Deferred taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting carrying amounts. The Company uses the deferral method of accounting on investments that generate investment tax credits. Under this method, the investment tax credits are recognized as a reduction to the related asset. For certain investments in qualified affordable housing projects, the Company presents the expense in tax expense rather than noninterest expense.

Mortgage Servicing Rights MSRs are capitalized as separate assets when loans are sold and servicing is retained or if they are purchased from others. MSRs are recorded at fair value. The Company determines the fair value by estimating the present value of the asset's future cash flows utilizing market-based prepayment rates, option adjusted spread, and other assumptions validated through comparison to trade information, industry surveys and independent third-party valuations. Changes in the fair value of MSRs are recorded in earnings as mortgage banking revenue during the period in which they occur.

Pensions For purposes of its pension plans, the Company utilizes its fiscal year-end as the measurement date. At the measurement date, plan assets are determined based on fair value, generally representing observable market prices or the net asset value provided by the funds' trustee or administrator. The actuarial cost method used to compute the pension liabilities and related expense is the projected unit credit method. The projected benefit obligation is principally determined based on the present value of projected benefit distributions at an assumed discount rate. The discount rate utilized is based on the investment yield of high quality corporate bonds available in the marketplace with maturities equal to projected cash flows of future benefit payments as of the measurement date. Periodic pension expense (or income) includes service costs, interest costs based on the assumed discount rate, the expected return on plan assets based on an actuarially derived market-related value and amortization of actuarial gains and losses. Service cost is included in employee benefits expense on the Consolidated Statement of Income, with all other components of periodic pension expense included in other noninterest expense on the Consolidated Statement of Income. Pension accounting reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and can have the effect of reducing earnings volatility related to short-term changes in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments and various unrecognized gains and losses which are deferred and amortized over the future service periods of active employees. The market-related value utilized to determine the expected return on

plan assets is based on fair value adjusted for the difference between expected returns and actual performance of plan assets. The unrealized difference between actual experience and expected returns is included in expense over a period of approximately fifteen years. The overfunded or underfunded status of the plans is recorded as an asset or liability on the Consolidated Balance Sheet, with changes in that status recognized through other comprehensive income (loss).

Premises and Equipment Premises and equipment are stated at cost less accumulated depreciation and depreciated primarily on a straight-line basis over the estimated life of the assets. Estimated useful lives range up to 40 years for newly constructed buildings and from 3 to 25 years for furniture and equipment.

The Company, as lessee, records an ROU asset for each lease with an original term greater than 12 months. ROU assets are included in premises and equipment, with the corresponding lease liabilities included in long-term debt and other liabilities.

Stock-Based Compensation The Company grants stock-based awards, which may include restricted stock, restricted stock units and options to purchase common stock of the Company. Stock option grants are for a fixed number of shares to employees and directors with an exercise price equal to the fair value of the shares at the date of grant. Restricted stock and restricted stock unit grants are awarded at no cost to the recipient. Stock-based compensation for awards is recognized in the Company's results of operations over the vesting period. The Company immediately recognizes compensation cost of awards to employees that meet retirement status, despite their continued active employment. The amortization of stock-based compensation reflects estimated forfeitures adjusted for actual forfeiture experience. As compensation expense is recognized, a deferred tax asset is recorded that represents an estimate of the future tax deduction from exercise or release of restrictions. At the time stock-based awards are exercised, cancelled, expire, or restrictions are released, the Company may be required to recognize an adjustment to tax expense, depending on the market price of the Company's common stock at that time.

Per Share Calculations Earnings per common share is calculated using the two-class method under which earnings are allocated to common shareholders and holders of participating securities. Unvested stock-based compensation awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities under the two-class method. Net income applicable to U.S. Bancorp common shareholders is then divided by the weighted-average number of common shares outstanding to determine earnings per common share. Diluted earnings per common share is calculated by adjusting income and outstanding shares, assuming conversion of all potentially dilutive securities.

NOTE 2 Accounting Changes

Accounting for Leases Effective January 1, 2019, the Company adopted accounting guidance, issued by the Financial Accounting Standards Board ("FASB") in February 2016, related to the accounting for leases. This guidance requires lessees to recognize all leases on the Consolidated Balance Sheet as lease assets and lease liabilities based primarily on the present value of future lease payments. The Company recognized approximately $1.3 billion of lease assets and related liabilities on its Consolidated Balance Sheet at the adoption date. In addition, lessors are now required to consider lease residual exposures of sales-type and direct financing leases when determining the allowance for credit losses. The adoption of this guidance was not material to the Company's Consolidated Statement of Income.

Financial Instruments—Credit Losses Effective January 1, 2020, the Company adopted accounting guidance, issued by the FASB in June 2016, related to the impairment of financial instruments. This guidance changes impairment recognition to a model that is based on expected losses rather than incurred losses, which is intended to result in more timely recognition of credit losses. This guidance is also intended to reduce the complexity of accounting guidance by decreasing the number of credit impairment models that entities use to account for debt instruments. In addition, the guidance requires additional credit quality disclosures for loans. Upon adoption, the Company increased its allowance for credit losses by approximately $1.5 billion and reduced retained earnings net of deferred tax balances.

When determining expected losses, the Company uses multiple economic scenarios and a three-year reasonable and supportable forecast period, which incorporates historical loss experience in years two and three. After the forecast period, the Company fully reverts to long-term historical loss experience, adjusted for prepayments, to estimate losses over the remaining life.

The increase in the allowance was primarily related to the commercial, credit card, installment and other retail loan portfolios where the allowance for loan losses had not previously considered the full term of the loans.

The adoption of this guidance did not have a material impact on the Company's available-for-sale securities as most of this portfolio consists of U.S. Treasury and residential agency mortgage-backed securities that inherently have an immaterial risk of loss.

NOTE 3 Restrictions on Cash and Due from Banks

Banking regulators require bank subsidiaries to maintain minimum average reserve balances, either in the form of vault cash or reserve balances held with central banks or other financial institutions. The amount of required reserve balances were approximately $3.2 billion and $3.1 billion at December 31, 2019 and 2018, respectively, and primarily represent those required to be held at the Federal Reserve Bank. In addition to vault cash, the Company held balances at the Federal Reserve Bank and other financial institutions of $8.0 billion and $7.5 billion at December 31, 2019 and 2018, respectively, to meet these requirements. These balances are included in cash and due from banks on the Consolidated Balance Sheet.

NOTE 4 Investment Securities

The Company's held-to-maturity investment securities are carried at historical cost, adjusted for amortization of premiums and accretion of discounts and credit-related other-than-temporary impairment. The Company's available-for-sale investment securities are carried at fair value with unrealized net gains or losses reported within accumulated other comprehensive income (loss) in shareholders' equity.

The amortized cost, other-than-temporary impairment recorded in other comprehensive income (loss), gross unrealized holding gains and losses, and fair value of held-to-maturity and available-for-sale investment securities at December 31 were as follows:

	2019					2018				
			Unrealized Losses					Unrealized Losses		
(Dollars in Millions)	Amortized Cost	Unrealized Gains	Other-than-Temporary[(a)]	Other[(b)]	Fair Value	Amortized Cost	Unrealized Gains	Other-than-Temporary[(a)]	Other[(b)]	Fair Value
Held-to-maturity										
U.S. Treasury and agencies	$ –	$ –	$–	$ –	$ –	$ 5,102	$ 2	$–	$ (143)	$ 4,961
Residential agency mortgage-backed securities	–	–	–	–	–	40,920	45	–	(994)	39,971
Asset-backed securities										
Collateralized debt obligations/ Collateralized loan obligations	–	–	–	–	–	–	1	–	–	1
Other	–	–	–	–	–	5	2	–	–	7
Obligations of state and political subdivisions	–	–	–	–	–	6	1	–	–	7
Obligations of foreign governments	–	–	–	–	–	9	–	–	–	9
Other	–	–	–	–	–	8	–	–	–	8
Total held-to-maturity	$ –	$ –	$–	$ –	$ –	$46,050	$ 51	$–	$(1,137)	$44,964
Available-for-sale										
U.S. Treasury and agencies	$ 19,845	$ 61	$–	$ (67)	$ 19,839	$19,604	$ 11	$–	$ (358)	$19,257
Mortgage-backed securities										
Residential agency	93,903	557	–	(349)	94,111	40,542	120	–	(910)	39,752
Commercial agency	1,482	–	–	(29)	1,453	2	–	–	–	2
Asset-backed securities										
Collateralized debt obligations/ Collateralized loan obligations	–	1	–	–	1	–	–	–	–	–
Other	375	7	–	–	382	397	6	–	–	403
Obligations of state and political subdivisions	6,499	318	–	(3)	6,814	6,836	37	–	(172)	6,701
Obligations of foreign governments	9	–	–	–	9	–	–	–	–	–
Corporate debt securities	4	–	–	–	4	–	–	–	–	–
Total available-for-sale	$122,117	$944	$–	$(448)	$122,613	$67,381	$174	$–	$(1,440)	$66,115

(a) Represents impairment not related to credit for those investment securities that have been determined to be other-than-temporarily impaired.
(b) Represents unrealized losses on investment securities that have not been determined to be other-than-temporarily impaired.

On December 31, 2019, the Company transferred all $43.6 billion of its held-to-maturity investment securities outstanding to the available-for-sale category to reflect its new intent for these securities, as a result of changes to regulatory capital requirements promulgated in 2019. In addition, the Company recognized $141 million of net unrealized gains on its Consolidated Balance Sheet as a result of the transfer.

Investment securities with a fair value of $8.4 billion at December 31, 2019, and $10.9 billion at December 31, 2018, were pledged to secure public, private and trust deposits, repurchase agreements and for other purposes required by contractual obligation or law. Included in these amounts were securities where the Company and certain counterparties have agreements granting the counterparties the right to sell or pledge the securities. Investment securities securing these types of arrangements had a fair value of $269 million at December 31, 2019, and $2.1 billion at December 31, 2018.

The following table provides information about the amount of interest income from taxable and non-taxable investment securities:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Taxable	$2,680	$2,396	$2,043
Non-taxable	213	220	189
Total interest income from investment securities	$2,893	$2,616	$2,232

The following table provides information about the amount of gross gains and losses realized through the sales of available-for-sale investment securities:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Realized gains	$ 99	$30	$ 75
Realized losses	(26)	–	(18)
Net realized gains (losses)	$ 73	$30	$ 57
Income tax (benefit) on net realized gains (losses)	$ 18	$ 7	$ 22

The Company conducts a regular assessment of its investment securities with unrealized losses to determine whether investment securities are other-than-temporarily impaired considering, among other factors, the nature of the investment securities, the credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows of underlying collateral, the existence of any government or agency guarantees, market conditions and whether the Company intends to sell or it is more likely than not the Company will be required to sell the investment securities. The Company determines other-than-temporary impairment recorded in earnings for investment securities not intended to be sold by estimating the future cash flows of each individual investment security, using market information where available, and discounting the cash flows at the original effective rate of the investment security. Other-than-temporary impairment recorded in other comprehensive income (loss) is measured as the difference between that discounted amount and the fair value of each investment security. The total amount of other-than-temporary impairment recorded was immaterial for the years ended December 31, 2019, 2018 and 2017.

At December 31, 2019, certain investment securities had a fair value below amortized cost. The following table shows the gross unrealized losses and fair value of the Company's available-for-sale investment securities with unrealized losses, aggregated by investment category and length of time the individual investment securities have been in continuous unrealized loss positions, at December 31, 2019:

	Less Than 12 Months		12 Months or Greater		Total	
(Dollars in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agencies	$ 3,869	$ (40)	$ 6,265	$ (27)	$10,134	$ (67)
Residential agency mortgage-backed securities	16,292	(46)	24,346	(303)	40,638	(349)
Commercial agency mortgage-backed securities	1,453	(29)	–	–	1,453	(29)
Other asset-backed securities	–	–	2	–	2	–
Obligations of state and political subdivisions	365	(3)	–	–	365	(3)
Corporate debt securities	4	–	–	–	4	–
Total investment securities	$21,983	$(118)	$30,613	$(330)	$52,596	$(448)

The Company does not consider these unrealized losses to be credit-related. These unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. A substantial portion of investment securities that have unrealized losses are either U.S. Treasury and agencies, agency mortgage-backed or state and political securities. In general, the issuers of the investment securities are contractually prohibited from prepayment at less than par, and the Company did not pay significant purchase premiums for these investment securities. At December 31, 2019, the Company had no plans to sell investment securities with unrealized losses, and believes it is more likely than not it would not be required to sell such investment securities before recovery of their amortized cost.

The following table provides information about the amortized cost, fair value and yield by maturity date of the available-for-sale investment securities outstanding at December 31, 2019:

(Dollars in Millions)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield[e]
U.S. Treasury and Agencies				
Maturing in one year or less	$ 4,243	$ 4,242	.6	1.61%
Maturing after one year through five years	12,881	12,901	2.4	1.65
Maturing after five years through ten years	2,721	2,696	7.5	1.95
Maturing after ten years	–	–	–	–
Total	$ 19,845	$ 19,839	2.7	1.68%
Mortgage-Backed Securities[a]				
Maturing in one year or less	$ 197	$ 197	.7	2.28%
Maturing after one year through five years	66,940	67,102	3.6	2.30
Maturing after five years through ten years	27,339	27,349	6.0	2.58
Maturing after ten years	909	916	11.4	2.76
Total	$ 95,385	$ 95,564	4.4	2.39%
Asset-Backed Securities[a]				
Maturing in one year or less	$ –	$ –	–	—%
Maturing after one year through five years	374	381	3.1	3.09
Maturing after five years through ten years	1	1	6.1	2.56
Maturing after ten years	–	1	15.3	2.41
Total	$ 375	$ 383	3.1	3.09%
Obligations of State and Political Subdivisions[b][c]				
Maturing in one year or less	$ 66	$ 66	.1	5.81%
Maturing after one year through five years	695	722	3.0	4.50
Maturing after five years through ten years	5,720	6,004	7.1	4.24
Maturing after ten years	18	22	14.0	6.15
Total	$ 6,499	$ 6,814	6.6	4.29%
Other				
Maturing in one year or less	$ 13	$ 13	.3	2.66%
Maturing after one year through five years	–	–	–	–
Maturing after five years through ten years	–	–	–	–
Maturing after ten years	–	–	–	–
Total	$ 13	$ 13	.3	2.66%
Total investment securities[d]	$122,117	$122,613	4.2	2.38%

(a) Information related to asset and mortgage-backed securities included above is presented based upon weighted-average maturities that take into account anticipated future prepayments.

(b) Information related to obligations of state and political subdivisions is presented based upon yield to first optional call date if the security is purchased at a premium, and yield to maturity if the security is purchased at par or a discount.

(c) Maturity calculations for obligations of state and political subdivisions are based on the first optional call date for securities with a fair value above par and the contractual maturity date for securities with a fair value equal to or below par.

(d) The weighted-average maturity of total available-for-sale and held-to-maturity investment securities was 5.3 years at December 31, 2018, with a corresponding weighted-average yield of 2.52 percent.

(e) Weighted-average yields for obligations of state and political subdivisions are presented on a fully-taxable equivalent basis based on a federal income tax rate of 21 percent. Yields on investment securities are computed based on amortized cost balances, excluding any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

NOTE 5 Loans and Allowance for Credit Losses

The composition of the loan portfolio at December 31, disaggregated by class and underlying specific portfolio type, was as follows:

(Dollars in Millions)	2019	2018
Commercial		
Commercial	$ 98,168	$ 96,849
Lease financing	5,695	5,595
Total commercial	103,863	102,444
Commercial Real Estate		
Commercial mortgages	29,404	28,596
Construction and development	10,342	10,943
Total commercial real estate	39,746	39,539
Residential Mortgages		
Residential mortgages	59,865	53,034
Home equity loans, first liens	10,721	12,000
Total residential mortgages	70,586	65,034
Credit Card	24,789	23,363
Other Retail		
Retail leasing	8,490	8,546
Home equity and second mortgages	15,036	16,122
Revolving credit	2,899	3,088
Installment	11,038	9,676
Automobile	19,435	18,719
Student	220	279
Total other retail	57,118	56,430
Total loans	$296,102	$286,810

The Company had loans of $96.2 billion at December 31, 2019, and $88.7 billion at December 31, 2018, pledged at the Federal Home Loan Bank, and loans of $76.3 billion at December 31, 2019, and $70.1 billion at December 31, 2018, pledged at the Federal Reserve Bank.

The Company offers a broad array of lending products to consumer and commercial customers, in various industries, across several geographical locations, predominately in the states in which it has Consumer and Business Banking offices. Collateral for commercial and commercial real estate loans may include marketable securities, accounts receivable, inventory, equipment, real estate, or the related property.

Originated loans are reported at the principal amount outstanding, net of unearned interest and deferred fees and costs, and any partial charge-offs recorded. Net unearned interest and deferred fees and costs amounted to $781 million at December 31, 2019 and $872 million at December 31, 2018. All purchased loans are recorded at fair value at the date of purchase. The Company evaluates purchased loans for impairment at the date of purchase in accordance with applicable authoritative accounting guidance. Purchased loans with evidence of credit deterioration since origination for which it is probable that all contractually required payments will not be collected are considered "purchased impaired loans." All other purchased loans are considered "purchased nonimpaired loans."

Allowance for Credit Losses The allowance for credit losses is established for probable and estimable losses incurred in the Company's loan and lease portfolio, including unfunded credit commitments. The allowance for credit losses is increased through provisions charged to earnings and reduced by net charge-offs.

Activity in the allowance for credit losses by portfolio class was as follows:

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Covered Loans	Total Loans
Balance at December 31, 2018							
Balance at beginning of period	$1,454	$800	$455	$1,102	$ 630	$ –	$4,441
Add							
Provision for credit losses	315	13	(19)	919	276	–	1,504
Deduct							
Loans charged-off	399	21	34	1,028	385	–	1,867
Less recoveries of loans charged-off	(114)	(7)	(31)	(135)	(126)	–	(413)
Net loans charged-off	285	14	3	893	259	–	1,454
Balance at December 31, 2019	$1,484	$799	$433	$1,128	$ 647	$ –	$4,491
Balance at December 31, 2017							
Balance at beginning of period	$1,372	$831	$449	$1,056	$ 678	$ 31	$4,417
Add							
Provision for credit losses	333	(50)	23	892	211	(30)	1,379
Deduct							
Loans charged-off	350	9	48	970	383	–	1,760
Less recoveries of loans charged-off	(99)	(28)	(31)	(124)	(124)	–	(406)
Net loans charged-off	251	(19)	17	846	259	–	1,354
Other changes[(a)]	–	–	–	–	–	(1)	(1)
Balance at December 31, 2018	$1,454	$800	$455	$1,102	$ 630	$ –	$4,441
Balance at December 31, 2016							
Balance at beginning of period	$1,450	$812	$510	$ 934	$ 617	$ 34	$4,357
Add							
Provision for credit losses	186	19	(24)	908	304	(3)	1,390
Deduct							
Loans charged-off	414	30	65	887	355	–	1,751
Less recoveries of loans charged-off	(150)	(30)	(28)	(101)	(112)	–	(421)
Net loans charged-off	264	–	37	786	243	–	1,330
Balance at December 31, 2017	$1,372	$831	$449	$1,056	$ 678	$ 31	$4,417

(a) Includes net changes in credit losses to be reimbursed by the FDIC and reductions in the allowance for covered loans where the reversal of a previously recorded allowance was offset by an associated decrease in the indemnification asset, and the impact of any loan sales.

Additional detail of the allowance for credit losses by portfolio class was as follows:

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans
Allowance Balance at December 31, 2019 Related to						
Loans individually evaluated for impairment[(a)]	$ 16	$ 3	$ –	$ –	$ –	$ 19
TDRs collectively evaluated for impairment	20	3	109	81	10	223
Other loans collectively evaluated for impairment	1,448	793	309	1,047	637	4,234
Loans acquired with deteriorated credit quality	–	–	15	–	–	15
Total allowance for credit losses	$1,484	$799	$433	$1,128	$647	$4,491
Allowance Balance at December 31, 2018 Related to						
Loans individually evaluated for impairment[(a)]	$ 16	$ 8	$ –	$ –	$ –	$ 24
TDRs collectively evaluated for impairment	15	3	126	69	12	225
Other loans collectively evaluated for impairment	1,423	788	314	1,033	618	4,176
Loans acquired with deteriorated credit quality	–	1	15	–	–	16
Total allowance for credit losses	$1,454	$800	$455	$1,102	$630	$4,441

(a) Represents the allowance for credit losses related to loans greater than $5 million classified as nonperforming or TDRs.

Additional detail of loan balances by portfolio class was as follows:

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans
December 31, 2019						
Loans individually evaluated for impairment(a)	$ 253	$ 61	$ –	$ –	$ –	$ 314
TDRs collectively evaluated for impairment	163	138	3,044	263	185	3,793
Other loans collectively evaluated for impairment	103,447	39,513	67,315	24,526	56,933	291,734
Loans acquired with deteriorated credit quality	–	34	227	–	–	261
Total loans	$103,863	$39,746	$70,586	$24,789	$57,118	$296,102
December 31, 2018						
Loans individually evaluated for impairment(a)	$ 262	$ 86	$ –	$ –	$ –	$ 348
TDRs collectively evaluated for impairment	151	129	3,252	245	183	3,960
Other loans collectively evaluated for impairment	102,031	39,297	61,465	23,118	56,247	282,158
Loans acquired with deteriorated credit quality	–	27	317	–	–	344
Total loans	$102,444	$39,539	$65,034	$23,363	$56,430	$286,810

(a) Represents loans greater than $5 million classified as nonperforming or TDRs.

Credit Quality The credit quality of the Company's loan portfolios is assessed as a function of net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by the Company. These credit quality ratings are an important part of the Company's overall credit risk management and evaluation of its allowance for credit losses.

The following table provides a summary of loans by portfolio class, including the delinquency status of those that continue to accrue interest, and those that are nonperforming:

	Accruing				
(Dollars in Millions)	Current	30-89 Days Past Due	90 Days or More Past Due	Nonperforming	Total
December 31, 2019					
Commercial	$103,273	$ 307	$ 79	$204	$103,863
Commercial real estate	39,627	34	3	82	39,746
Residential mortgages(a)	70,071	154	120	241	70,586
Credit card	24,162	321	306	–	24,789
Other retail	56,463	393	97	165	57,118
Total loans	$293,596	$1,209	$605	$692	$296,102
December 31, 2018					
Commercial	$101,844	$ 322	$ 69	$209	$102,444
Commercial real estate	39,354	70	–	115	39,539
Residential mortgages(a)	64,443	181	114	296	65,034
Credit card	22,746	324	293	–	23,363
Other retail	55,722	403	108	197	56,430
Total loans	$284,109	$1,300	$584	$817	$286,810

(a) At December 31, 2019, $428 million of loans 30–89 days past due and $1.7 billion of loans 90 days or more past due purchased from Government National Mortgage Association ("GNMA") mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs, were classified as current, compared with $430 million and $1.7 billion at December 31, 2018, respectively.

At December 31, 2019, total nonperforming assets held by the Company were $829 million, compared with $989 million at December 31, 2018. Total nonperforming assets included $692 million of nonperforming loans, $78 million of OREO and $59 million of other nonperforming assets owned by the Company at December 31, 2019, compared with $817 million, $111 million and $61 million, respectively, at December 31, 2018.

At December 31, 2019, the amount of foreclosed residential real estate held by the Company, and included in OREO, was $74 million, compared with $106 million at December 31, 2018. These amounts exclude $155 million and $235 million at December 31, 2019 and 2018, respectively, of foreclosed residential real estate related to mortgage loans whose payments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs. In addition, the amount of residential mortgage loans secured by residential real estate in the process of foreclosure was $1.5 billion at December 31, 2019 and 2018, of which $1.2 billion at December 31, 2019 and 2018, related to loans purchased from Government National Mortgage Association ("GNMA") mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

The following table provides a summary of loans by portfolio class and the Company's internal credit quality rating:

(Dollars in Millions)	Pass	Criticized			Total
		Special Mention	Classified[a]	Total Criticized	
December 31, 2019					
Commercial	$101,850	$1,147	$ 866	$2,013	$103,863
Commercial real estate	38,872	484	390	874	39,746
Residential mortgages[b]	70,174	2	410	412	70,586
Credit card	24,483	–	306	306	24,789
Other retail	56,825	10	283	293	57,118
Total loans	$292,204	$1,643	$2,255	$3,898	$296,102
Total outstanding commitments	$619,224	$2,451	$2,873	$5,324	$624,548
December 31, 2018					
Commercial	$100,014	$1,149	$1,281	$2,430	$102,444
Commercial real estate	38,473	584	482	1,066	39,539
Residential mortgages[b]	64,570	1	463	464	65,034
Credit card	23,070	–	293	293	23,363
Other retail	56,101	6	323	329	56,430
Total loans	$282,228	$1,740	$2,842	$4,582	$286,810
Total outstanding commitments	$600,407	$2,801	$3,448	$6,249	$606,656

(a) Classified rating on consumer loans primarily based on delinquency status.

(b) At December 31, 2019, $1.7 billion of GNMA loans 90 days or more past due and $1.6 billion of restructured GNMA loans whose repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs were classified with a pass rating, unchanged from December 31, 2018.

For all loan classes, a loan is considered to be impaired when, based on current events or information, it is probable the Company will be unable to collect all amounts due per the contractual terms of the loan agreement. A summary of impaired loans, which include all nonaccrual and TDR loans, by portfolio class was as follows:

(Dollars in Millions)	Period-end Recorded Investment[a]	Unpaid Principal Balance	Valuation Allowance	Commitments to Lend Additional Funds
December 31, 2019				
Commercial	$ 483	$1,048	$ 39	$158
Commercial real estate	242	603	7	–
Residential mortgages	1,515	1,827	71	–
Credit card	263	263	81	–
Other retail	318	417	12	2
Total loans, excluding loans purchased from GNMA mortgage pools	2,821	4,158	210	160
Loans purchased from GNMA mortgage pools	1,622	1,622	39	–
Total	$4,443	$5,780	$249	$160
December 31, 2018				
Commercial	$ 467	$1,006	$ 32	$106
Commercial real estate	279	511	12	2
Residential mortgages	1,709	1,879	86	–
Credit card	245	245	69	–
Other retail	335	418	14	5
Total loans, excluding loans purchased from GNMA mortgage pools	3,035	4,059	213	113
Loans purchased from GNMA mortgage pools	1,639	1,639	41	–
Total	$4,674	$5,698	$254	$113

(a) Substantially all loans classified as impaired at December 31, 2019 and 2018, had an associated allowance for credit losses. The total amount of interest income recognized during 2019 on loans classified as impaired at December 31, 2019, excluding those acquired with deteriorated credit quality, was $194 million, compared to what would have been recognized at the original contractual terms of the loans of $246 million.

Additional information on impaired loans follows for the years ended December 31 follows:

(Dollars in Millions)	Average Recorded Investment	Interest Income Recognized
2019		
Commercial	$ 520	$ 9
Commercial real estate	248	11
Residential mortgages	1,622	92
Credit card	257	–
Other retail	323	12
Total loans, excluding loans purchased from GNMA mortgage pools	2,970	124
Loans purchased from GNMA mortgage pools	1,638	70
Total	$4,608	$194
2018		
Commercial	$ 497	$ 8
Commercial real estate	273	13
Residential mortgages	1,817	76
Credit card	236	3
Other retail	309	16
Covered Loans	25	1
Total loans, excluding loans purchased from GNMA mortgage pools	3,157	117
Loans purchased from GNMA mortgage pools	1,640	47
Total	$4,797	$164
2017		
Commercial	$ 683	$ 7
Commercial real estate	273	11
Residential mortgages	2,135	103
Credit card	229	3
Other retail	287	14
Covered Loans	37	1
Total loans, excluding loans purchased from GNMA mortgage pools	3,644	139
Loans purchased from GNMA mortgage pools	1,672	65
Total	$5,316	$204

Troubled Debt Restructurings In certain circumstances, the Company may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near-term. The following table provides a summary of loans modified as TDRs for the years ended December 31, by portfolio class:

(Dollars in Millions)	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance
2019			
Commercial	3,445	$ 376	$ 359
Commercial real estate	136	129	125
Residential mortgages	417	55	54
Credit card	34,247	185	186
Other retail	2,952	63	61
Total loans, excluding loans purchased from GNMA mortgage pools	41,197	808	785
Loans purchased from GNMA mortgage pools	6,257	856	827
Total loans	47,454	$1,664	$1,612
2018			
Commercial	2,824	$ 336	$ 311
Commercial real estate	127	168	169
Residential mortgages	526	73	69
Credit card	33,318	169	171
Other retail	2,462	58	55
Covered Loans	3	1	1
Total loans, excluding loans purchased from GNMA mortgage pools	39,260	805	776
Loans purchased from GNMA mortgage pools	6,268	821	803
Total loans	45,528	$1,626	$1,579
2017			
Commercial	2,758	$ 380	$ 328
Commercial real estate	128	82	78
Residential mortgages	800	90	88
Credit card	33,615	161	162
Other retail	3,881	79	68
Covered Loans	11	2	2
Total loans, excluding loans purchased from GNMA mortgage pools	41,193	794	726
Loans purchased from GNMA mortgage pools	6,791	881	867
Total loans	47,984	$1,675	$1,593

Residential mortgages, home equity and second mortgages, and loans purchased from GNMA mortgage pools in the table above include trial period arrangements offered to customers during the periods presented. The post-modification balances for these loans reflect the current outstanding balance until a permanent modification is made. In addition, the post-modification balances typically include capitalization of unpaid accrued interest and/or fees under the various modification programs. For those loans modified as TDRs during the fourth quarter of 2019, at December 31, 2019, 41 residential mortgages, 17 home equity and second mortgage loans and 990 loans purchased from GNMA mortgage pools with outstanding balances of $6 million, $1 million and $136 million, respectively, were in a trial period and have estimated post-modification balances of $6 million, $1 million and $135 million, respectively, assuming permanent modification occurs at the end of the trial period.

The following table provides a summary of TDR loans that defaulted (fully or partially charged-off or became 90 days or more past due) for the years ended December 31, that were modified as TDRs within 12 months previous to default:

(Dollars in Millions)	Number of Loans	Amount Defaulted
2019		
Commercial	1,040	$ 46
Commercial real estate	36	24
Residential mortgages	137	15
Credit card	8,273	40
Other retail	380	10
Total loans, excluding loans purchased from GNMA mortgage pools	9,866	135
Loans purchased from GNMA mortgage pools	997	131
Total loans	10,863	$266
2018		
Commercial	836	$ 71
Commercial real estate	39	15
Residential mortgages	191	18
Credit card	8,012	35
Other retail	334	5
Covered loans	1	–
Total loans, excluding loans purchased from GNMA mortgage pools	9,413	144
Loans purchased from GNMA mortgage pools	1,447	187
Total loans	10,860	$331
2017		
Commercial	724	$ 53
Commercial real estate	36	9
Residential mortgages	374	41
Credit card	8,372	36
Other retail	415	5
Covered loans	4	–
Total loans, excluding loans purchased from GNMA mortgage pools	9,925	144
Loans purchased from GNMA mortgage pools	1,369	177
Total loans	11,294	$321

In addition to the defaults in the table above, the Company had a total of 826 residential mortgage loans, home equity and second mortgage loans and loans purchased from GNMA mortgage pools for the year ended December 31, 2019, where borrowers did not successfully complete the trial period arrangement and, therefore, are no longer eligible for a permanent modification under the applicable modification program. These loans had aggregate outstanding balances of $111 million for the year ended December 31, 2019.

NOTE 6 Leases

The Company, as a lessor, originates retail and commercial leases either directly to the consumer or indirectly through dealer networks. Retail leases consist primarily of automobiles, while commercial leases may include high dollar assets such as aircraft or lower cost items such as office equipment.

The components of the net investment in sales-type and direct financing leases, at December 31, were as follows:

(Dollars in Millions)	2019	2018
Lease receivables	$12,324	$12,207
Unguaranteed residual values accruing to the lessor's benefit	1,834	1,877
Total net investment in sales-type and direct financing leases	$14,158	$14,084

The Company, as a lessor, recorded $996 million of revenue on its Consolidated Statement of Income for the year ended December 31, 2019, primarily consisting of interest income on sales-type and direct financing leases.

The contractual future lease payments to be received by the Company, at December 31, 2019, were as follows:

(Dollars in Millions)	Sales-type and direct financing leases	Operating leases
2020	$ 4,755	$176
2021	3,729	142
2022	2,766	103
2023	1,248	69
2024	382	50
Thereafter	483	52
Total lease payments	13,363	$592
Amounts representing interest	(1,039)	
Lease receivables	$12,324	

The Company, as lessee, leases certain assets for use in its operations. Leased assets primarily include retail branches, operations centers and other corporate locations, and, to a lesser extent, office and computer equipment. For each lease with an original term greater than 12 months, the Company records a lease liability and a corresponding right of use ("ROU") asset. At December 31, 2019, the Company's ROU assets included in premises and equipment and lease liabilities included in long-term debt and other liabilities, were $1.3 billion and $1.4 billion, respectively.

Total costs incurred by the Company, as a lessee, were $394 million for the year ended December 31, 2019, and principally related to contractual lease payments on operating leases. The Company's leases do not impose significant covenants or other restrictions on the Company.

The following table presents amounts relevant to the Company's assets leased for use in its operations for the year ended December 31, 2019:

(Dollars in Millions)	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$302
Operating cash flows from finance leases	7
Financing cash flows from finance leases	10
Right of use assets obtained in exchange for new operating lease liabilities	134
Right of use assets obtained in exchange for new finance lease liabilities	10

The following table presents the weighted-average remaining lease terms and discount rates of the Company's assets leased for use in its operations at December 31, 2019:

Weighted-average remaining lease term of operating leases (in years)	7.4
Weighted-average remaining lease term of finance leases (in years)	10.7
Weighted-average discount rate of operating leases	3.2%
Weighted-average discount rate of finance leases	14.3%

The contractual future lease obligations of the Company at December 31, 2019, were as follows:

(Dollars in Millions)	Operating leases	Finance leases
2020	$ 296	$ 17
2021	267	15
2022	226	13
2023	180	12
2024	132	10
Thereafter	391	38
Total lease payments	1,492	105
Amounts representing interest	(150)	(31)
Lease liabilities	$1,342	$ 74

NOTE 7 Accounting for Transfers and Servicing of Financial Assets and Variable Interest Entities

The Company transfers financial assets in the normal course of business. The majority of the Company's financial asset transfers are residential mortgage loan sales primarily to government-sponsored enterprises ("GSEs"), transfers of tax-advantaged investments, commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. In accordance with the accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. Guarantees provided to certain third parties in connection with the transfer of assets are further discussed in Note 22.

For loans sold under participation agreements, the Company also considers whether the terms of the loan participation agreement meet the accounting definition of a participating interest. With the exception of servicing and certain performance-based guarantees, the Company's continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses. Any gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the consideration received, and any liabilities incurred in exchange for the transferred assets. Upon transfer, any servicing assets and other interests that continue to be held by the Company are initially recognized at fair value. For further information on MSRs, refer to Note 9. On a limited basis, the Company may acquire and package high-grade corporate bonds for select corporate customers, in which the Company generally has no continuing involvement with these transactions. Additionally, the Company is an authorized GNMA issuer and issues GNMA securities on a regular basis. The Company has no other asset securitizations or similar asset-backed financing arrangements that are off-balance sheet.

The Company also provides financial support primarily through the use of waivers of trust and investment management fees associated with various unconsolidated registered money market funds it manages. The Company provided $30 million, $25 million, and $23 million of support to the funds during the years ended December 31, 2019, 2018 and 2017, respectively.

The Company is involved in various entities that are considered to be VIEs. The Company's investments in VIEs are primarily related to investments promoting affordable housing, community development and renewable energy sources. Some of these tax-advantaged investments support the Company's regulatory compliance with the Community Reinvestment Act. The Company's investments in these entities generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These tax credits are recognized as a reduction of tax expense or, for investments qualifying as investment tax credits, as a reduction to the related investment asset. The Company recognized federal and state income tax credits related to its affordable housing and other tax-advantaged investments in tax expense of $615 million, $689 million and $711 million for the years ended December 31, 2019, 2018 and 2017, respectively. The Company also recognized $506 million, $639 million and $1.5 billion of investment tax credits for the years ended December 31, 2019, 2018 and 2017, respectively. The Company recognized $557 million, $604 million and $741 million of expenses related to all of these investments for the years ended December 31, 2019, 2018 and 2017, respectively, of which $318 million, $275 million and $317 million, respectively, were included in tax expense and the remaining amounts were included in noninterest expense.

The Company is not required to consolidate VIEs in which it has concluded it does not have a controlling financial interest, and thus is not the primary beneficiary. In such cases, the Company does not have both the power to direct the entities' most significant activities and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIEs.

The Company's investments in these unconsolidated VIEs are carried in other assets on the Consolidated Balance Sheet. The Company's unfunded capital and other commitments related to these unconsolidated VIEs are generally carried in other liabilities on the Consolidated Balance Sheet. The Company's maximum exposure to loss from these unconsolidated VIEs include the investment recorded on the Company's Consolidated Balance Sheet, net of unfunded capital commitments, and previously recorded tax credits which remain subject to recapture

by taxing authorities based on compliance features required to be met at the project level. While the Company believes potential losses from these investments are remote, the maximum exposure was determined by assuming a scenario where the community-based business and housing projects completely fail and do not meet certain government compliance requirements resulting in recapture of the related tax credits.

The following table provides a summary of investments in community development and tax-advantaged VIEs that the Company has not consolidated:

At December 31 (Dollars in Millions)	2019	2018
Investment carrying amount	$ 6,148	$ 5,823
Unfunded capital and other commitments	2,938	2,778
Maximum exposure to loss	12,118	12,360

The Company also has noncontrolling financial investments in private investment funds and partnerships considered to be VIEs, which are not consolidated. The Company's recorded investment in these entities, carried in other assets on the Consolidated Balance Sheet, was approximately $31 million at December 31, 2019 and $27 million at December 31, 2018. The maximum exposure to loss related to these VIEs was $55 million at December 31, 2019 and $52 million at December 31, 2018, representing the Company's investment balance and its unfunded commitments to invest additional amounts.

The Company's individual net investments in unconsolidated VIEs, which exclude any unfunded capital commitments, ranged from less than $1 million to $87 million at December 31, 2019, compared with less than $1 million to $95 million at December 31, 2018.

The Company is required to consolidate VIEs in which it has concluded it has a controlling financial interest. The Company sponsors entities to which it transfers its interests in tax-advantaged investments to third parties. At December 31, 2019, approximately $4.0 billion of the Company's assets and $3.2 billion of its liabilities included on the Consolidated Balance Sheet were related to community development and tax-advantaged investment VIEs which the Company has consolidated, primarily related to these transfers. These amounts compared to $3.9 billion and $2.7 billion, respectively, at December 31, 2018. The majority of the assets of these consolidated VIEs are reported in other assets, and the liabilities are reported in long-term debt and other liabilities. The assets of a particular VIE are the primary source of funds to settle its obligations. The creditors of the VIEs do not have recourse to the general credit of the Company. The Company's exposure to the consolidated VIEs is generally limited to the carrying value of its variable interests plus any related tax credits previously recognized or transferred to others with a guarantee.

The Company also sponsors a conduit to which it previously transferred high-grade investment securities. The Company consolidates the conduit because of its ability to manage the activities of the conduit. At December 31, 2019, $12 million of the available-for-sale investment securities on the Company's Consolidated Balance Sheet were related to the conduit, compared with $14 million of the held-to-maturity investment securities at December 31, 2018.

In addition, the Company sponsors a municipal bond securities tender option bond program. The Company controls the activities of the program's entities, is entitled to the residual returns and provides liquidity and remarketing arrangements to the program. As a result, the Company has consolidated the program's entities. At December 31, 2019, $3.0 billion of available-for-sale investment securities and $2.7 billion of short-term borrowings on the Consolidated Balance Sheet were related to the tender option bond program, compared with $2.4 billion of available-for-sale investment securities and $2.3 billion of short-term borrowings at December 31, 2018.

NOTE 8 Premises and Equipment

Premises and equipment at December 31 consisted of the following:

(Dollars in Millions)	2019	2018
Land	$ 504	$ 515
Buildings and improvements	3,513	3,481
Furniture, fixtures and equipment	3,366	3,110
Right of use assets on operating leases	1,141	–
Right of use assets on finance leases	111	121
Construction in progress	21	20
	8,656	7,247
Less accumulated depreciation and amortization	(4,954)	(4,790)
Total	$ 3,702	$ 2,457

NOTE 9 Mortgage Servicing Rights

The Company capitalizes MSRs as separate assets when loans are sold and servicing is retained. MSRs may also be purchased from others. The Company carries MSRs at fair value, with changes in the fair value recorded in earnings during the period in which they occur. The Company serviced $226.0 billion of residential mortgage loans for others at December 31, 2019, and $231.5 billion at December 31, 2018, including subserviced mortgages with no corresponding MSR asset. Included in mortgage banking revenue are the MSR fair value changes arising from market rate and model assumption changes, net of the value change in derivatives used to economically hedge MSRs. These changes resulted in a net loss of $24 million and net gains of $47 million and $15 million for the years ended December 31, 2019, 2018 and 2017, respectively. Loan servicing and ancillary fees, not including valuation changes, included in mortgage banking revenue were $734 million, $746 million and $746 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Changes in fair value of capitalized MSRs for the years ended December 31, are summarized as follows:

(Dollars in Millions)	2019	2018	2017
Balance at beginning of period	$2,791	$2,645	$2,591
Rights purchased	20	8	13
Rights capitalized	559	397	445
Rights sold[(a)]	5	(27)	–
Changes in fair value of MSRs			
Due to fluctuations in market interest rates[(b)]	(390)	98	(23)
Due to revised assumptions or models[(c)]	23	56	18
Other changes in fair value[(d)]	(462)	(386)	(399)
Balance at end of period	$2,546	$2,791	$2,645

(a) MSRs sold in 2019 include those having a negative fair value, resulting from the related loans being severely delinquent.

(b) Includes changes in MSR value associated with changes in market interest rates, including estimated prepayment rates and anticipated earnings on escrow deposits.

(c) Includes changes in MSR value not caused by changes in market interest rates, such as changes in cost to service, ancillary income and option adjusted spread, as well as the impact of any model changes.

(d) Primarily represents changes due to realization of expected cash flows over time (decay).

The estimated sensitivity to changes in interest rates of the fair value of the MSR portfolio and the related derivative instruments as of December 31 follows:

	2019						2018					
(Dollars in Millions)	Down 100 bps	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps	Up 100 bps	Down 100 bps	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps	Up 100 bps
MSR portfolio	$(663)	$(316)	$(153)	$ 141	$ 269	$ 485	$(501)	$(223)	$(105)	$ 92	$ 171	$ 295
Derivative instrument hedges	613	306	152	(143)	(279)	(550)	455	215	104	(94)	(177)	(321)
Net sensitivity	$ (50)	$ (10)	$ (1)	$ (2)	$ (10)	$ (65)	$ (46)	$ (8)	$ (1)	$ (2)	$ (6)	$ (26)

The fair value of MSRs and their sensitivity to changes in interest rates is influenced by the mix of the servicing portfolio and characteristics of each segment of the portfolio. The Company's servicing portfolio consists of the distinct portfolios of government-insured mortgages, conventional mortgages and Housing Finance Agency ("HFA") mortgages. The servicing portfolios are predominantly comprised of fixed-rate agency loans with limited adjustable-rate or jumbo mortgage loans. The HFA servicing portfolio is comprised of loans originated under state and local housing authority program guidelines which assist purchases by first-time or low- to moderate-income homebuyers through a favorable rate subsidy, down payment and/or closing cost assistance on government- and conventional-insured mortgages.

A summary of the Company's MSRs and related characteristics by portfolio as of December 31 follows:

	2019				2018			
(Dollars in Millions)	HFA	Government	Conventional[(d)]	Total	HFA	Government	Conventional[(d)]	Total
Servicing portfolio[(a)]	$44,906	$35,302	$143,310	$223,518	$44,384	$35,990	$148,910	$229,284
Fair value	$ 486	$ 451	$ 1,609	$ 2,546	$ 526	$ 465	$ 1,800	$ 2,791
Value (bps)[(b)]	108	128	112	114	119	129	121	122
Weighted-average servicing fees (bps)	34	39	28	31	34	36	27	30
Multiple (value/servicing fees)	3.15	3.29	4.00	3.67	3.45	3.63	4.52	4.11
Weighted-average note rate	4.65%	3.99%	4.07%	4.17%	4.59%	3.97%	4.06%	4.15%
Weighted-average age (in years)	3.7	4.9	4.8	4.6	3.3	4.7	4.5	4.3
Weighted-average expected prepayment (constant prepayment rate)	12.2%	13.7%	12.2%	12.4%	9.8%	11.0%	9.1%	9.5%
Weighted-average expected life (in years)	6.5	5.7	5.9	6.0	7.7	6.7	7.1	7.2
Weighted-average option adjusted spread[(c)]	8.4%	7.9%	6.9%	7.3%	8.6%	8.3%	7.2%	7.6%

(a) Represents principal balance of mortgages having corresponding MSR asset.
(b) Calculated as fair value divided by the servicing portfolio.
(c) Option adjusted spread is the incremental spread added to the risk-free rate to reflect optionality and other risk inherent in the MSRs.
(d) Represents loans sold primarily to GSEs.

NOTE 10 Intangible Assets

Intangible assets consisted of the following:

At December 31 (Dollars in Millions)	Estimated Life[(a)]	Amortization Method[(b)]	Balance 2019	Balance 2018
Goodwill		[(c)]	$ 9,655	$ 9,369
Merchant processing contracts	6 years/7 years	SL/AC	225	155
Core deposit benefits	22 years/5 years	SL/AC	82	104
Mortgage servicing rights		[(c)]	2,546	2,791
Trust relationships	10 years/7 years	SL/AC	27	34
Other identified intangibles	6 years/4 years	SL/AC	343	308
Total			$12,878	$12,761

(a) Estimated life represents the amortization period for assets subject to the straight line method and the weighted-average or life of the underlying cash flows amortization period for intangibles subject to accelerated methods. If more than one amortization method is used for a category, the estimated life for each method is calculated and reported separately.
(b) Amortization methods: SL = straight line method
AC = accelerated methods generally based on cash flows
(c) Goodwill is evaluated for impairment, but not amortized. Mortgage servicing rights are recorded at fair value, and are not amortized.

Aggregate amortization expense consisted of the following:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Merchant processing contracts	$ 45	$ 24	$ 24
Core deposit benefits	22	26	30
Trust relationships	10	11	14
Other identified intangibles	91	100	107
Total	$168	$161	$175

The estimated amortization expense for the next five years is as follows:

(Dollars in Millions)	
2020	$155
2021	130
2022	109
2023	76
2024	60

The following table reflects the changes in the carrying value of goodwill for the years ended December 31, 2019, 2018 and 2017:

(Dollars in Millions)	Corporate and Commercial Banking	Consumer and Business Banking	Wealth Management and Investment Services	Payment Services	Treasury and Corporate Support	Consolidated Company
Balance at December 31, 2016	$1,647	$3,681	$1,566	$2,450	$–	$9,344
Goodwill acquired	–	–	–	62	–	62
Foreign exchange translation and other	–	–	3	25	–	28
Balance at December 31, 2017	$1,647	$3,681	$1,569	$2,537	$–	$9,434
Goodwill acquired	–	–	–	105	–	105
Disposal	–	(155)	–	–	–	(155)
Foreign exchange translation and other	–	(51)	49	(13)	–	(15)
Balance at December 31, 2018	$1,647	$3,475	$1,618	$2,629	$–	$9,369
Goodwill acquired	–	–	–	285	–	285
Foreign exchange translation and other	–	–	(1)	2	–	1
Balance at December 31, 2019	$1,647	$3,475	$1,617	$2,916	$–	$9,655

NOTE 11 Deposits

The composition of deposits at December 31 was as follows:

(Dollars in Millions)	2019	2018
Noninterest-bearing deposits	$ 75,590	$ 81,811
Interest-bearing deposits		
Interest checking	75,949	73,994
Money market savings	120,082	100,396
Savings accounts	47,401	44,720
Time deposits	42,894	44,554
Total interest-bearing deposits	286,326	263,664
Total deposits	$361,916	$345,475

The maturities of time deposits outstanding at December 31, 2019 were as follows:

(Dollars in Millions)	
2020	$37,731
2021	2,700
2022	1,183
2023	673
2024	602
Thereafter	5
Total	$42,894

NOTE 12 Short-Term Borrowings[a]

The following table is a summary of short-term borrowings for the last three years:

(Dollars in Millions)	2019 Amount	2019 Rate	2018 Amount	2018 Rate	2017 Amount	2017 Rate
At year-end						
Federal funds purchased	$ 828	1.45%	$ 458	2.05%	$ 252	.77%
Securities sold under agreements to repurchase	1,165	1.41	2,582	2.20	803	.61
Commercial paper	7,576	1.07	6,940	1.35	8,303	.68
Other short-term borrowings	14,154	1.94	4,159	2.68	7,293	2.13
Total	$23,723	1.62%	$14,139	1.92%	$16,651	1.31%
Average for the year						
Federal funds purchased	$ 1,457	1.94%	$ 1,070	1.70%	$ 528	.86%
Securities sold under agreements to repurchase	1,770	2.00	2,279	1.87	917	.44
Commercial paper	8,186	1.45	6,929	.94	8,236	.49
Other short-term borrowings	6,724	2.78	11,512	2.27	5,341	1.90
Total	$18,137	2.04%	$21,790	1.78%	$15,022	1.00%
Maximum month-end balance						
Federal funds purchased	$ 3,629		$ 4,532		$ 600	
Securities sold under agreements to repurchase	2,755		3,225		927	
Commercial paper	9,431		7,846		9,950	
Other short-term borrowings	14,154		16,588		7,293	

(a) Interest and rates are presented on a fully taxable-equivalent basis utilizing a tax rate of 21 percent for 2019 and 2018 and 35 percent for 2017.

NOTE 13 Long-Term Debt

Long-term debt (debt with original maturities of more than one year) at December 31 consisted of the following:

(Dollars in Millions)	Rate Type	Rate[a]	Maturity Date	2019	2018
U.S. Bancorp (Parent Company)					
Subordinated notes	Fixed	2.950%	2022	$ 1,300	$ 1,300
	Fixed	3.600%	2024	1,000	1,000
	Fixed	7.500%	2026	199	199
	Fixed	3.100%	2026	1,000	1,000
	Fixed	3.000%	2029	1,000	–
Medium-term notes	Fixed	.850% - 4.125%	2021 - 2028	13,820	12,345
	Floating	2.576%	2022	250	500
Other[b]				33	(53)
Subtotal				18,602	16,291
Subsidiaries					
Federal Home Loan Bank advances	Fixed	1.250% - 8.250%	2020 - 2026	1,106	307
	Floating	2.165% - 2.461%	2022 - 2026	3,272	4,272
Bank notes	Fixed	1.950% - 3.450%	2020 - 2025	9,550	11,600
	Floating	.600% - 2.350%	2020 - 2059	6,789	7,864
Other[c]				848	1,006
Subtotal				21,565	25,049
Total				$40,167	$41,340

(a) Weighted-average interest rates of medium-term notes, Federal Home Loan Bank advances and bank notes were 2.87 percent, 2.42 percent and 2.54 percent, respectively.

(b) Includes debt issuance fees and unrealized gains and losses and deferred amounts relating to derivative instruments.

(c) Includes consolidated community development and tax-advantaged investment VIEs, finance lease obligations, debt issuance fees, and unrealized gains and losses and deferred amounts relating to derivative instruments.

The Company has arrangements with the Federal Home Loan Bank and Federal Reserve Bank whereby the Company could have borrowed an additional $97.4 billion and $98.8 billion at December 31, 2019 and 2018, respectively, based on collateral available.

Maturities of long-term debt outstanding at December 31, 2019, were:

(Dollars in Millions)	Parent Company	Consolidated
2020	$ –	$ 3,772
2021	2,696	9,430
2022	3,790	6,298
2023	–	2,799
2024	5,657	5,663
Thereafter	6,459	12,205
Total	$18,602	$40,167

NOTE 14 Shareholders' Equity

At December 31, 2019 and 2018, the Company had authority to issue 4 billion shares of common stock and 50 million shares of preferred stock. The Company had 1.5 billion and 1.6 billion shares of common stock outstanding at December 31, 2019 and 2018, respectively. The Company had 45 million shares reserved for future issuances, primarily under its stock incentive plans at December 31, 2019.

The number of shares issued and outstanding and the carrying amount of each outstanding series of the Company's preferred stock were as follows:

	2019				2018			
At December 31 (Dollars in Millions)	Shares Issued and Outstanding	Liquidation Preference	Discount	Carrying Amount	Shares Issued and Outstanding	Liquidation Preference	Discount	Carrying Amount
Series A	12,510	$1,251	$145	$1,106	12,510	$1,251	$145	$1,106
Series B	40,000	1,000	–	1,000	40,000	1,000	–	1,000
Series F	44,000	1,100	12	1,088	44,000	1,100	12	1,088
Series H	20,000	500	13	487	20,000	500	13	487
Series I	30,000	750	5	745	30,000	750	5	745
Series J	40,000	1,000	7	993	40,000	1,000	7	993
Series K	23,000	575	10	565	23,000	575	10	565
Total preferred stock[(a)]	209,510	$6,176	$192	$5,984	209,510	$6,176	$192	$5,984

(a) The par value of all shares issued and outstanding at December 31, 2019 and 2018, was $1.00 per share.

During 2018, the Company issued depositary shares representing an ownership interest in 23,000 shares of Series K Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series K Preferred Stock"). The Series K Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to 5.50 percent. The Series K Preferred Stock is redeemable at the Company's option, in whole or in part, on or after October 15, 2023. The Series K Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to October 15, 2023 within 90 days following an official administrative or judicial decision, amendment to, or change in the laws or regulations that would not allow the Company to treat the full liquidation value of the Series K Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2017, the Company issued depositary shares representing an ownership interest in 40,000 shares of Series J Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series J Preferred Stock"). The Series J Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable semiannually, in arrears, at a rate per annum equal to 5.300 percent from the date of issuance to, but excluding, April 15, 2027, and thereafter will accrue and be payable quarterly at a floating rate per annum equal to the three-month London Interbank Offered Rate ("LIBOR") plus 2.914 percent. The Series J Preferred Stock is redeemable at the Company's option, in whole or in part, on or after April 15, 2027. The Series J Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to April 15, 2027 within 90 days following an official administrative or judicial decision, amendment to, or change in the laws or regulations that would not allow the Company to treat the full liquidation value of the Series J Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2015, the Company issued depositary shares representing an ownership interest in 30,000 shares of Series I Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series I Preferred Stock"). The Series I Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable semiannually, in arrears, at a rate per annum equal to 5.125 percent from the date of issuance to, but excluding, January 15, 2021, and thereafter will accrue and be payable quarterly at a floating rate per annum equal to three-month LIBOR plus 3.486 percent. The Series I Preferred Stock is redeemable at the Company's option, in whole or in part, on or after January 15, 2021. The Series I Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to January 15, 2021 within 90 days following an official administrative or judicial decision, amendment to, or change in the laws or regulations that would not allow the Company to treat the full liquidation value of the Series I Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2013, the Company issued depositary shares representing an ownership interest in 20,000 shares of Series H Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series H Preferred Stock"). The Series H Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to 5.15 percent. The Series H Preferred Stock is redeemable at the Company's option, subject to the prior approval of the Federal Reserve Board.

During 2012, the Company issued depositary shares representing an ownership interest in 44,000 shares of Series F Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series F Preferred Stock"). The Series F Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to 6.50 percent from the date of issuance to, but excluding, January 15, 2022, and thereafter at a floating rate per annum equal to three-month LIBOR plus 4.468 percent. The Series F Preferred Stock is redeemable at the Company's option, in whole or in part, on or after January 15, 2022. The Series F Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to January 15, 2022 within 90 days following an official administrative or judicial decision, amendment to, or change in the laws or regulations that would not allow the Company to treat the full liquidation value of the Series F Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2010, the Company issued depositary shares representing an ownership interest in 5,746 shares of Series A Non-Cumulative Perpetual Preferred Stock (the "Series A Preferred Stock") to investors, in exchange for their portion of USB Capital IX Income Trust Securities. During 2011, the Company issued depositary shares representing an ownership interest in 6,764 shares of Series A Preferred Stock to USB Capital IX, thereby settling the stock purchase contract established between the Company and USB Capital IX as part of the 2006 issuance of USB Capital IX Income Trust Securities. The preferred shares were issued to USB Capital IX for the purchase price specified in the stock forward purchase contract. The Series A Preferred Stock has a liquidation preference of $100,000 per share, no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to the greater of three-month LIBOR plus 1.02 percent or 3.50 percent. The Series A Preferred Stock is redeemable at the Company's option, subject to prior approval by the Federal Reserve Board.

During 2006, the Company issued depositary shares representing an ownership interest in 40,000 shares of Series B Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series B Preferred Stock"). The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to the greater of three-month LIBOR plus .60 percent, or 3.50 percent. The Series B Preferred Stock is redeemable at the Company's option, subject to the prior approval of the Federal Reserve Board.

Dividends for certain of the Company's outstanding series of preferred stock described above are, or will in the future be, calculated by reference to LIBOR. The outstanding series contain fallback provisions in the event that LIBOR is no longer published or quoted, but these fallback provisions have not yet been utilized.

During 2019, 2018 and 2017, the Company repurchased shares of its common stock under various authorizations approved by its Board of Directors. As of December 31, 2019, the approximate dollar value of shares that may yet be purchased by the Company under the current Board of Directors approved authorization was $2.4 billion.

The following table summarizes the Company's common stock repurchased in each of the last three years:

(Dollars and Shares in Millions)	Shares	Value
2019	81	$4,515
2018	54	2,844
2017	49	2,622

Shareholders' equity is affected by transactions and valuations of asset and liability positions that require adjustments to accumulated other comprehensive income (loss). The reconciliation of the transactions affecting accumulated other comprehensive income (loss) included in shareholders' equity for the years ended December 31, is as follows:

(Dollars in Millions)	Unrealized Gains (Losses) on Investment Securities Available-For-Sale	Unrealized Gains (Losses) on Investment Securities Transferred From Available-For-Sale to Held-To-Maturity	Unrealized Gains (Losses) on Derivative Hedges	Unrealized Gains (Losses) on Retirement Plans	Foreign Currency Translation	Total
2019						
Balance at beginning of period	$ (946)	$ 14	$ 112	$(1,418)	$(84)	$(2,322)
Changes in unrealized gains and losses	1,693	–	(229)	(380)	–	1,084
Unrealized gains and losses on held-to-maturity investment securities transferred to available-for-sale	150	(9)	–	–	–	141
Foreign currency translation adjustment[a]	–	–	–	–	26	26
Reclassification to earnings of realized gains and losses	(73)	(7)	11	89	–	20
Applicable income taxes	(445)	2	55	73	(7)	(322)
Balance at end of period	$ 379	$ –	$ (51)	$(1,636)	$(65)	$(1,373)
2018						
Balance at beginning of period	$ (357)	$ 17	$ 71	$(1,066)	$(69)	$(1,404)
Revaluation of tax related balances[b]	(77)	4	15	(229)	(13)	(300)
Changes in unrealized gains and losses	(656)	–	39	(302)	–	(919)
Foreign currency translation adjustment[a]	–	–	–	–	3	3
Reclassification to earnings of realized gains and losses	(30)	(9)	(5)	137	–	93
Applicable income taxes	174	2	(8)	42	(5)	205
Balance at end of period	$ (946)	$ 14	$ 112	$(1,418)	$(84)	$(2,322)
2017						
Balance at beginning of period	$ (431)	$ 25	$ 55	$(1,113)	$(71)	$(1,535)
Changes in unrealized gains and losses	178	–	(5)	(41)	–	132
Foreign currency translation adjustment[a]	–	–	–	–	(2)	(2)
Reclassification to earnings of realized gains and losses	(57)	(13)	30	117	–	77
Applicable income taxes	(47)	5	(9)	(29)	4	(76)
Balance at end of period	$ (357)	$ 17	$ 71	$(1,066)	$(69)	$(1,404)

(a) Represents the impact of changes in foreign currency exchange rates on the Company's investment in foreign operations and related hedges.

(b) Reflects the adoption of new accounting guidance on January 1, 2018 to reclassify the impact of the reduced federal statutory rate for corporations included in 2017 tax reform legislation from accumulated other comprehensive income to retained earnings.

Additional detail about the impact to net income for items reclassified out of accumulated other comprehensive income (loss) and into earnings for the years ended December 31, is as follows:

(Dollars in Millions)	Impact to Net Income 2019	2018	2017	Affected Line Item in the Consolidated Statement of Income
Unrealized gains (losses) on investment securities available-for-sale				
Realized gains (losses) on sale of investment securities	$73	$ 30	$ 57	Total securities gains (losses), net
	(18)	(7)	(22)	Applicable income taxes
	55	23	35	Net-of-tax
Unrealized gains (losses) on investment securities transferred from available-for-sale to held-to-maturity				
Amortization of unrealized gains	7	9	13	Interest income
	(2)	(2)	(5)	Applicable income taxes
	5	7	8	Net-of-tax
Unrealized gains (losses) on derivative hedges				
Realized gains (losses) on derivative hedges	(11)	5	(30)	Interest expense
	3	(2)	11	Applicable income taxes
	(8)	3	(19)	Net-of-tax
Unrealized gains (losses) on retirement plans				
Actuarial gains (losses) and prior service cost (credit) amortization	(89)	(137)	(117)	Other noninterest expense
	22	35	45	Applicable income taxes
	(67)	(102)	(72)	Net-of-tax
Total impact to net income	$(15)	$ (69)	$ (48)	

Regulatory Capital The Company uses certain measures defined by bank regulatory agencies to assess its capital. The regulatory capital requirements effective for the Company follow Basel III, which includes two comprehensive methodologies for calculating risk-weighted assets: a general standardized approach and more risk-sensitive advanced approaches. Effective December 31, 2019, the Company is no longer subject to calculating its capital adequacy as a percentage of risk-weighted assets under advanced approaches. Prior to December 31, 2019, the Company's capital adequacy was evaluated against the methodology that was most restrictive.

Tier 1 capital is considered core capital and includes common shareholders' equity adjusted for the aggregate impact of certain items included in other comprehensive income (loss) ("common equity tier 1 capital"), plus qualifying preferred stock, trust preferred securities and noncontrolling interests in consolidated subsidiaries subject to certain limitations. Total risk-based capital includes Tier 1 capital and other items such as subordinated debt and the allowance for credit losses. Capital measures are stated as a percentage of risk-weighted assets, which are measured based on their perceived credit and operational risks and include certain off-balance sheet exposures, such as unfunded loan commitments, letters of credit, and derivative contracts. As of December 31, 2019, the Company is subject to leverage ratio requirements under each methodology, which is defined as Tier 1 capital as a percentage of adjusted average assets under the standardized approach and Tier 1 capital as a percentage of total on- and off-balance sheet leverage exposure under the advanced approaches.

The following tables provide a summary of the regulatory capital requirements in effect, along with the actual components and ratios for the Company and its bank subsidiary, at December 31, 2019 and 2018:

(Dollars in Millions)	U.S. Bancorp 2019	U.S. Bancorp 2018	U.S. Bank National Association 2019	U.S. Bank National Association 2018
Basel III standardized approach:				
Common shareholders' equity	$ 45,869	$ 45,045	$ 48,592	$ 47,728
Less intangible assets				
Goodwill (net of deferred tax liability)	(8,788)	(8,549)	(8,806)	(8,566)
Other disallowed intangible assets	(677)	(601)	(710)	(732)
Other[(a)]	(691)	(1,171)	38	(112)
Total common equity tier 1 capital	35,713	34,724	39,114	38,318
Qualifying preferred stock	5,984	5,984	–	–
Noncontrolling interests eligible for tier 1 capital	28	36	28	36
Other[(b)]	(4)	(3)	(4)	(3)
Total tier 1 capital	41,721	40,741	39,138	38,351
Eligible portion of allowance for credit losses	4,491	4,441	4,491	4,441
Subordinated debt and noncontrolling interests eligible for tier 2 capital	3,532	2,996	3,365	3,168
Total tier 2 capital	8,023	7,437	7,856	7,609
Total risk-based capital	$ 49,744	$ 48,178	$ 46,994	$ 45,960
Risk-weighted assets	$391,269	$381,661	$383,560	$374,299
Common equity tier 1 capital as a percent of risk-weighted assets	9.1%	9.1%	10.2%	10.2%
Tier 1 capital as a percent of risk-weighted assets	10.7	10.7	10.2	10.2
Total risk-based capital as a percent of risk-weighted assets	12.7	12.6	12.3	12.3
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	8.8	9.0	8.4	8.6
Basel III advanced approaches[(c)]:				
Common shareholders' equity		$ 45,045		$ 47,728
Less intangible assets				
Goodwill (net of deferred tax liability)		(8,549)		(8,566)
Other disallowed intangible assets		(601)		(732)
Other[(a)]		(1,171)		(112)
Total common equity tier 1 capital		34,724		38,318
Qualifying preferred stock		5,984		–
Noncontrolling interests eligible for tier 1 capital		36		36
Other[(b)]		(3)		(3)
Total tier 1 capital		40,741		38,351
Eligible portion of allowance for credit losses		1,399		1,364
Subordinated debt and noncontrolling interests eligible for tier 2 capital		2,996		3,168
Total tier 2 capital		4,395		4,532
Total risk-based capital		$ 45,136		$ 42,883
Risk-weighted assets		$295,002		$287,897
Common equity tier 1 capital as a percent of risk-weighted assets		11.8%		13.3%
Tier 1 capital as a percent of risk-weighted assets		13.8		13.3
Total risk-based capital as a percent of risk-weighted assets		15.3		14.9
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	7.0%	7.2	6.7%	6.9

(a) Includes the impact of items included in other comprehensive income (loss), such as unrealized gains (losses) on available-for-sale securities, accumulated net gains on cash flow hedges, pension liability adjustments, etc., and the portion of deferred tax assets related to net operating loss and tax credit carryforwards not eligible for common equity tier 1 capital.

(b) Includes the remaining portion of deferred tax assets not eligible for total tier 1 capital.

(c) Effective December 31, 2019, the Company is no longer subject to calculating its, or its bank subsidiary's, capital adequacy as a percentage of risk-weighted assets under advanced approaches.

	Minimum[a]	Well-Capitalized
Bank Regulatory Capital Requirements		
2019		
Common equity tier 1 capital as a percent of risk-weighted assets	7.000%	6.500%
Tier 1 capital as a percent of risk-weighted assets	8.500	8.000
Total risk-based capital as a percent of risk-weighted assets	10.500	10.000
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	4.000	5.000
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	3.000	3.000
2018		
Common equity tier 1 capital as a percent of risk-weighted assets	6.375%	6.500%
Tier 1 capital as a percent of risk-weighted assets	7.875	8.000
Total risk-based capital as a percent of risk-weighted assets	9.875	10.000
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	4.000	5.000
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	3.000	3.000

(a) The minimum common equity tier 1 capital, tier 1 capital and total risk-based capital ratio requirements reflect a capital conservation buffer requirement of 2.5 percent and 1.875 percent for 2019 and 2018, respectively. Banks and financial services holding companies must maintain minimum capital levels, including a capital conservation buffer requirement, to avoid limitations on capital distributions and certain discretionary compensation payments.

Noncontrolling interests principally represent third-party investors' interests in consolidated entities, including preferred stock of consolidated subsidiaries. During 2006, the Company's banking subsidiary formed USB Realty Corp., a real estate investment trust, for the purpose of issuing 5,000 shares of Fixed-to-Floating Rate Exchangeable Non-cumulative Perpetual Series A Preferred Stock with a liquidation preference of $100,000 per share ("Series A Preferred Securities") to third-party investors. Dividends on the Series A Preferred Securities, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to three-month LIBOR plus 1.147 percent. If USB Realty Corp. has not declared a dividend on the Series A Preferred Securities before the dividend payment date for any dividend period, such dividend shall not be cumulative and shall cease to accrue and be payable, and USB Realty Corp. will have no obligation to pay dividends accrued for such dividend period, whether or not dividends on the Series A Preferred Securities are declared for any future dividend period.

The Series A Preferred Securities will be redeemable, in whole or in part, at the option of USB Realty Corp. on each fifth anniversary after the dividend payment date occurring in January 2012. Any redemption will be subject to the approval of the Office of the Comptroller of the Currency. During 2016, the Company purchased 500 shares of the Series A Preferred Securities held by third-party investors. As of December 31, 2019, 4,500 shares of the Series A Preferred Securities remain outstanding.

NOTE 15 Earnings Per Share

The components of earnings per share were:

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2019	2018	2017
Net income attributable to U.S. Bancorp	$6,914	$7,096	$6,218
Preferred dividends	(302)	(282)	(267)
Impact of preferred stock redemption[a]	–	–	(10)
Earnings allocated to participating stock awards	(29)	(30)	(28)
Net income applicable to U.S. Bancorp common shareholders	$6,583	$6,784	$5,913
Average common shares outstanding	1,581	1,634	1,677
Net effect of the exercise and assumed purchase of stock awards	2	4	6
Average diluted common shares outstanding	1,583	1,638	1,683
Earnings per common share	$ 4.16	$ 4.15	$ 3.53
Diluted earnings per common share	$ 4.16	$ 4.14	$ 3.51

(a) Represents stock issuance costs originally recorded in preferred stock upon the issuance of the Company's Series G Preferred Stock that were reclassified to retained earnings on the date the Company announced its intent to redeem the outstanding shares.

Options outstanding at December 31, 2019, 2018 and 2017, to purchase 1 million common shares, were not included in the computation of diluted earnings per share for the years ended December 31, 2019, 2018 and 2017, because they were antidilutive.

NOTE 16 Employee Benefits

Employee Retirement Savings Plan The Company has a defined contribution retirement savings plan that covers substantially all its employees. Qualified employees are allowed to contribute up to 75 percent of their annual compensation, subject to Internal Revenue Service limits, through salary deductions under Section 401(k) of the Internal Revenue Code. Employee contributions are invested at their direction among a variety of investment alternatives. Employee contributions are 100 percent matched by the Company, up to four percent of each employee's eligible annual compensation. The Company's matching contribution vests immediately and is invested in the same manner as each employee's future contribution elections. Total expense for the Company's matching contributions was $179 million, $171 million and $156 million in 2019, 2018 and 2017, respectively.

Pension Plans The Company has a tax qualified noncontributory defined benefit pension plan that provides benefits to substantially all its employees. Participants receive annual cash balance pay credits based on eligible pay multiplied by a percentage determined by their age and years of service. Participants also receive an annual interest credit. Employees become vested upon completing three years of vesting service. For participants in the plan before 2010 that elected to stay under their existing formula, pension benefits are provided to eligible employees based on years of service, multiplied by a percentage of their final average pay. Additionally, as a result of plan mergers, a portion of pension benefits may also be provided using a cash balance benefit formula where only interest credits continue to be credited to participants' accounts.

In general, the Company's qualified pension plan's funding objectives include maintaining a funded status sufficient to meet participant benefit obligations over time while reducing long-term funding requirements and pension costs. The Company has an established process for evaluating the plan, its performance and significant plan assumptions, including the assumed discount rate and the long-term rate of return ("LTROR"). Annually, the Company's Compensation and Human Resources Committee (the "Committee"), assisted by outside consultants, evaluates plan objectives, funding policies and plan investment policies considering its long-term investment time horizon and asset allocation strategies. The process also evaluates significant plan assumptions. Although plan assumptions are established annually, the Company may update its analysis on an interim basis in order to be responsive to significant events that occur during the year, such as plan mergers and amendments.

The Company's funding policy is to contribute amounts to its plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act, plus such additional amounts as the Company determines to be appropriate. The Company did not contribute to its qualified pension plan in 2019 and 2018. The Company expects to contribute approximately $125 million to the plan in 2020. Any contributions made to the qualified plan are invested in accordance with established investment policies and asset allocation strategies.

In addition to the funded qualified pension plan, the Company maintains a non-qualified plan that is unfunded and provides benefits to certain employees. The assumptions used in computing the accumulated benefit obligation, the projected benefit obligation and net pension expense are substantially consistent with those assumptions used for the funded qualified plan. In 2020, the Company expects to contribute approximately $25 million to its non-qualified pension plan which equals the 2020 expected benefit payments.

Postretirement Welfare Plan In addition to providing pension benefits, the Company provides health care and death benefits to certain former employees who retired prior to January 1, 2014. Employees retiring after December 31, 2013, are not eligible for retiree health care benefits. The Company expects to contribute approximately $4 million to its postretirement welfare plan in 2020.

The following table summarizes the changes in benefit obligations and plan assets for the years ended December 31, and the funded status and amounts recognized in the Consolidated Balance Sheet at December 31 for the retirement plans:

(Dollars in Millions)	Pension Plans 2019	Pension Plans 2018	Postretirement Welfare Plan 2019	Postretirement Welfare Plan 2018
Change In Projected Benefit Obligation[a]				
Benefit obligation at beginning of measurement period	$ 5,507	$ 5,720	$ 54	$ 68
Service cost	192	208	–	–
Interest cost	249	224	2	2
Participants' contributions	–	–	7	8
Actuarial loss (gain)	1,100	(440)	(4)	(7)
Lump sum settlements	(56)	(50)	–	–
Benefit payments	(163)	(155)	(13)	(18)
Federal subsidy on benefits paid	–	–	1	1
Benefit obligation at end of measurement period[b]	$ 6,829	$ 5,507	$ 47	$ 54
Change In Fair Value Of Plan Assets[c]				
Fair value at beginning of measurement period	$ 4,936	$ 5,482	$ 81	$ 87
Actual return on plan assets	1,095	(365)	6	–
Employer contributions	26	24	4	5
Participants' contributions	–	–	6	7
Lump sum settlements	(56)	(50)	–	–
Benefit payments	(163)	(155)	(13)	(18)
Fair value at end of measurement period	$ 5,838	$ 4,936	$ 84	$ 81
Funded (Unfunded) Status	$ (991)	$ (571)	$ 37	$ 27
Components Of The Consolidated Balance Sheet				
Noncurrent benefit asset	$ –	$ –	$ 37	$ 27
Current benefit liability	(25)	(23)	–	–
Noncurrent benefit liability	(966)	(548)	–	–
Recognized amount	$ (991)	$ (571)	$ 37	$ 27
Accumulated Other Comprehensive Income (Loss), Pretax				
Net actuarial gain (loss)	$(2,271)	$(1,981)	$ 68	$ 66
Net prior service credit (cost)	–	–	14	18
Recognized amount	$(2,271)	$(1,981)	$ 82	$ 84

(a) The increase and the decrease in the projected benefit obligation for 2019 and 2018, respectively, were primarily due to discount rate changes.

(b) At December 31, 2019 and 2018, the accumulated benefit obligation for all pension plans was $6.2 billion and $5.0 billion.

(c) The increase and the decrease in the fair value of plan assets for 2019 and 2018, respectively, were primary due to market conditions.

The following table provides information for pension plans with benefit obligations in excess of plan assets at December 31:

(Dollars in Millions)	2019	2018
Pension Plans with Projected Benefit Obligations in Excess of Plan Assets		
Projected benefit obligation	$6,829	$5,507
Fair value of plan assets	5,838	4,936
Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets		
Accumulated benefit obligation	$ 553	$ 467
Fair value of plan assets	–	–

The following table sets forth the components of net periodic benefit cost and other amounts recognized in accumulated other comprehensive income (loss) for the years ended December 31 for the retirement plans:

	Pension Plans			Postretirement Welfare Plan		
(Dollars in Millions)	2019	2018	2017	2019	2018	2017
Components Of Net Periodic Benefit Cost						
Service cost	$ 192	$ 208	$ 187	$ –	$ –	$ –
Interest cost	249	224	220	2	2	2
Expected return on plan assets	(383)	(379)	(284)	(3)	(3)	(3)
Prior service cost (credit) and transition obligation (asset) amortization	–	–	(2)	(3)	(3)	(3)
Actuarial loss (gain) amortization	98	146	127	(6)	(6)	(5)
Net periodic benefit cost	$ 156	$ 199	$ 248	$(10)	$(10)	$(9)
Other Changes In Plan Assets And Benefit Obligations Recognized In Other Comprehensive Income (Loss)						
Net actuarial gain (loss) arising during the year	$(388)	$(305)	$ (48)	$ 7	$ 3	$ 7
Net actuarial loss (gain) amortized during the year	98	146	127	(6)	(6)	(5)
Net prior service cost (credit) and transition obligation (asset) amortized during the year	–	–	(2)	(3)	(3)	(3)
Total recognized in other comprehensive income (loss)	$(290)	$(159)	$ 77	$ (2)	$ (6)	$(1)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$(446)	$(358)	$(171)	$ 8	$ 4	$ 8

The following table sets forth weighted-average assumptions used to determine the projected benefit obligations at December 31:

	Pension Plans		Postretirement Welfare Plan	
(Dollars in Millions)	2019	2018	2019	2018
Discount rate[(a)]	3.40%	4.45%	2.80%	4.05%
Cash balance interest crediting rate	3.00	3.00	*	*
Rate of compensation increase[(b)]	3.56	3.52	*	*
Health care cost trend rate[(c)]				
Prior to age 65			6.25%	6.50%
After age 65			6.25%	10.00%

(a) The discount rates were developed using a cash flow matching bond model with a modified duration for the qualified pension plan, non-qualified pension plan and postretirement welfare plan of 15.8, 12.3, and 6.1 years, respectively, for 2019, and 14.7, 11.5 and 5.9 years, respectively, for 2018.

(b) Determined on an active liability-weighted basis.

(c) The 2019 and 2018 pre-65 and post-65 rates are both assumed to decrease gradually to 5.00 percent by 2025 and remain at this level thereafter.

* *Not applicable*

The following table sets forth weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:

	Pension Plans			Postretirement Welfare Plan		
(Dollars in Millions)	2019	2018	2017	2019	2018	2017
Discount rate[(a)]	4.45%	3.84%	4.27%	4.05%	3.34%	3.57%
Cash balance interest crediting rate	3.00	3.00	3.00	*	*	*
Expected return on plan assets[(b)]	7.25	7.25	7.25	3.50	3.50	3.50
Rate of compensation increase[(c)]	3.52	3.56	3.58	*	*	*
Health care cost trend rate[(d)]						
Prior to age 65				6.50%	6.75%	7.00%
After age 65				10.00	6.75	7.00

(a) The discount rates were developed using a cash flow matching bond model with a modified duration for the qualified pension plan, non-qualified pension plan and postretirement welfare plan of 14.7, 11.5, and 5.9 years, respectively, for 2019, and 15.8, 12.3 and 6.1 years, respectively, for 2018.

(b) With the help of an independent pension consultant, the Company considers several sources when developing its expected long-term rates of return on plan assets assumptions, including, but not limited to, past returns and estimates of future returns given the plans' asset allocation, economic conditions, and peer group LTROR information. The Company determines its expected long-term rates of return reflecting current economic conditions and plan assets.

(c) Determined on an active liability weighted basis.

(d) The 2019, 2018 and 2017 pre-65 and post-65 rates are both assumed to decrease gradually to 5.00 percent by 2025 and remain at that level thereafter.

* *Not applicable*

Investment Policies and Asset Allocation In establishing its investment policies and asset allocation strategies, the Company considers expected returns and the volatility associated with different strategies. An independent consultant performs modeling that projects numerous outcomes using a broad range of possible scenarios, including a mix of possible rates of inflation and economic growth. Starting with current economic information, the model bases its projections on past relationships between inflation, fixed income rates and equity returns when these types of economic conditions have existed over the previous 30 years, both in the United States and in foreign countries. Estimated future returns and other actuarially determined adjustments are also considered in calculating the estimated return on assets.

Generally, based on historical performance of the various investment asset classes, investments in equities have outperformed other investment classes but are subject to higher volatility. In an effort to minimize volatility, while recognizing the long-term up-side potential of investing in equities, the Committee has determined that a target asset allocation of 35 percent long duration bonds, 30 percent global equities, 10 percent real estate equities, 10 percent private equity funds, 5 percent domestic mid-small cap equities, 5 percent emerging markets equities, and 5 percent hedge funds is appropriate.

At December 31, 2019 and 2018, plan assets included an asset management arrangement with a related party totaling $57 million and $52 million, respectively.

In accordance with authoritative accounting guidance, the Company groups plan assets into a three-level hierarchy for valuation techniques used to measure their fair value based on whether the valuation inputs are observable or unobservable. Refer to Note 21 for further discussion on these levels.

The assets of the qualified pension plan include investments in equity and U.S. Treasury securities whose fair values are determined based on quoted prices in active markets and are classified within Level 1 of the fair value hierarchy. The qualified pension plan also invests in U.S. agency, corporate and municipal debt securities, which are all valued based on observable market prices or data by third-party pricing services, and mutual funds which are valued based on quoted net asset values provided by the trustee of the fund; these assets are classified as Level 2. Additionally, the qualified pension plan invests in certain assets that are valued based on net asset values as a practical expedient, including investments in collective investment funds, hedge funds, and private equity funds; the net asset values are provided by the fund trustee or administrator and are not classified in the fair value hierarchy.

The following table summarizes plan investment assets measured at fair value at December 31:

	Qualified Pension Plan								Postretirement Welfare Plan	
	2019				2018				2019	2018
(Dollars in Millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 1
Cash and cash equivalents	$ 58	$ –	$–	$ 58	$ 54	$ –	$–	$ 54	$40	$42
Debt securities	727	1,073	–	1,800	631	904	–	1,535	–	–
Corporate stock										
Real estate equity securities[a]	–	–	–	–	109	–	–	109	–	–
Mutual funds										
Debt securities	–	304	–	304	–	295	–	295	–	–
Emerging markets equity securities	–	136	–	136	–	113	–	113	–	–
Other	–	–	3	3	–	–	3	3	–	–
	$785	$1,513	$3	2,301	$794	$1,312	$3	2,109	40	42
Plan investment assets not classified in fair value hierarchy[b]:										
Collective investment funds										
Domestic equity securities				1,328				1,183	27	24
Mid-small cap equity securities[c]				323				340	–	–
International equity securities				752				643	17	15
Real estate securities				547				146	–	–
Hedge funds[d]				283				290	–	–
Private equity funds[e]				304				225	–	–
Total plan investment assets at fair value				$5,838				$4,936	$84	$81

(a) At December 31, 2018, securities included $56 million in domestic equities and $53 million in international equities.

(b) These investments are valued based on net asset value per share as a practical expedient; fair values are provided to reconcile to total investment assets of the plans at fair value.

(c) At December 31, 2019 and 2018, securities included $323 million and $340 million in domestic equities, respectively.

(d) This category consists of several investment strategies diversified across several hedge fund managers.

(e) This category consists of several investment strategies diversified across several private equity fund managers.

The following table summarizes the changes in fair value for qualified pension plan investment assets measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31:

(Dollars in Millions)	2019 Other	2018 Other	2017 Other
Balance at beginning of period	$3	$2	$1
Unrealized gains (losses) relating to assets still held at end of year	–	–	–
Purchases, sales, and settlements, net	–	1	1
Balance at end of period	$3	$3	$2

The following benefit payments are expected to be paid from the retirement plans for the years ended December 31:

(Dollars in Millions)	Pension Plans	Postretirement Welfare Plan(a)	Medicare Part D Subsidy Receipts
2020	$ 233	$ 7	$1
2021	254	6	1
2022	267	6	1
2023	294	6	1
2024	306	5	1
2025-2029	1,811	19	2

(a) Net of expected retiree contributions and before Medicare Part D subsidy.

NOTE 17 Stock-Based Compensation

As part of its employee and director compensation programs, the Company currently may grant certain stock awards under the provisions of its stock incentive plan. The plan provides for grants of options to purchase shares of common stock at a fixed price equal to the fair value of the underlying stock at the date of grant. Option grants are generally exercisable up to ten years from the date of grant. In addition, the plan provides for grants of shares of common stock or stock units that are subject to restriction on transfer prior to vesting. Most stock and unit awards vest over three to five years and are subject to forfeiture if certain vesting requirements are not met. Stock incentive plans of acquired companies are generally terminated at the merger closing dates. Participants under such plans receive the Company's common stock, or options to buy the Company's common stock, based on the conversion terms of the various merger agreements. At December 31, 2019, there were 32 million shares (subject to adjustment for forfeitures) available for grant under the Company's stock incentive plan.

Stock Option Awards

The following is a summary of stock options outstanding and exercised under prior and existing stock incentive plans of the Company:

Year Ended December 31	Stock Options/Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
2019				
Number outstanding at beginning of period	9,115,010	$34.52		
Granted[a]	—	—		
Exercised	(3,333,467)	26.36		
Cancelled[b]	(63,287)	36.74		
Number outstanding at end of period[c]	5,718,256	$39.25	4.4	$115
Exercisable at end of period	4,869,805	$37.67	4.0	$105
2018				
Number outstanding at beginning of period	12,668,467	$32.15		
Granted[a]	—	—		
Exercised	(3,443,494)	25.41		
Cancelled[b]	(109,963)	46.72		
Number outstanding at end of period[c]	9,115,010	$34.52	4.3	$102
Exercisable at end of period	7,372,036	$31.61	3.5	$104
2017				
Number outstanding at beginning of period	17,059,241	$29.95		
Granted	1,066,188	54.97		
Exercised	(5,389,741)	29.58		
Cancelled[b]	(67,221)	43.31		
Number outstanding at end of period[c]	12,668,467	$32.15	4.5	$272
Exercisable at end of period	9,647,937	$27.87	3.3	$248

(a) The Company did not grant any stock option awards during 2019 and 2018.
(b) Options cancelled include both non-vested (i.e., forfeitures) and vested options.
(c) Outstanding options include stock-based awards that may be forfeited in future periods. The impact of the estimated forfeitures is reflected in compensation expense.

Stock-based compensation expense is based on the estimated fair value of the award at the date of grant or modification. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model, requiring the use of subjective assumptions. Because employee stock options have characteristics that differ from those of traded options, including vesting provisions and trading limitations that impact their liquidity, the determined value used to measure compensation expense may vary from the actual fair value of the employee stock options. The following table includes the weighted-average estimated fair value of stock options granted and the assumptions utilized by the Company for newly issued grants for the year ended December 31, 2017:

Year Ended December 31	2017
Estimated fair value	$14.66
Risk-free interest rates	2.0%
Dividend yield	2.6%
Stock volatility factor	.35
Expected life of options (in years)	5.5

Expected stock volatility is based on several factors including the historical volatility of the Company's common stock, implied volatility determined from traded options and other factors. The Company uses historical data to estimate option exercises and employee terminations to estimate the expected life of options. The risk-free interest rate for the expected life of the options is based on the U.S. Treasury yield curve in effect on the date of grant. The expected dividend yield is based on the Company's expected dividend yield over the life of the options.

The following summarizes certain stock option activity of the Company:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Fair value of options vested	$10	$14	$ 13
Intrinsic value of options exercised	95	97	127
Cash received from options exercised	88	87	159
Tax benefit realized from options exercised	24	24	49

To satisfy option exercises, the Company predominantly uses treasury stock.

Additional information regarding stock options outstanding as of December 31, 2019, is as follows:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$23.36—$25.00	236,661	.2	$23.82	236,661	$23.82
$25.01—$30.00	1,277,726	1.8	28.65	1,277,726	28.65
$30.01—$35.00	537,881	3.1	33.98	537,881	33.98
$35.01—$40.00	1,251,397	6.1	39.49	885,968	39.49
$40.01—$45.00	1,454,651	4.7	42.42	1,454,068	42.43
$45.01—$50.00	—	—	—	—	—
$50.01—$55.01	959,940	7.1	54.97	477,501	54.97
	5,718,256	4.4	$39.25	4,869,805	$37.67

Restricted Stock and Unit Awards

A summary of the status of the Company's restricted shares of stock and unit awards is presented below:

	2019		2018		2017	
Year Ended December 31	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	6,719,298	$48.17	7,446,955	$44.49	8,265,507	$39.50
Granted	3,519,474	50.45	3,213,023	55.03	2,850,927	54.45
Vested	(3,270,778)	48.69	(3,373,323)	46.42	(3,295,376)	40.66
Cancelled	(361,161)	50.55	(567,357)	49.07	(374,103)	43.91
Outstanding at end of period	6,606,833	$48.99	6,719,298	$48.17	7,446,955	$44.49

The total fair value of shares vested was $175 million, $182 million and $180 million for the years ended December 31, 2019, 2018 and 2017, respectively. Stock-based compensation expense was $178 million, $174 million and $163 million for the years ended December 31, 2019, 2018 and 2017, respectively. On an after-tax basis, stock-based compensation was $133 million, $130 million and $101 million for the years ended December 31, 2019, 2018 and 2017, respectively. As of December 31, 2019, there was $143 million of total unrecognized compensation cost related to nonvested share-based arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 1.7 years as compensation expense.

NOTE 18 Income Taxes

The components of income tax expense were:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Federal			
Current	$1,162	$1,287	$ 2,086
Deferred	166	(148)	(1,180)
Federal income tax	1,328	1,139	906
State			
Current	379	395	201
Deferred	(59)	20	157
State income tax	320	415	358
Total income tax provision	$1,648	$1,554	$ 1,264

A reconciliation of expected income tax expense at the federal statutory rate of 21 percent for 2019 and 2018 and 35 percent for 2017 to the Company's applicable income tax expense follows:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Tax at statutory rate	$1,805	$1,822	$2,631
State income tax, at statutory rates, net of federal tax benefit	355	352	281
Tax effect of			
Revaluation of tax related assets and liabilities[(a)]	—	—	(910)
Tax credits and benefits, net of related expenses	(424)	(513)	(774)
Tax-exempt income	(120)	(130)	(200)
Nondeductible legal and regulatory expenses	23	52	213
Other items[(b)]	9	(29)	23
Applicable income taxes	$1,648	$1,554	$1,264

(a) In late 2017, tax legislation was enacted that, among other provisions, reduced the federal statutory rate for corporations from 35 percent to 21 percent effective in 2018. In accordance with generally accepted accounting principles, the Company revalued its deferred tax assets and liabilities at December 31, 2017, resulting in an estimated net tax benefit of $910 million, which the Company recorded in 2017.

(b) Includes excess tax benefits associated with stock-based compensation and adjustments related to deferred tax assets and liabilities.

The tax effects of fair value adjustments on securities available-for-sale, derivative instruments in cash flow hedges, foreign currency translation adjustments, and pension and post-retirement plans are recorded directly to shareholders' equity as part of other comprehensive income (loss).

In preparing its tax returns, the Company is required to interpret complex tax laws and regulations and utilize income and cost allocation methods to determine its taxable income. On an ongoing basis, the Company is subject to examinations by federal, state, local and foreign taxing authorities that may give rise to differing interpretations of these complex laws, regulations and methods. Due to the nature of the examination process, it generally takes years before these examinations are completed and matters are resolved. Federal tax examinations for all years ending through December 31, 2010, and years ending December 31, 2013 and December 31, 2014 are completed and resolved. The Company's tax returns for the years ended December 31, 2011, 2012, 2015 and 2016 are under examination by the Internal Revenue Service. The years open to examination by state and local government authorities vary by jurisdiction.

A reconciliation of the changes in the federal, state and foreign uncertain tax position balances are summarized as follows:

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Balance at beginning of period	$335	$287	$302
Additions for tax positions taken in prior years	168	93	3
Additions for tax positions taken in the current year	6	10	9
Exam resolutions	(62)	(51)	(23)
Statute expirations	(15)	(4)	(4)
Balance at end of period	$432	$335	$287

The total amount of uncertain tax positions that, if recognized, would impact the effective income tax rate as of December 31, 2019, 2018 and 2017, were $274 million, $273 million and $265 million, respectively. The Company classifies interest and penalties related to uncertain tax positions as a component of income tax expense. At December 31, 2019, the Company's uncertain tax position balance included $35 million of accrued interest and penalties. During the years ended December 31, 2019, 2018 and 2017 the Company recorded approximately $7 million, $(25) million and $16 million, respectively, in interest and penalties on uncertain tax positions.

Deferred income tax assets and liabilities reflect the tax effect of estimated temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the same items for income tax reporting purposes.

The significant components of the Company's net deferred tax asset (liability) follows:

At December 31 (Dollars in Millions)	2019	2018
Deferred Tax Assets		
Federal, state and foreign net operating loss and credit carryforwards	$ 2,592	$ 2,699
Allowance for credit losses	1,155	1,141
Accrued expenses	485	508
Obligation for operating leases	328	—
Pension and postretirement benefits	193	85
Partnerships and other investment assets	91	69
Stock compensation	78	79
Fixed assets	2	58
Securities available-for-sale and financial instruments	—	278
Other deferred tax assets, net	257	268
Gross deferred tax assets	5,181	5,185
Deferred Tax Liabilities		
Leasing activities	(2,700)	(2,652)
Goodwill and other intangible assets	(763)	(703)
Mortgage servicing rights	(546)	(642)
Right of use assets	(282)	—
Loans	(139)	(168)
Securities available-for-sale and financial instruments	(111)	—
Other deferred tax liabilities, net	(131)	(102)
Gross deferred tax liabilities	(4,672)	(4,267)
Valuation allowance	(127)	(109)
Net Deferred Tax Asset	$ 382	$ 809

The Company has approximately $2.0 billion of federal, state and foreign net operating loss carryforwards which expire at various times beginning in 2020. A substantial portion of these carryforwards relate to state-only net operating losses, which are subject to a full valuation allowance as they are not expected to be realized within the carryforward period. Management has determined it is more likely than not the other net deferred tax assets could be realized through carry back to taxable income in prior years, future reversals of existing taxable temporary differences and future taxable income.

In addition, the Company has $2.5 billion of federal credit carryforwards which expire at various times through 2039 which are not subject to a valuation allowance as management believes that it is more likely than not that the credits will be utilized within the carryforward period.

At December 31, 2019, retained earnings included approximately $102 million of base year reserves of acquired thrift institutions, for which no deferred federal income tax liability has been recognized. These base year reserves would be recaptured if certain subsidiaries of the Company cease to qualify as a bank for federal income tax purposes. The base year reserves also remain subject to income tax penalty provisions that, in general, require recapture upon certain stock redemptions of, and excess distributions to, stockholders.

NOTE 19 Derivative Instruments

In the ordinary course of business, the Company enters into derivative transactions to manage various risks and to accommodate the business requirements of its customers. The Company recognizes all derivatives on the Consolidated Balance Sheet at fair value in other assets or in other liabilities. On the date the Company enters into a derivative contract, the derivative is designated as either a fair value hedge, cash flow hedge, net investment hedge, or a designation is not made as it is a customer-related transaction, an economic hedge for asset/liability risk management purposes or another stand-alone derivative created through the Company's operations ("free-standing derivative"). When a derivative is designated as a fair value, cash flow or net investment hedge, the Company performs an assessment, at inception and, at a minimum, quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the value or cash flows of the hedged item(s).

Fair Value Hedges These derivatives are interest rate swaps the Company uses to hedge the change in fair value related to interest rate changes of its underlying fixed-rate debt. Changes in the fair value of derivatives designated as fair value hedges, and changes in the fair value of the hedged items, are recorded in earnings.

Cash Flow Hedges These derivatives are interest rate swaps the Company uses to hedge the forecasted cash flows from its underlying variable-rate debt. Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income (loss) until the cash flows of the hedged items are realized. If a derivative designated as a cash flow hedge is terminated or ceases to be highly effective, the gain or loss in other comprehensive income (loss) is amortized to earnings over the period the forecasted hedged transactions impact earnings. If a hedged forecasted transaction is no longer probable, hedge accounting is ceased and any gain or loss included in other comprehensive income (loss) is reported in earnings immediately, unless the forecasted transaction is at least reasonably possible of occurring, whereby the amounts remain within other comprehensive income (loss). At December 31, 2019, the Company had $51 million (net-of-tax) of realized and unrealized losses on derivatives classified as cash flow hedges recorded in other comprehensive income (loss), compared with $112 million (net-of-tax) of realized and unrealized gains at December 31, 2018. The estimated amount to be reclassified from other comprehensive income (loss) into earnings during the next 12 months is a loss of $32 million (net-of-tax). All cash flow hedges were highly effective for the year ended December 31, 2019.

Net Investment Hedges The Company uses forward commitments to sell specified amounts of certain foreign currencies, and non-derivative debt instruments, to hedge the volatility of its net investment in foreign operations driven by fluctuations in foreign currency exchange rates. The carrying amount of non-derivative debt instruments designated as net investment hedges was $1.3 billion at December 31, 2019, compared with $1.1 billion at December 31, 2018.

Other Derivative Positions The Company enters into free-standing derivatives to mitigate interest rate risk and for other risk management purposes. These derivatives include forward commitments to sell to-be-announced securities ("TBAs") and other commitments to sell residential mortgage loans, which are used to economically hedge the interest rate risk related to MLHFS and unfunded mortgage loan commitments. The Company also enters into interest rate swaps, swaptions, forward commitments to buy TBAs, U.S. Treasury and Eurodollar futures and options on U.S. Treasury futures to economically hedge the change in the fair value of the Company's MSRs. The Company also enters into foreign currency forwards to economically hedge remeasurement gains and losses the Company recognizes on foreign currency denominated assets and liabilities. In addition, the Company acts as a seller and buyer of interest rate derivatives and foreign exchange contracts for its customers. The Company mitigates the market and liquidity risk associated with these customer derivatives by entering into similar offsetting positions with broker-dealers, or on a portfolio basis by entering into other derivative or non-derivative financial instruments that partially or fully offset the exposure from these customer-related positions. The Company's customer derivatives and related hedges are monitored and reviewed by the Company's Market Risk Committee, which establishes policies for market risk management, including exposure limits for each portfolio. The Company also has derivative contracts that are created through its operations, including certain unfunded mortgage loan commitments and swap agreements related to the sale of a portion of its Class B common and preferred shares of Visa Inc. Refer to Note 21 for further information on these swap agreements.

The following table summarizes the asset and liability management derivative positions of the Company:

(Dollars in Millions)	Asset Derivatives Notional Value	Asset Derivatives Fair Value	Asset Derivatives Weighted-Average Remaining Maturity In Years	Liability Derivatives Notional Value	Liability Derivatives Fair Value	Liability Derivatives Weighted-Average Remaining Maturity In Years
December 31, 2019						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	$18,300	$ –	3.89	$ 4,900	$ –	3.49
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	1,532	–	6.06	7,150	10	2.11
Net investment hedges						
Foreign exchange forward contracts	–	–	–	287	3	.04
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	5,409	17	.08	5,477	11	.07
Sell	16,333	13	.81	8,113	25	.03
Options						
Purchased	10,180	79	2.97	–	–	–
Written	1,270	30	.08	4,238	81	2.07
Receive fixed/pay floating swaps	4,408	–	5.99	5,316	–	13.04
Pay fixed/receive floating swaps	1,259	–	5.67	4,497	–	6.03
Foreign exchange forward contracts	113	1	.05	467	6	.04
Equity contracts	128	2	.45	20	–	1.06
Other[(a)]	34	–	.01	1,823	165	2.45
Total	$58,966	$142		$42,288	$301	
December 31, 2018						
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	$ 7,422	$ 8	3.11	$ 4,320	$ –	1.77
Net investment hedges						
Foreign exchange forward contracts	209	5	.05	223	1	.05
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	2,839	27	.07	1,140	5	.05
Sell	994	3	.06	13,968	30	.72
Options						
Purchased	5,080	88	10.77	–	–	–
Written	584	16	.09	3	–	.09
Receive fixed/pay floating swaps	3,605	–	14.80	4,333	–	6.97
Pay fixed/receive floating swaps	4,333	–	6.97	1,132	–	7.64
Foreign exchange forward contracts	549	7	.03	75	1	.05
Equity contracts	19	1	.82	104	2	.45
Other[(a)]	1	–	.01	1,458	84	1.50
Total	$25,635	$155		$26,756	$123	

(a) Includes derivative liability swap agreements related to the sale of a portion of the Company's Class B common and preferred shares of Visa Inc. The Visa swap agreements had a total notional value, fair value and weighted-average remaining maturity of $1.8 billion, $165 million and 2.50 years at December 31, 2019, respectively, compared to $1.5 billion, $84 million and 1.50 years at December 31, 2018, respectively. In addition, includes short-term underwriting purchase and sale commitments with total asset and liability notional values of $34 million at December 31, 2019, and $1 million at December 31, 2018.

The following table summarizes the customer-related derivative positions of the Company:

(Dollars in Millions)	Asset Derivatives			Liability Derivatives		
	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years
December 31, 2019						
Interest rate contracts						
Receive fixed/pay floating swaps	$108,560	$1,865	4.83	$ 31,544	$ 88	3.83
Pay fixed/receive floating swaps	28,150	30	3.83	101,078	753	4.55
Other[(a)]	6,895	1	3.45	6,218	2	2.98
Options						
Purchased	46,406	43	2.06	12,804	47	1.25
Written	6,901	49	1.93	49,741	41	1.82
Futures						
Buy	894	–	.21	–	–	–
Sell	3,874	1	1.18	1,995	–	1.04
Foreign exchange rate contracts						
Forwards, spots and swaps	36,350	748	.97	36,671	729	1.07
Options						
Purchased	1,354	17	.54	–	–	–
Written	–	–	–	1,354	17	.54
Credit contracts	2,879	1	3.28	7,488	5	4.33
Total	$242,263	$2,755		$248,893	$1,682	
December 31, 2018						
Interest rate contracts						
Receive fixed/pay floating swaps	$ 42,054	$ 754	6.73	$ 60,731	$ 456	4.32
Pay fixed/receive floating swaps	60,970	288	3.90	40,499	420	6.57
Other[(a)]	5,777	2	3.77	6,496	2	2.72
Options						
Purchased	41,711	51	1.54	1,940	30	1.98
Written	2,060	32	2.07	39,538	51	1.44
Futures						
Buy	460	–	1.58	–	–	–
Sell	–	–	–	6,190	1	.59
Foreign exchange rate contracts						
Forwards, spots and swaps	26,210	681	.91	25,571	663	.88
Options						
Purchased	2,779	47	.75	–	–	–
Written	–	–	–	2,779	47	.75
Credit contracts	2,318	–	3.50	4,923	2	4.04
Total	$184,339	$1,855		$188,667	$1,672	

(a) Primarily represents floating rate interest rate swaps that pay based on differentials between specified interest rate indexes.

The table below shows the effective portion of the gains (losses) recognized in other comprehensive income (loss) and the gains (losses) reclassified from other comprehensive income (loss) into earnings (net-of-tax) for the years ended December 31:

	Gains (Losses) Recognized in Other Comprehensive Income (Loss)			Gains (Losses) Reclassified from Other Comprehensive Income (Loss) into Earnings		
(Dollars in Millions)	2019	2018	2017	2019	2018	2017
Asset and Liability Management Positions						
Cash flow hedges						
Interest rate contracts	$(171)	$29	$ (3)	$(8)	$3	$(19)
Net investment hedges						
Foreign exchange forward contracts	3	39	(56)	–	–	–
Non-derivative debt instruments	13	32	(46)	–	–	–

Note: The Company does not exclude components from effectiveness testing for cash flow and net investment hedges.

The table below shows the effect of fair value and cash flow hedge accounting on the Consolidated Statement of Income for the years ended December 31:

	Other Noninterest Income			Interest Expense		
(Dollars in Millions)	2019	2018	2017	2019	2018	2017
Total amount of income and expense line items presented in the Consolidated Statement of Income in which the effects of fair value or cash flow hedges are recorded	$926	$910	$774	$4,442	$3,254	$1,966
Asset and Liability Management Positions						
Fair value hedges						
Interest rate contract derivatives	–	–	(28)	(44)	5	–
Hedged items	–	–	28	44	(5)	–
Cash Flow hedges						
Interest rate contract derivatives	–	–	–	11	(5)	30

Note: The Company does not exclude components from effectiveness testing for fair value and cash flow hedges. The Company did not reclassify gains or losses into earnings as a result of the discontinuance of cash flow hedges during the years ended December 31, 2019, 2018 and 2017.

The table below shows cumulative hedging adjustments and the carrying amount of assets (liabilities) designated in fair value hedges:

	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Hedging Adjustment[(a)]	
At December 31 (Dollars in Millions)	2019	2018	2019	2018
Line Item in the Consolidated Balance Sheet				
Long-term Debt	$23,195	$–	$35	$(27)

(a) The cumulative hedging adjustment related to discontinued hedging relationships at December 31, 2019 and 2018 was $(7) million and $(27) million, respectively.

The table below shows the gains (losses) recognized in earnings for other economic hedges and the customer-related positions for the years ended December 31:

(Dollars in Millions)	Location of Gains (Losses) Recognized in Earnings	2019	2018	2017
Asset and Liability Management Positions				
Other economic hedges				
Interest rate contracts				
Futures and forwards	Mortgage banking revenue	$ 34	$ 110	$ 24
Purchased and written options	Mortgage banking revenue	432	188	237
Swaps	Mortgage banking revenue	316	(111)	35
Foreign exchange forward contracts	Other noninterest income	(24)	39	(69)
Equity contracts	Compensation expense	–	(4)	1
Other	Other noninterest income	(140)	2	(1)
Customer-Related Positions				
Interest rate contracts				
Swaps	Commercial products revenue	82	47	67
Purchased and written options	Commercial products revenue	10	2	(24)
Futures	Commercial products revenue	(5)	9	(3)
Foreign exchange rate contracts				
Forwards, spots and swaps	Commercial products revenue	82	84	92
Purchased and written options	Commercial products revenue	1	–	2
Credit contracts	Commercial products revenue	(18)	2	3

Derivatives are subject to credit risk associated with counterparties to the derivative contracts. The Company measures that credit risk using a credit valuation adjustment and includes it within the fair value of the derivative. The Company manages counterparty credit risk through diversification of its derivative positions among various counterparties, by entering into derivative positions that are centrally cleared through clearinghouses, by entering into master netting arrangements and, where possible, by requiring collateral arrangements. A master netting arrangement allows two counterparties, who have multiple derivative contracts with each other, the ability to net settle amounts under all contracts, including any related collateral, through a single payment and in a single currency. Collateral arrangements generally require the counterparty to deliver collateral (typically cash or U.S. Treasury and agency securities) equal to the Company's net derivative receivable, subject to minimum transfer and credit rating requirements.

The Company's collateral arrangements are predominately bilateral and, therefore, contain provisions that require collateralization of the Company's net liability derivative positions. Required collateral coverage is based on net liability thresholds and may be contingent upon the Company's credit rating from two of the nationally recognized statistical rating organizations. If the Company's credit rating were to fall below credit ratings thresholds established in the collateral arrangements, the counterparties to the derivatives could request immediate additional collateral coverage up to and including full collateral coverage for derivatives in a net liability position. The aggregate fair value of all derivatives under collateral arrangements that were in a net liability position at December 31, 2019, was $717 million. At December 31, 2019, the Company had $514 million of cash posted as collateral against this net liability position.

NOTE 20 Netting Arrangements for Certain Financial Instruments and Securities Financing Activities

The Company's derivative portfolio consists of bilateral over-the-counter trades, certain interest rate derivatives and credit contracts required to be centrally cleared through clearinghouses per current regulations, and exchange-traded positions which may include U.S. Treasury and Eurodollar futures or options on U.S. Treasury futures. Of the Company's $592.4 billion total notional amount of derivative positions at December 31, 2019, $299.4 billion related to bilateral over-the-counter trades, $272.4 billion related to those centrally cleared through clearinghouses and $20.6 billion related to those that were exchange-traded. The Company's derivative contracts typically include offsetting rights (referred to as netting arrangements), and depending on expected volume, credit risk, and counterparty preference, collateral maintenance may be required. For all derivatives under collateral support arrangements, fair value is determined daily and, depending on the collateral maintenance requirements, the Company and a counterparty may receive or deliver collateral, based upon the net fair value of all derivative positions between the Company and the counterparty. Collateral is typically cash, but securities may be allowed under collateral arrangements with certain counterparties. Receivables and payables related to cash collateral are included in other assets and other liabilities on the Consolidated Balance Sheet, along with the related derivative asset and liability fair values. Any securities pledged to counterparties as collateral remain on the Consolidated Balance Sheet. Securities received from counterparties as collateral are not recognized on the Consolidated Balance Sheet, unless the counterparty defaults. In general, securities used as collateral can be sold, repledged or otherwise used by the party in possession. No restrictions exist on the use of cash collateral by either party. Refer to Note 19 for further discussion of the Company's derivatives, including collateral arrangements.

As part of the Company's treasury and broker-dealer operations, the Company executes transactions that are treated as securities sold under agreements to repurchase or securities purchased under agreements to resell, both of which are accounted for as collateralized financings. Securities sold under agreements to repurchase include repurchase agreements and securities loaned transactions. Securities purchased under agreements to resell include reverse repurchase agreements and securities borrowed transactions. For securities sold under agreements to repurchase, the Company records a liability for the cash received, which is included in short-term borrowings on the Consolidated Balance Sheet. For securities purchased under agreements to resell, the Company records a receivable for the cash paid, which is included in other assets on the Consolidated Balance Sheet.

Securities transferred to counterparties under repurchase agreements and securities loaned transactions continue to be recognized on the Consolidated Balance Sheet, are measured at fair value, and are included in investment securities or other assets. Securities received from counterparties under reverse repurchase agreements and securities borrowed transactions are not recognized on the Consolidated Balance Sheet unless the counterparty defaults. The securities transferred under repurchase and reverse repurchase transactions typically are U.S. Treasury and agency securities, residential agency mortgage-backed securities or corporate debt securities. The securities loaned or borrowed typically are corporate debt securities traded by the Company's broker-dealer subsidiary. In general, the securities transferred can be sold, repledged or otherwise used by the party in possession. No restrictions exist on the use of cash collateral by either party. Repurchase/reverse repurchase and securities loaned/borrowed transactions expose the Company to counterparty risk. The Company manages this risk by performing assessments, independent of business line managers, and establishing concentration limits on each counterparty. Additionally, these transactions include collateral arrangements that require the fair values of the underlying securities to be determined daily, resulting in cash being obtained or refunded to counterparties to maintain specified collateral levels.

The following table summarizes the maturities by category of collateral pledged for repurchase agreements and securities loaned transactions:

(Dollars in Millions)	Overnight and Continuous	Less Than 30 Days	30-89 Days	Greater Than 90 Days	Total
December 31, 2019					
Repurchase agreements					
U.S. Treasury and agencies	$ 289	$—	$ —	$ —	$ 289
Residential agency mortgage-backed securities	266	—	—	—	266
Corporate debt securities	610	—	—	—	610
Total repurchase agreements	1,165	—	—	—	1,165
Securities loaned					
Corporate debt securities	50	—	—	—	50
Total securities loaned	50	—	—	—	50
Gross amount of recognized liabilities	$1,215	$—	$ —	$ —	$1,215
December 31, 2018					
Repurchase agreements					
U.S. Treasury and agencies	$ 134	$—	$ —	$ —	$ 134
Residential agency mortgage-backed securities	565	—	945	470	1,980
Corporate debt securities	480	—	—	—	480
Total repurchase agreements	1,179	—	945	470	2,594
Securities loaned					
Corporate debt securities	227	—	—	—	227
Total securities loaned	227	—	—	—	227
Gross amount of recognized liabilities	$1,406	$—	$945	$470	$2,821

The Company executes its derivative, repurchase/reverse repurchase and securities loaned/borrowed transactions under the respective industry standard agreements. These agreements include master netting arrangements that allow for multiple contracts executed with the same counterparty to be viewed as a single arrangement. This allows for net settlement of a single amount on a daily basis. In the event of default, the master netting arrangement provides for close-out netting, which allows all of these positions with the defaulting counterparty to be terminated and net settled with a single payment amount.

The Company has elected to offset the assets and liabilities under netting arrangements for the balance sheet presentation of the majority of its derivative counterparties. The netting occurs at the counterparty level, and includes all assets and liabilities related to the derivative contracts, including those associated with cash collateral received or delivered. The Company has not elected to offset the assets and liabilities under netting arrangements for the balance sheet presentation of repurchase/reverse repurchase and securities loaned/borrowed transactions.

The following tables provide information on the Company's netting adjustments, and items not offset on the Consolidated Balance Sheet but available for offset in the event of default:

				Gross Amounts Not Offset on the Consolidated Balance Sheet		
(Dollars in Millions)	Gross Recognized Assets	Gross Amounts Offset on the Consolidated Balance Sheet[a]	Net Amounts Presented on the Consolidated Balance Sheet	Financial Instruments[b]	Collateral Received[c]	Net Amount
December 31, 2019						
Derivative assets[d]	$2,857	$(982)	$1,875	$ (80)	$ (116)	$1,679
Reverse repurchase agreements	1,021	—	1,021	(152)	(869)	—
Securities borrowed	1,624	—	1,624	—	(1,569)	55
Total	$5,502	$(982)	$4,520	$(232)	$(2,554)	$1,734
December 31, 2018						
Derivative assets[d]	$1,987	$(942)	$1,045	$(106)	$ (16)	$ 923
Reverse repurchase agreements	205	—	205	(114)	(91)	—
Securities borrowed	1,069	—	1,069	—	(1,039)	30
Total	$3,261	$(942)	$2,319	$(220)	$(1,146)	$ 953

(a) Includes $429 million and $236 million of cash collateral related payables that were netted against derivative assets at December 31, 2019 and 2018, respectively.

(b) For derivative assets this includes any derivative liability fair values that could be offset in the event of counterparty default; for reverse repurchase agreements this includes any repurchase agreement payables that could be offset in the event of counterparty default; for securities borrowed this includes any securities loaned payables that could be offset in the event of counterparty default.

(c) Includes the fair value of securities received by the Company from the counterparty. These securities are not included on the Consolidated Balance Sheet unless the counterparty defaults.

(d) Excludes $40 million and $23 million at December 31, 2019 and 2018, respectively, of derivative assets not subject to netting arrangements.

(Dollars in Millions)	Gross Recognized Liabilities	Gross Amounts Offset on the Consolidated Balance Sheet[a]	Net Amounts Presented on the Consolidated Balance Sheet	Gross Amounts Not Offset on the Consolidated Balance Sheet		Net Amount
				Financial Instruments[b]	Collateral Pledged[c]	
December 31, 2019						
Derivative liabilities[d]	$1,816	$(1,067)	$ 749	$ (80)	$ –	$669
Repurchase agreements	1,165	–	1,165	(152)	(1,012)	1
Securities loaned	50	–	50	–	(49)	1
Total	$3,031	$(1,067)	$1,964	$(232)	$(1,061)	$671
December 31, 2018						
Derivative liabilities[d]	$1,710	$ (946)	$ 764	$(106)	$ –	$658
Repurchase agreements	2,594	–	2,594	(114)	(2,480)	–
Securities loaned	227	–	227	–	(224)	3
Total	$4,531	$ (946)	$3,585	$(220)	$(2,704)	$661

(a) Includes $514 million and $240 million of cash collateral related receivables that were netted against derivative liabilities at December 31, 2019 and 2018, respectively.

(b) For derivative liabilities this includes any derivative asset fair values that could be offset in the event of counterparty default; for repurchase agreements this includes any reverse repurchase agreement receivables that could be offset in the event of counterparty default; for securities loaned this includes any securities borrowed receivables that could be offset in the event of counterparty default.

(c) Includes the fair value of securities pledged by the Company to the counterparty. These securities are included on the Consolidated Balance Sheet unless the Company defaults.

(d) Excludes $167 million and $85 million at December 31, 2019 and 2018, respectively, of derivative liabilities not subject to netting arrangements.

NOTE 21 Fair Values of Assets and Liabilities

The Company uses fair value measurements for the initial recording of certain assets and liabilities, periodic remeasurement of certain assets and liabilities, and disclosures. Derivatives, trading and available-for-sale investment securities, MSRs and substantially all MLHFS are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-fair value accounting or impairment write-downs of individual assets.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value measurement reflects all of the assumptions that market participants would use in pricing the asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

The Company groups its assets and liabilities measured at fair value into a three-level hierarchy for valuation techniques used to measure financial assets and financial liabilities at fair value. This hierarchy is based on whether the valuation inputs are observable or unobservable. These levels are:

- Level 1—Quoted prices in active markets for identical assets or liabilities. Level 1 includes U.S. Treasury securities, as well as exchange-traded instruments.
- Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 includes debt securities that are traded less frequently than exchange-traded instruments and which are typically valued using third-party pricing services; derivative contracts and other assets and liabilities, including securities, whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data; and MLHFS whose values are determined using quoted prices for similar assets or pricing models with inputs that are observable in the market or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes MSRs and certain derivative contracts.

Valuation Methodologies

The valuation methodologies used by the Company to measure financial assets and liabilities at fair value are described below. In addition, the following section includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified. Where appropriate, the descriptions include information about the valuation models and key inputs to those models. During the years ended December 31, 2019, 2018 and 2017, there were no significant changes to the valuation techniques used by the Company to measure fair value.

Available-For-Sale Investment Securities When quoted market prices for identical securities are available in an active market, these prices are used to determine fair value and these securities are classified within Level 1 of the fair value hierarchy. Level 1 investment securities include U.S. Treasury and exchange-traded securities.

For other securities, quoted market prices may not be readily available for the specific securities. When possible, the Company determines fair value based on market observable information, including quoted market prices for similar securities, inactive transaction prices, and broker quotes. These securities are classified within Level 2 of the fair value hierarchy. Level 2 valuations are generally provided by a third-party pricing service. Level 2 investment securities are predominantly agency mortgage-backed securities, certain other asset-backed securities, obligations of state and political subdivisions and agency debt securities.

Mortgage Loans Held For Sale MLHFS measured at fair value, for which an active secondary market and readily available market prices exist, are initially valued at the transaction price and are subsequently valued by comparison to instruments with similar collateral and risk profiles. MLHFS are classified within Level 2. Included in mortgage banking revenue was a net gain of $73 million, a net loss of $60 million and a net gain of $84 million for the years ended December 31, 2019, 2018 and 2017, respectively, from the changes to fair value of these MLHFS under fair value option accounting guidance. Changes in fair value due to instrument specific credit risk were immaterial. Interest income for MLHFS is measured based on contractual interest rates and reported as interest income on the Consolidated Statement of Income. Electing to measure MLHFS at fair value reduces certain timing differences and better matches changes in fair value of these assets with changes in the value of the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting.

Mortgage Servicing Rights MSRs are valued using a discounted cash flow methodology, and are classified within Level 3. The Company determines fair value of the MSRs by projecting future cash flows for different interest rate scenarios using prepayment rates and other assumptions, and discounts these cash flows using a risk adjusted rate based on option adjusted spread levels. There is minimal observable market activity for MSRs on comparable portfolios and, therefore, the determination of fair value requires significant management judgment. Refer to Note 9 for further information on MSR valuation assumptions.

Derivatives The majority of derivatives held by the Company are executed over-the-counter or centrally cleared through clearinghouses and are valued using market standard cash flow valuation techniques. The models incorporate inputs, depending on the type of derivative, including interest rate curves, foreign exchange rates and volatility. All derivative values incorporate an assessment of the risk of counterparty nonperformance, measured based on the Company's evaluation of credit risk including external assessments of credit risk. The Company monitors and manages its nonperformance risk by considering its ability to net derivative positions under master netting arrangements, as well as collateral received or provided under collateral arrangements. Accordingly, the Company has elected to measure the fair value of derivatives, at a counterparty level, on a net basis. The majority of the derivatives are classified within Level 2 of the fair value hierarchy, as the significant inputs to the models, including nonperformance risk, are observable. However, certain derivative transactions are with counterparties where risk of nonperformance cannot be observed in the market and, therefore, the credit valuation adjustments result in these derivatives being classified within Level 3 of the fair value hierarchy.

The Company also has other derivative contracts that are created through its operations, including commitments to purchase and originate mortgage loans and swap agreements executed in conjunction with the sale of a portion of its Class B common and preferred shares of Visa Inc. (the "Visa swaps"). The mortgage loan commitments are valued by pricing models that include market observable and unobservable inputs, which result in the commitments being classified within Level 3 of the fair value hierarchy. The unobservable inputs include assumptions about the percentage of commitments that actually become a closed loan and the MSR value that is inherent in the underlying loan value. The Visa swaps require payments by either the Company or the purchaser of the Visa Inc. Class B common and preferred shares when there are changes in the conversion rate of the Visa Inc. Class B common and preferred shares to Visa Inc. Class A common and preferred shares, respectively, as well as quarterly payments to the purchaser based on specified terms of the agreements. Management reviews and updates the Visa swaps fair value in conjunction with its review of Visa Inc. related litigation contingencies, and the associated escrow funding. The expected litigation resolution impacts the Visa Inc. Class B common share to Visa Inc. Class A common share conversion rate, as well as the ultimate termination date for the Visa swaps. Accordingly, the Visa swaps are classified within Level 3. Refer to Note 22 for further information on the Visa Inc. restructuring and related card association litigation.

Significant Unobservable Inputs of Level 3 Assets and Liabilities

The following section provides information to facilitate an understanding of the uncertainty in the fair value measurements for the Company's Level 3 assets and liabilities recorded at fair value on the Consolidated Balance Sheet. This section includes a description of the significant inputs used by the Company and a description of any interrelationships between these inputs. The discussion below excludes nonrecurring fair value measurements of collateral value used for impairment measures for loans and OREO. These valuations utilize third-party appraisal or broker price opinions, and are classified as Level 3 due to the significant judgment involved.

Mortgage Servicing Rights The significant unobservable inputs used in the fair value measurement of the Company's MSRs are expected prepayments and the option adjusted spread that is added to the risk-free rate to discount projected cash flows. Significant increases in either of these inputs in isolation would have resulted in a significantly lower fair value measurement. Significant decreases in either of these inputs in isolation would have resulted in a significantly higher fair value measurement. There is no direct interrelationship between prepayments and option adjusted spread. Prepayment rates generally move in the opposite direction of market interest rates. Option adjusted spread is generally impacted by changes in market return requirements.

The following table shows the significant valuation assumption ranges for MSRs at December 31, 2019:

	Minimum	Maximum	Weighted Average[(a)]
Expected prepayment	9%	22%	12%
Option adjusted spread	6	10	7

(a) Determined based on the relative fair value of the related mortgage loans serviced.

Derivatives The Company has two distinct Level 3 derivative portfolios: (i) the Company's commitments to purchase and originate mortgage loans that meet the requirements of a derivative and (ii) the Company's asset/liability and customer-related derivatives that are Level 3 due to unobservable inputs related to measurement of risk of nonperformance by the counterparty. In addition, the Company's Visa swaps are classified within Level 3.

The significant unobservable inputs used in the fair value measurement of the Company's derivative commitments to purchase and originate mortgage loans are the percentage of commitments that actually become a closed loan and the MSR value that is inherent in the underlying loan value. A significant increase in the rate of loans that close would have resulted in a larger derivative asset or liability. A significant increase in the inherent MSR value would have resulted in an increase in the derivative asset or a reduction in the derivative liability. Expected loan close rates and the inherent MSR values are directly impacted by changes in market rates and will generally move in the same direction as interest rates.

The following table shows the significant valuation assumption ranges for the Company's derivative commitments to purchase and originate mortgage loans at December 31, 2019:

	Minimum	Maximum	Weighted Average[(a)]
Expected loan close rate	12%	100%	78%
Inherent MSR value (basis points per loan)	56	221	130

(a) Determined based on the relative fair value of the related mortgage loans.

The significant unobservable input used in the fair value measurement of certain of the Company's asset/liability and customer-related derivatives is the credit valuation adjustment related to the risk of counterparty nonperformance. A significant increase in the credit valuation adjustment would have resulted in a lower fair value measurement. A significant decrease in the credit valuation adjustment would have resulted in a higher fair value measurement. The credit valuation adjustment is impacted by changes in market rates, volatility, market implied credit spreads, and loss recovery rates, as well as the Company's assessment of the counterparty's credit position. At December 31, 2019, the minimum, maximum and weighted-average credit valuation adjustment as a percentage of the derivative contract fair value prior to adjustment was 0 percent, 671 percent and 1 percent, respectively.

The significant unobservable inputs used in the fair value measurement of the Visa swaps are management's estimate of the probability of certain litigation scenarios, and the timing of the resolution of the related litigation loss estimates in excess, or shortfall, of the Company's proportional share of escrow funds. An increase in the loss estimate or a delay in the resolution of the related litigation would have resulted in an increase in the derivative liability. A decrease in the loss estimate or an acceleration of the resolution of the related litigation would have resulted in a decrease in the derivative liability.

The following table summarizes the balances of assets and liabilities measured at fair value on a recurring basis:

(Dollars in Millions)	Level 1	Level 2	Level 3	Netting	Total
December 31, 2019					
Available-for-sale securities					
U.S. Treasury and agencies	$18,986	$ 853	$ –	$ –	$ 19,839
Mortgage-backed securities					
Residential agency	–	94,111	–	–	94,111
Commercial agency	–	1,453	–	–	1,453
Asset-backed securities					
Collateralized debt obligations/Collateralized loan obligations	–	–	1	–	1
Other	–	375	7	–	382
Obligations of state and political subdivisions	–	6,813	1	–	6,814
Obligations of foreign governments	–	9	–	–	9
Corporate debt securities	–	4	–	–	4
Total available-for-sale	18,986	103,618	9	–	122,613
Mortgage loans held for sale	–	5,533	–	–	5,533
Mortgage servicing rights	–	–	2,546	–	2,546
Derivative assets	9	1,707	1,181	(982)	1,915
Other assets	312	1,563	–	–	1,875
Total	$19,307	$112,421	$3,736	$ (982)	$134,482
Derivative liabilities	$ –	$ 1,612	$ 371	$(1,067)	$ 916
Short-term borrowings and other liabilities[(a)]	50	1,578	–	–	1,628
Total	$ 50	$ 3,190	$ 371	$(1,067)	$ 2,544
December 31, 2018					
Available-for-sale securities					
U.S. Treasury and agencies	$18,585	$ 672	$ –	$ –	$ 19,257
Mortgage-backed securities					
Residential agency	–	39,752	–	–	39,752
Commercial agency	–	2	–	–	2
Other asset-backed securities	–	403	–	–	403
Obligations of state and political subdivisions	–	6,701	–	–	6,701
Total available-for-sale	18,585	47,530	–	–	66,115
Mortgage loans held for sale	–	2,035	–	–	2,035
Mortgage servicing rights	–	–	2,791	–	2,791
Derivative assets	–	1,427	583	(942)	1,068
Other assets	392	1,273	–	–	1,665
Total	$18,977	$ 52,265	$3,374	$ (942)	$ 73,674
Derivative liabilities	$ 1	$ 1,291	$ 503	$ (946)	$ 849
Short-term borrowings and other liabilities[(a)]	199	1,019	–	–	1,218
Total	$ 200	$ 2,310	$ 503	$ (946)	$ 2,067

Note: Excluded from the table above are equity investments without readily determinable fair values. The Company has elected to carry these investments at historical cost, adjusted for impairment and any changes resulting from observable price changes for identical or similar investments of the issuer. The aggregate carrying amount of these equity investments was $91 million and $86 million at December 31, 2019 and 2018, respectively. The Company has not recorded impairments or adjustments for observable price changes on these equity investments during 2019 or on a cumulative basis.

(a) Primarily represents the Company's obligation on securities sold short required to be accounted for at fair value per applicable accounting guidance.

The following table presents the changes in fair value for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

(Dollars in Millions)	Beginning of Period Balance	Net Gains (Losses) Included in Net Income	Net Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases	Sales	Principal Payments	Issuances	Settlements	Transfers into Level 3	End of Period Balance	Net Change in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at End of Period
2019											
Available-for-sale securities											
Asset-backed securities											
Collateralized debt obligations/Collateralized loan obligations	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$1	$ 1	$ –
Other	–	–	–	–	–	–	–	–	7	7	–
Obligations of state and political subdivisions	–	–	–	–	–	–	–	–	1	1	–
Total available-for-sale	–	–	–	–	–	–	–	–	9	9	–
Mortgage servicing rights	2,791	(829)[c]	–	20	5	–	559[e]	–	–	2,546	(829)[c]
Net derivative assets and liabilities	80	769[d]	–	142	(9)	–	–	(172)	–	810	782[f]
2018											
Mortgage servicing rights	$2,645	$(232)[c]	$ –	$ 8	$ (27)	$ –	$397[e]	$ –	$ –	$2,791	$(232)[c]
Net derivative assets and liabilities	107	21[g]	–	13	(41)	–	–	(20)	–	80	34[h]
2017											
Available-for-sale securities											
Residential non-agency mortgage-backed securities											
Prime[a]	$ 242	$ –	$ (2)	$ –	$(234)	$(6)	$ –	$ –	$ –	$ –	$ –
Non-prime[b]	195	–	(17)	–	(175)	(3)	–	–	–	–	–
Other asset-backed securities	2	–	–	–	(2)	–	–	–	–	–	–
Corporate debt securities	9	–	2	–	(11)	–	–	–	–	–	–
Total available-for-sale	448	–	(17)[i]	–	(422)	(9)	–	–	–	–	–
Mortgage servicing rights	2,591	(404)[c]	–	13	–	–	445[e]	–	–	2,645	(404)[c]
Net derivative assets and liabilities	171	317[j]	–	1	(10)	–	–	(372)	–	107	(52)[k]

(a) Prime securities are those designated as such by the issuer at origination. When an issuer designation is unavailable, the Company determines at acquisition date the categorization based on asset pool characteristics (such as weighted-average credit score, loan-to-value, loan type, prevalence of low documentation loans) and deal performance (such as pool delinquencies and security market spreads).

(b) Includes all securities not meeting the conditions to be designated as prime.

(c) Included in mortgage banking revenue.

(d) Approximately $287 million included in other noninterest income and $482 million included in mortgage banking revenue.

(e) Represents MSRs capitalized during the period.

(f) Approximately $747 million included in other noninterest income and $35 million included in mortgage banking revenue.

(g) Approximately $(139) million included in other noninterest income and $160 million included in mortgage banking revenue.

(h) Approximately $14 million included in other noninterest income and $20 million included in mortgage banking revenue.

(i) Included in changes in unrealized gains and losses on investment securities available-for-sale.

(j) Approximately $21 million included in other noninterest income and $296 million included in mortgage banking revenue.

(k) Approximately $(77) million included in other noninterest income and $25 million included in mortgage banking revenue.

The Company is also required periodically to measure certain other financial assets at fair value on a nonrecurring basis. These measurements of fair value usually result from the application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

The following table summarizes the balances as of the measurement date of assets measured at fair value on a nonrecurring basis, and still held as of December 31:

	2019				2018			
(Dollars in Millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans[(a)]	$–	$–	$136	$136	$–	$–	$40	$40
Other assets[(b)]	–	–	46	46	–	–	57	57

(a) Represents the carrying value of loans for which adjustments were based on the fair value of the collateral, excluding loans fully charged-off.

(b) Primarily represents the fair value of foreclosed properties that were measured at fair value based on an appraisal or broker price opinion of the collateral subsequent to their initial acquisition.

The following table summarizes losses recognized related to nonrecurring fair value measurements of individual assets or portfolios for the years ended December 31:

(Dollars in Millions)	2019	2018	2017
Loans[(a)]	$122	$83	$171
Other assets[(b)]	17	26	20

(a) Represents write-downs of loans which were based on the fair value of the collateral, excluding loans fully charged-off.

(b) Primarily represents related losses of foreclosed properties that were measured at fair value subsequent to their initial acquisition.

Fair Value Option

The following table summarizes the differences between the aggregate fair value carrying amount of MLHFS for which the fair value option has been elected and the aggregate unpaid principal amount that the Company is contractually obligated to receive at maturity as of December 31:

	2019			2018		
(Dollars in Millions)	Fair Value Carrying Amount	Aggregate Unpaid Principal	Carrying Amount Over (Under) Unpaid Principal	Fair Value Carrying Amount	Aggregate Unpaid Principal	Carrying Amount Over (Under) Unpaid Principal
Total loans	$5,533	$5,366	$167	$2,035	$1,972	$63
Nonaccrual loans	1	1	–	2	2	–
Loans 90 days or more past due	1	1	–	–	–	–

Fair Value of Financial Instruments

The following section summarizes the estimated fair value for financial instruments accounted for at amortized cost as of December 31, 2019 and 2018. In accordance with disclosure guidance related to fair values of financial instruments, the Company did not include assets and liabilities that are not financial instruments, such as the value of goodwill, long-term relationships with deposit, credit card, merchant processing and trust customers, other purchased intangibles, premises and equipment, deferred taxes and other liabilities. Additionally, in accordance with the disclosure guidance, receivables and payables due in one year or less, insurance contracts, equity investments not accounted for at fair value, and deposits with no defined or contractual maturities are excluded.

The estimated fair values of the Company's financial instruments as of December 31, are shown in the table below:

	2019					2018				
	Carrying	Fair Value				Carrying	Fair Value			
(Dollars in Millions)	Amount	Level 1	Level 2	Level 3	Total	Amount	Level 1	Level 2	Level 3	Total
Financial Assets										
Cash and due from banks	$ 22,405	$22,405	$ –	$ –	$ 22,405	$ 21,453	$21,453	$ –	$ –	$ 21,453
Federal funds sold and securities purchased under resale agreements	1,036	–	1,036	–	1,036	306	–	306	–	306
Investment securities held-to-maturity	–	–	–	–	–	46,050	4,594	40,359	11	44,964
Loans held for sale[(a)]	45	–	–	43	43	21	–	–	21	21
Loans	292,082	–	–	297,241	297,241	282,837	–	–	284,790	284,790
Other	1,923	–	929	994	1,923	2,412	–	1,241	1,171	2,412
Financial Liabilities										
Time deposits	42,894	–	42,831	–	42,831	44,554	–	44,140	–	44,140
Short-term borrowings[(b)]	22,095	–	21,461	–	21,461	12,921	–	12,678	–	12,678
Long-term debt	40,167	–	41,077	–	41,077	41,340	–	41,003	–	41,003
Other	3,678	–	1,342	2,336	3,678	1,726	–	–	1,726	1,726

(a) Excludes mortgages held for sale for which the fair value option under applicable accounting guidance was elected.
(b) Excludes the Company's obligation on securities sold short required to be accounted for at fair value per applicable accounting guidance.

The fair value of unfunded commitments, deferred non-yield related loan fees, standby letters of credit and other guarantees is approximately equal to their carrying value. The carrying value of unfunded commitments, deferred non-yield related loan fees and standby letters of credit was $528 million and $532 million at December 31, 2019 and 2018, respectively. The carrying value of other guarantees was $200 million and $263 million at December 31, 2019 and 2018, respectively.

NOTE 22 Guarantees and Contingent Liabilities

Visa Restructuring and Card Association Litigation The Company's payment services business issues credit and debit cards and acquires credit and debit card transactions through the Visa U.S.A. Inc. card association or its affiliates (collectively "Visa"). In 2007, Visa completed a restructuring and issued shares of Visa Inc. common stock to its financial institution members in contemplation of its initial public offering ("IPO") completed in the first quarter of 2008 (the "Visa Reorganization"). As a part of the Visa Reorganization, the Company received its proportionate number of shares of Visa Inc. common stock, which were subsequently converted to Class B shares of Visa Inc. ("Class B shares").

Visa U.S.A. Inc. ("Visa U.S.A.") and MasterCard International (collectively, the "Card Associations") are defendants in antitrust lawsuits challenging the practices of the Card Associations (the "Visa Litigation"). Visa U.S.A. member banks have a contingent obligation to indemnify Visa Inc. under the Visa U.S.A. bylaws (which were modified at the time of the restructuring in October 2007) for potential losses arising from the Visa Litigation. The indemnification by the Visa U.S.A. member banks has no specific maximum amount. Using proceeds from its IPO and through reductions to the conversion ratio applicable to the Class B shares held by Visa U.S.A. member banks, Visa Inc. has funded an escrow account for the benefit of member financial institutions to fund their indemnification obligations associated with the Visa Litigation. The receivable related to the escrow account is classified in other liabilities as a direct offset to the related Visa Litigation contingent liability.

In October 2012, Visa signed a settlement agreement to resolve class action claims associated with the multi-district interchange litigation pending in the United States District Court for the Eastern District of New York (the "Multi-District Litigation"). The U.S. Court of Appeals for the Second Circuit reversed the approval of that settlement and remanded the matter to the district court. In September 2018, Visa signed a new settlement agreement, superseding the original settlement agreement, to resolve class action claims associated with the Multi-District Litigation. The new settlement is still subject to court approval.

Commitments to Extend Credit Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount represents the Company's exposure to credit loss, in the event of default by the borrower. The Company manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to secure commitments based on management's credit assessment of the borrower. The collateral may include marketable securities, receivables, inventory, equipment and real estate. Since the Company expects many of the commitments to expire without being drawn, total commitment amounts do not necessarily represent the Company's future liquidity requirements. In addition, the commitments include consumer credit lines that are cancelable upon notification to the consumer.

The contract or notional amounts of unfunded commitments to extend credit at December 31, 2019, excluding those commitments considered derivatives, were as follows:

	Term		
(Dollars in Millions)	Less Than One Year	Greater Than One Year	Total
Commercial and commercial real estate loans	$ 31,235	$108,303	$139,538
Corporate and purchasing card loans[(a)]	29,296	–	29,296
Residential mortgages	416	1	417
Retail credit card loans[(a)]	111,773	–	111,773
Other retail loans	12,614	24,183	36,797
Other	6,325	–	6,325

(a) Primarily cancelable at the Company's discretion.

Other Guarantees and Contingent Liabilities

The following table is a summary of other guarantees and contingent liabilities of the Company at December 31, 2019:

(Dollars in Millions)	Collateral Held	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	$ –	$48	$ 10,258
Third-party borrowing arrangements	–	–	7
Securities lending indemnifications	4,564	–	4,468
Asset sales	–	68	5,069
Merchant processing	589	61	108,875
Tender option bond program guarantee	2,994	–	2,725
Minimum revenue guarantees	–	–	3
Other	–	71	1,461

Letters of Credit Standby letters of credit are commitments the Company issues to guarantee the performance of a customer to a third party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar transactions. The Company also issues and confirms commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's or counterparty's nonperformance, the Company's credit loss exposure is similar to that in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, receivables, inventory, equipment and real estate. Since the conditions requiring the Company to fund letters of credit may not occur, the Company expects its liquidity requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by the Company under standby letter of credit arrangements at December 31, 2019, were approximately $10.3 billion with a weighted-average term of approximately 21 months. The estimated fair value of standby letters of credit was approximately $48 million at December 31, 2019.

The contract or notional amount of letters of credit at December 31, 2019, were as follows:

	Term		
(Dollars in Millions)	Less Than One Year	Greater Than One Year	Total
Standby	$4,676	$5,582	$10,258
Commercial	339	28	367

Guarantees Guarantees are contingent commitments issued by the Company to customers or other third parties. The Company's guarantees primarily include parent guarantees related to subsidiaries' third-party borrowing arrangements; third-party performance guarantees inherent in the Company's business operations, such as indemnified securities lending programs and merchant charge-back guarantees; and indemnification or buy-back provisions related to certain asset sales. For certain guarantees, the Company has recorded a liability related to the potential obligation, or has access to collateral to support the guarantee or through the exercise of other recourse provisions can offset some or all of the maximum potential future payments made under these guarantees.

Third-Party Borrowing Arrangements The Company provides guarantees to third parties as a part of certain subsidiaries' borrowing arrangements. The maximum potential future payments guaranteed by the Company under these arrangements were approximately $7 million at December 31, 2019.

Commitments from Securities Lending The Company participates in securities lending activities by acting as the customer's agent involving the loan of securities. The Company indemnifies customers for the difference between the fair value of the securities lent and the fair value of the collateral received. Cash collateralizes these transactions. The maximum potential future payments guaranteed by the Company under these arrangements were approximately $4.5 billion at December 31, 2019, and represent the fair value of the securities lent to third parties. At December 31, 2019, the Company held $4.6 billion of cash as collateral for these arrangements.

Asset Sales The Company has provided guarantees to certain third parties in connection with the sale or syndication of certain assets, primarily loan portfolios and tax-advantaged investments. These guarantees are generally in the form of asset buy-back or make-whole provisions that are triggered upon a credit event or a change in the tax-qualifying status of the related projects, as applicable, and remain in effect until the loans are collected or final tax credits are realized, respectively. The maximum potential

future payments guaranteed by the Company under these arrangements were approximately $5.1 billion at December 31, 2019, and represented the proceeds received from the buyer or the guaranteed portion in these transactions where the buy-back or make-whole provisions have not yet expired. At December 31, 2019, the Company had reserved $68 million for potential losses related to the sale or syndication of tax-advantaged investments.

The maximum potential future payments do not include loan sales where the Company provides standard representation and warranties to the buyer against losses related to loan underwriting documentation defects that may have existed at the time of sale that generally are identified after the occurrence of a triggering event such as delinquency. For these types of loan sales, the maximum potential future payments is generally the unpaid principal balance of loans sold measured at the end of the current reporting period. Actual losses will be significantly less than the maximum exposure, as only a fraction of loans sold will have a representation and warranty breach, and any losses on repurchase would generally be mitigated by any collateral held against the loans.

The Company regularly sells loans to GSEs as part of its mortgage banking activities. The Company provides customary representations and warranties to GSEs in conjunction with these sales. These representations and warranties generally require the Company to repurchase assets if it is subsequently determined that a loan did not meet specified criteria, such as a documentation deficiency or rescission of mortgage insurance. If the Company is unable to cure or refute a repurchase request, the Company is generally obligated to repurchase the loan or otherwise reimburse the GSE for losses. At December 31, 2019, the Company had reserved $9 million for potential losses from representation and warranty obligations, compared with $10 million at December 31, 2018. The Company's reserve reflects management's best estimate of losses for representation and warranty obligations. The Company's repurchase reserve is modeled at the loan level, taking into consideration the individual credit quality and borrower activity that has transpired since origination. The model applies credit quality and economic risk factors to derive a probability of default and potential repurchase that are based on the Company's historical loss experience, and estimates loss severity based on expected collateral value. The Company also considers qualitative factors that may result in anticipated losses differing from historical loss trends.

As of December 31, 2019 and 2018, the Company had $10 million and $15 million, respectively, of unresolved representation and warranty claims from GSEs. The Company does not have a significant amount of unresolved claims from investors other than GSEs.

Merchant Processing The Company, through its subsidiaries, provides merchant processing services. Under the rules of credit card associations, a merchant processor retains a contingent liability for credit card transactions processed. This contingent liability arises in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor. In this situation, the transaction is "charged-back" to the merchant and the disputed amount is credited or otherwise refunded to the cardholder. If the Company is unable to collect this amount from the merchant, it bears the loss for the amount of the refund paid to the cardholder.

A cardholder, through its issuing bank, generally has until the later of up to four months after the date the transaction is processed or the receipt of the product or service to present a charge-back to the Company as the merchant processor. The absolute maximum potential liability is estimated to be the total volume of credit card transactions that meet the associations' requirements to be valid charge-back transactions at any given time. Management estimates that the maximum potential exposure for charge-backs would approximate the total amount of merchant transactions processed through the credit card associations for the last four months. For the last four months of 2019 this amount totaled approximately $108.9 billion. In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. However, where the product or service has been purchased but is not provided until a future date ("future delivery"), the potential for this contingent liability increases. To mitigate this risk, the Company may require the merchant to make an escrow deposit, place maximum volume limitations on future delivery transactions processed by the merchant at any point in time, or require various credit enhancements (including letters of credit and bank guarantees). Also, merchant processing contracts may include event triggers to provide the Company more financial and operational control in the event of financial deterioration of the merchant.

The Company currently processes card transactions in the United States, Canada, Europe and Mexico through wholly-owned subsidiaries and a network of other financial institutions. In the event a merchant was unable to fulfill product or services subject to future delivery, such as airline tickets, the Company could become financially liable for refunding the purchase price of such products or services purchased through the credit card associations under the charge-back provisions. Charge-back risk related to these merchants is evaluated in a manner similar to credit risk assessments and, as such, merchant processing contracts contain various provisions to protect the Company in the event of default. At December 31, 2019, the value of airline tickets purchased to be delivered at a future date through card transactions processed by the Company was $8.3 billion. The Company held collateral of $496 million in escrow deposits, letters of credit and indemnities from financial institutions, and liens on various assets. In addition to specific collateral or other credit enhancements, the Company maintains a liability for its implied guarantees associated with future delivery. At December 31, 2019, the liability was $44 million primarily related to these airline processing arrangements.

In the normal course of business, the Company has unresolved charge-backs. The Company assesses the likelihood of its potential liability based on the extent and nature of unresolved charge-backs and its historical loss experience. At

December 31, 2019, the Company held $89 million of merchant escrow deposits as collateral and had a recorded liability for potential losses of $17 million.

Tender Option Bond Program Guarantee As discussed in Note 7, the Company sponsors a municipal bond securities tender option bond program and consolidates the program's entities on its Consolidated Balance Sheet. The Company provides financial performance guarantees related to the program's entities. At December 31, 2019, the Company guaranteed $2.7 billion of borrowings of the program's entities, included on the Consolidated Balance Sheet in short-term borrowings. The Company also included on its Consolidated Balance Sheet the related $3.0 billion of available-for-sale investment securities serving as collateral for this arrangement.

Minimum Revenue Guarantees In the normal course of business, the Company may enter into revenue share agreements with third-party business partners who generate customer referrals or provide marketing or other services related to the generation of revenue. In certain of these agreements, the Company may guarantee that a minimum amount of revenue share payments will be made to the third party over a specified period of time. At December 31, 2019, the maximum potential future payments required to be made by the Company under these agreements were $3 million.

Other Guarantees and Commitments As of December 31, 2019, the Company sponsored, and owned 100 percent of the common equity of, USB Capital IX, a wholly-owned unconsolidated trust, formed for the purpose of issuing redeemable Income Trust Securities ("ITS") to third-party investors, originally investing the proceeds in junior subordinated debt securities ("Debentures") issued by the Company and entering into stock purchase contracts to purchase the Company's preferred stock in the future. As of December 31, 2019, all of the Debentures issued by the Company have either matured or been retired. Total assets of USB Capital IX were $682 million at December 31, 2019, consisting primarily of the Company's Series A Preferred Stock. The Company's obligations under the transaction documents, taken together, have the effect of providing a full and unconditional guarantee by the Company, on a junior subordinated basis, of the payment obligations of the trust to third-party investors totaling $681 million at December 31, 2019.

The Company has also made other financial performance guarantees and commitments primarily related to the operations of its subsidiaries. At December 31, 2019, the maximum potential future payments guaranteed or committed by the Company under these arrangements were approximately $781 million.

Litigation and Regulatory Matters

The Company is subject to various litigation and regulatory matters that arise in the ordinary course of its business. The Company establishes reserves for such matters when potential losses become probable and can be reasonably estimated. The Company believes the ultimate resolution of existing legal and regulatory matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, in light of the uncertainties inherent in these matters, it is possible that the ultimate resolution of one or more of these matters may have a material adverse effect on the Company's results from operations for a particular period, and future changes in circumstances or additional information could result in additional accruals or resolution in excess of established accruals, which could adversely affect the Company's results from operations, potentially materially.

Residential Mortgage-Backed Securities Litigation Starting in 2011, the Company and other large financial institutions have been sued in their capacity as trustee for residential mortgage–backed securities trusts. In the lawsuits brought against the Company, the investors allege that the Company's banking subsidiary, U.S. Bank National Association ("U.S. Bank"), as trustee caused them to incur substantial losses by failing to enforce loan repurchase obligations and failing to abide by appropriate standards of care after events of default allegedly occurred. The plaintiffs in these matters seek monetary damages in unspecified amounts and most also seek equitable relief.

Regulatory Matters The Company is continually subject to examinations, inquiries and investigations in areas of heightened regulatory scrutiny, such as compliance, risk management, third-party risk management and consumer protection. For example, the Company is currently subject to examinations, inquiries and investigations by government agencies and bank regulators concerning mortgage-related practices, including those related to lender-placed insurance, and notices and filings in bankruptcy cases. The Company is cooperating fully with all pending examinations, inquiries and investigations, any of which could lead to administrative or legal proceedings or settlements. Remedies in these proceedings or settlements may include fines, penalties, restitution or alterations in the Company's business practices (which may increase the Company's operating expenses and decrease its revenue).

In February 2018, the Company entered into a deferred prosecution agreement (the "DPA") with the United States Attorney's Office in Manhattan that resolved its investigation of the Company concerning a legacy banking relationship between U.S. Bank and payday lending businesses associated with a former customer and U.S. Bank's legacy Bank Secrecy Act/anti-money laundering compliance program. The DPA deferred prosecution for a period of two years, subject to the Company's compliance with its terms, which included ongoing efforts to implement and maintain an adequate Bank Secrecy Act/anti-money laundering compliance program. The United States Attorney's Office filed a motion to dismiss all charges under the DPA with the United States District Court for the Southern District of New York and that motion was granted by the court on February 13, 2020.

In related actions taken in February 2018, the Company and one of its affiliates entered into a regulatory settlement with the

Board of Governors of the Federal Reserve System (the "Federal Reserve") and U.S. Bank entered into a regulatory settlement with the Financial Crimes Enforcement Network ("FinCEN"). In December 2019, the Federal Reserve terminated the order that it had entered into with the Company and its affiliate and thereby terminated the ongoing obligations under that settlement. Additionally, U.S. Bank's ongoing obligations under its settlement agreement with FinCEN will expire on February 22, 2020, in accordance with the terms of that agreement.

Outlook Due to their complex nature, it can be years before litigation and regulatory matters are resolved. The Company may be unable to develop an estimate or range of loss where matters are in early stages, there are significant factual or legal issues to be resolved, damages are unspecified or uncertain, or there is uncertainty as to a litigation class being certified or the outcome of pending motions, appeals or proceedings. For those litigation and regulatory matters where the Company has information to develop an estimate or range of loss, the Company believes the upper end of the range of reasonably possible losses in aggregate, in excess of any reserves established for matters where a loss is considered probable, will not be material to its financial condition, results of operations or cash flows. The Company's estimates are subject to significant judgment and uncertainties, and the matters underlying the estimates will change from time to time. Actual results may vary significantly from the current estimates.

NOTE 23 Business Segments

Within the Company, financial performance is measured by major lines of business based on the products and services provided to customers through its distribution channels. These operating segments are components of the Company about which financial information is prepared and is evaluated regularly by management in deciding how to allocate resources and assess performance. The Company has five reportable operating segments:

Corporate and Commercial Banking Corporate and Commercial Banking offers lending, equipment finance and small-ticket leasing, depository services, treasury management, capital markets services, international trade services and other financial services to middle market, large corporate, commercial real estate, financial institution, non-profit and public sector clients.

Consumer and Business Banking Consumer and Business Banking delivers products and services through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing and mobile devices. It encompasses community banking, metropolitan banking and indirect lending, as well as mortgage banking.

Wealth Management and Investment Services Wealth Management and Investment Services provides private banking, financial advisory services, investment management, retail brokerage services, insurance, trust, custody and fund servicing through four businesses: Wealth Management, Global Corporate Trust & Custody, U.S. Bancorp Asset Management and Fund Services.

Payment Services Payment Services includes consumer and business credit cards, stored-value cards, debit cards, corporate, government and purchasing card services, consumer lines of credit and merchant processing.

Treasury and Corporate Support Treasury and Corporate Support includes the Company's investment portfolios, funding, capital management, interest rate risk management, income taxes not allocated to business segments, including most investments in tax-advantaged projects, and the residual aggregate of those expenses associated with corporate activities that are managed on a consolidated basis.

Basis of Presentation Business segment results are derived from the Company's business unit profitability reporting systems by specifically attributing managed balance sheet assets, deposits and other liabilities and their related income or expense. The allowance for credit losses and related provision expense are allocated to the business segments based on the related loan balances managed. Goodwill and other intangible assets are assigned to the business segments based on the mix of business of an entity acquired by the Company. Within the Company, capital levels are evaluated and managed centrally; however, capital is allocated to the business segments to support evaluation of business performance. Business segments are allocated capital on a risk-adjusted basis considering economic and regulatory capital requirements. Generally, the determination of the amount of capital allocated to each business segment includes credit and operational capital allocations following a Basel III regulatory framework. Interest income and expense is determined based on the assets and liabilities managed by the business segment. Because funding and asset liability management is a central function, funds transfer-pricing methodologies are utilized to allocate a cost of funds used or credit for funds provided to all business segment assets and liabilities, respectively, using a matched funding concept. Also, each business unit is allocated the taxable-equivalent benefit of tax-exempt products. The residual effect on net interest income of asset/liability management activities is included in Treasury and Corporate Support. Noninterest income and expenses directly managed by each business segment, including fees, service charges, salaries and benefits, and other direct revenues and costs are accounted for within each segment's financial results in a manner similar to the consolidated financial statements. Occupancy costs are allocated based on utilization of facilities by the business segments. Generally, operating losses are charged to the business segment when the loss event is realized in a manner similar to a loan charge-off. Noninterest expenses incurred by centrally managed operations or business segments that directly support another business segment's operations are charged to the applicable business segment based on its utilization of those services, primarily measured by the volume of customer activities, number of employees or other relevant factors. These allocated expenses are reported as net shared services expense within noninterest expense. Certain activities that do not directly support the operations of the business segments or for which the business segments are not considered financially accountable in evaluating their performance are not charged to the business segments. The income or expenses associated with these corporate activities is reported within the Treasury and Corporate Support business segment. Income taxes are assessed to each business segment at a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Treasury and Corporate Support.

Designations, assignments and allocations change from time to time as management systems are enhanced, methods of evaluating performance or product lines change or business segments are realigned to better respond to the Company's diverse customer base. During 2019, certain organization and methodology changes were made and, accordingly, 2018 results were restated and presented on a comparable basis.

Business segment results for the years ended December 31 were as follows:

Year Ended December 31 (Dollars in Millions)	Corporate and Commercial Banking		Consumer and Business Banking		Wealth Management and Investment Services	
	2019	2018	2019	2018	2019	2018
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 2,871	$ 2,936	$ 6,261	$ 6,156	$ 1,157	$ 1,131
Noninterest income	867	843	2,387	2,316	1,799	1,748
Securities gains (losses), net	–	–	–	–	–	–
Total net revenue	3,738	3,779	8,648	8,472	2,956	2,879
Noninterest expense	1,607	1,591	5,285	5,232	1,752	1,778
Other intangibles	4	4	20	27	13	16
Total noninterest expense	1,611	1,595	5,305	5,259	1,765	1,794
Income before provision and income taxes	2,127	2,184	3,343	3,213	1,191	1,085
Provision for credit losses	78	65	310	232	(3)	(2)
Income before income taxes	2,049	2,119	3,033	2,981	1,194	1,087
Income taxes and taxable-equivalent adjustment	513	531	759	745	299	273
Net income	1,536	1,588	2,274	2,236	895	814
Net (income) loss attributable to noncontrolling interests	–	–	–	–	–	–
Net income attributable to U.S. Bancorp	$ 1,536	$ 1,588	$ 2,274	$ 2,236	$ 895	$ 814
Average Balance Sheet						
Loans	$ 96,608	$ 93,854	$144,595	$140,875	$ 10,080	$ 9,364
Other earning assets	3,751	3,072	3,989	3,501	282	184
Goodwill	1,647	1,647	3,475	3,604	1,617	1,618
Other intangible assets	8	11	2,617	2,953	49	63
Assets	106,716	102,801	158,884	155,267	13,330	12,437
Noninterest-bearing deposits	29,152	32,938	27,876	27,691	13,195	14,006
Interest-bearing deposits	72,780	69,913	129,289	124,934	62,031	56,000
Total deposits	101,932	102,851	157,165	152,625	75,226	70,006
Total U.S. Bancorp shareholders' equity	10,399	10,463	11,713	11,812	2,525	2,476

Year Ended December 31 (Dollars in Millions)	Payment Services		Treasury and Corporate Support		Consolidated Company	
	2019	2018	2019	2018	2019	2018
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 2,493	$ 2,443	$ 373	$ 369	$ 13,155	$ 13,035
Noninterest income	3,707[(a)]	3,599[(a)]	998	1,066	9,758[(b)]	9,572[(b)]
Securities gains (losses), net	–	–	73	30	73	30
Total net revenue	6,200	6,042	1,444	1,465	22,986	22,637
Noninterest expense	2,940	2,859	1,033	843	12,617	12,303
Other intangibles	131	114	–	–	168	161
Total noninterest expense	3,071	2,973	1,033	843	12,785	12,464
Income before provision and income taxes	3,129	3,069	411	622	10,201	10,173
Provision for credit losses	1,108	1,081	11	3	1,504	1,379
Income before income taxes	2,021	1,988	400	619	8,697	8,794
Income taxes and taxable-equivalent adjustment	505	497	(325)	(376)	1,751	1,670
Net income	1,516	1,491	725	995	6,946	7,124
Net (income) loss attributable to noncontrolling interests	–	–	(32)	(28)	(32)	(28)
Net income attributable to U.S. Bancorp	$ 1,516	$ 1,491	$ 693	$ 967	$ 6,914	$ 7,096
Average Balance Sheet						
Loans	$ 33,566	$ 31,102	$ 5,837	$ 5,506	$290,686	$280,701
Other earning assets	348	291	131,481	127,318	139,851	134,366
Goodwill	2,839	2,570	–	–	9,578	9,439
Other intangible assets	538	406	–	–	3,212	3,433
Assets	39,743	36,912	156,980	149,597	475,653	457,014
Noninterest-bearing deposits	1,205	1,099	2,435	2,462	73,863	78,196
Interest-bearing deposits	115	110	8,734	4,309	272,949	255,266
Total deposits	1,320	1,209	11,169	6,771	346,812	333,462
Total U.S. Bancorp shareholders' equity	7,084	6,629	20,902	18,383	52,623	49,763

(a) Presented net of related rewards and rebate costs and certain partner payments of $2.2 billion for 2019 and 2018.

(b) Includes revenue generated from certain contracts with customers of $7.3 billion and $7.4 billion for 2019 and 2018, respectively.

NOTE 24 U.S. Bancorp (Parent Company)

Condensed Balance Sheet

At December 31 (Dollars in Millions)	2019	2018
Assets		
Due from banks, principally interest-bearing	$11,583	$ 9,969
Available-for-sale securities	1,631	921
Investments in bank subsidiaries	48,518	47,549
Investments in nonbank subsidiaries	3,128	2,568
Advances to bank subsidiaries	3,850	3,800
Advances to nonbank subsidiaries	1,465	2,543
Other assets	1,211	813
Total assets	$71,386	$68,163
Liabilities and Shareholders' Equity		
Short-term funds borrowed	$ 8	$ –
Long-term debt	18,602	16,291
Other liabilities	923	843
Shareholders' equity	51,853	51,029
Total liabilities and shareholders' equity	$71,386	$68,163

Condensed Income Statement

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Income			
Dividends from bank subsidiaries	$7,100	$5,300	$4,800
Dividends from nonbank subsidiaries	6	6	5
Interest from subsidiaries	317	220	159
Other income	25	33	41
Total income	7,448	5,559	5,005
Expense			
Interest expense	551	471	402
Other expense	140	133	124
Total expense	691	604	526
Income before income taxes and equity in undistributed income of subsidiaries	6,757	4,955	4,479
Applicable income taxes	(92)	(91)	(176)
Income of parent company	6,849	5,046	4,655
Equity in undistributed income of subsidiaries	65	2,050	1,563
Net income attributable to U.S. Bancorp	$6,914	$7,096	$6,218

Condensed Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)	2019	2018	2017
Operating Activities			
Net income attributable to U.S. Bancorp	$ 6,914	$ 7,096	$ 6,218
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed income of subsidiaries	(65)	(2,050)	(1,563)
Other, net	231	359	(125)
Net cash provided by operating activities	7,080	5,405	4,530
Investing Activities			
Proceeds from sales and maturities of investment securities	291	39	100
Purchases of investment securities	(1,013)	(10)	(844)
Net (increase) decrease in short-term advances to subsidiaries	578	(488)	(790)
Long-term advances to subsidiaries	(2,600)	(500)	–
Principal collected on long-term advances to subsidiaries	2,550	–	500
Other, net	(341)	304	(12)
Net cash used in investing activities	(535)	(655)	(1,046)
Financing Activities			
Net increase (decrease) in short-term borrowings	8	(1)	(21)
Proceeds from issuance of long-term debt	3,743	2,100	3,920
Principal payments or redemption of long-term debt	(1,500)	(1,500)	(1,250)
Proceeds from issuance of preferred stock	–	565	993
Proceeds from issuance of common stock	88	86	159
Repurchase of preferred stock	–	–	(1,085)
Repurchase of common stock	(4,525)	(2,822)	(2,631)
Cash dividends paid on preferred stock	(302)	(274)	(284)
Cash dividends paid on common stock	(2,443)	(2,092)	(1,928)
Net cash used in financing activities	(4,931)	(3,938)	(2,127)
Change in cash and due from banks	1,614	812	1,357
Cash and due from banks at beginning of year	9,969	9,157	7,800
Cash and due from banks at end of year	$11,583	$ 9,969	$ 9,157

Transfer of funds (dividends, loans or advances) from bank subsidiaries to the Company is restricted. Federal law requires loans to the Company or its affiliates to be secured and generally limits loans to the Company or an individual affiliate to 10 percent of each bank's unimpaired capital and surplus. In the aggregate, loans to the Company and all affiliates cannot exceed 20 percent of each bank's unimpaired capital and surplus.

Dividend payments to the Company by its subsidiary bank are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends by the Company's bank subsidiary to the parent company are limited by rules which compare dividends to net income for regulatorily-defined periods. Furthermore, dividends are restricted by minimum capital constraints for all national banks.

NOTE 25 Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2019 through the date the consolidated financial statements were filed with the United States Securities and Exchange Commission. Based on this evaluation, the Company has determined none of these events were required to be recognized or disclosed in the consolidated financial statements and related notes.

U.S. Bancorp
Consolidated Balance Sheet—Five Year Summary (Unaudited)

At December 31 (Dollars in Millions)	2019	2018	2017	2016	2015	% Change 2019 v 2018
Assets						
Cash and due from banks	$ 22,405	$ 21,453	$ 19,505	$ 15,705	$ 11,147	4.4%
Held-to-maturity securities	–	46,050	44,362	42,991	43,590	*
Available-for-sale securities	122,613	66,115	68,137	66,284	61,997	85.5
Loans held for sale	5,578	2,056	3,554	4,826	3,184	*
Loans	296,102	286,810	280,432	273,207	260,849	3.2
Less allowance for loan losses	(4,020)	(3,973)	(3,925)	(3,813)	(3,863)	(1.2)
Net loans	292,082	282,837	276,507	269,394	256,986	3.3
Other assets	52,748	48,863	49,975	46,764	44,949	8.0
Total assets	$495,426	$467,374	$462,040	$445,964	$421,853	6.0
Liabilities and Shareholders' Equity						
Deposits						
Noninterest-bearing	$ 75,590	$ 81,811	$ 87,557	$ 86,097	$ 83,766	(7.6)%
Interest-bearing	286,326	263,664	259,658	248,493	216,634	8.6
Total deposits	361,916	345,475	347,215	334,590	300,400	4.8
Short-term borrowings	23,723	14,139	16,651	13,963	27,877	67.8
Long-term debt	40,167	41,340	32,259	33,323	32,078	(2.8)
Other liabilities	17,137	14,763	16,249	16,155	14,681	16.1
Total liabilities	442,943	415,717	412,374	398,031	375,036	6.5
Total U.S. Bancorp shareholders' equity	51,853	51,029	49,040	47,298	46,131	1.6
Noncontrolling interests	630	628	626	635	686	.3
Total equity	52,483	51,657	49,666	47,933	46,817	1.6
Total liabilities and equity	$495,426	$467,374	$462,040	$445,964	$421,853	6.0

* *Not meaningful*

U.S. Bancorp
Consolidated Statement of Income — Five-Year Summary (Unaudited)

Year Ended December 31 (Dollars in Millions)	2019	2018	2017	2016	2015	% Change 2019 v 2018
Interest Income						
Loans	$14,099	$13,120	$11,788	$10,777	$10,034	7.5%
Loans held for sale	162	165	144	154	206	(1.8)
Investment securities	2,893	2,616	2,232	2,078	2,001	10.6
Other interest income	340	272	182	125	136	25.0
Total interest income	17,494	16,173	14,346	13,134	12,377	8.2
Interest Expense						
Deposits	2,855	1,869	1,041	622	457	52.8
Short-term borrowings	360	378	141	92	70	(4.8)
Long-term debt	1,227	1,007	784	754	699	21.8
Total interest expense	4,442	3,254	1,966	1,468	1,226	36.5
Net interest income	13,052	12,919	12,380	11,666	11,151	1.0
Provision for credit losses	1,504	1,379	1,390	1,324	1,132	9.1
Net interest income after provision for credit losses	11,548	11,540	10,990	10,342	10,019	.1
Noninterest Income						
Credit and debit card revenue	1,413	1,401	1,289	1,206	1,095	.9
Corporate payment products revenue	664	644	575	541	533	3.1
Merchant processing services	1,601	1,531	1,486	1,498	1,468	4.6
Trust and investment management fees	1,673	1,619	1,522	1,427	1,321	3.3
Deposit service charges	909	1,070	1,035	983	942	(15.0)
Treasury management fees	578	594	618	583	561	(2.7)
Commercial products revenue	934	895	954	971	918	4.4
Mortgage banking revenue	874	720	834	979	906	21.4
Investment products fees	186	188	173	169	197	(1.1)
Securities gains (losses), net	73	30	57	22	–	*
Other	926	910	774	911	877	1.8
Total noninterest income	9,831	9,602	9,317	9,290	8,818	2.4
Noninterest Expense						
Compensation	6,325	6,162	5,746	5,212	4,812	2.6
Employee benefits	1,286	1,231	1,134	1,008	970	4.5
Net occupancy and equipment	1,123	1,063	1,019	988	991	5.6
Professional services	454	407	419	502	423	11.5
Marketing and business development	426	429	542	435	360	(.7)
Technology and communications	1,095	978	903	877	816	12.0
Postage, printing and supplies	290	324	323	311	297	(10.5)
Other intangibles	168	161	175	179	174	4.3
Other	1,618	1,709	2,529	2,015	1,964	(5.3)
Total noninterest expense	12,785	12,464	12,790	11,527	10,807	2.6
Income before income taxes	8,594	8,678	7,517	8,105	8,030	(1.0)
Applicable income taxes	1,648	1,554	1,264	2,161	2,097	6.0
Net income	6,946	7,124	6,253	5,944	5,933	(2.5)
Net (income) loss attributable to noncontrolling interests	(32)	(28)	(35)	(56)	(54)	(14.3)
Net income attributable to U.S. Bancorp	$ 6,914	$ 7,096	$ 6,218	$ 5,888	$ 5,879	(2.6)
Net income applicable to U.S. Bancorp common shareholders	$ 6,583	$ 6,784	$ 5,913	$ 5,589	$ 5,608	(3.0)

* *Not meaningful*

U.S. Bancorp
Quarterly Consolidated Financial Data (Unaudited)

	2019				2018			
(Dollars in Millions, Except Per Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest Income								
Loans	$3,540	$3,582	$3,555	$3,422	$3,095	$3,197	$3,353	$3,475
Loans held for sale	25	34	48	55	33	39	36	57
Investment securities	705	745	734	709	613	653	661	689
Other interest income	81	90	100	69	50	59	73	90
Total interest income	4,351	4,451	4,437	4,255	3,791	3,948	4,123	4,311
Interest Expense								
Deposits	695	762	744	654	345	427	491	606
Short-term borrowings	93	91	97	79	75	86	104	113
Long-term debt	304	293	315	315	203	238	277	289
Total interest expense	1,092	1,146	1,156	1,048	623	751	872	1,008
Net interest income	3,259	3,305	3,281	3,207	3,168	3,197	3,251	3,303
Provision for credit losses	377	365	367	395	341	327	343	368
Net interest income after provision for credit losses	2,882	2,940	2,914	2,812	2,827	2,870	2,908	2,935
Noninterest Income								
Credit and debit card revenue	304	365	366	378	324	351	344	382
Corporate payment products revenue	162	167	177	158	154	158	169	163
Merchant processing services	378	404	410	409	363	387	392	389
Trust and investment management fees	399	415	421	438	398	401	411	409
Deposit service charges	217	227	234	231	261	273	283	253
Treasury management fees	146	153	139	140	150	155	146	143
Commercial products revenue	219	249	240	226	220	234	216	225
Mortgage banking revenue	169	189	272	244	184	191	174	171
Investment products fees	45	47	46	48	46	47	47	48
Securities gains (losses), net	5	17	25	26	5	10	10	5
Other	247	257	284	138	167	207	226	310
Total noninterest income	2,291	2,490	2,614	2,436	2,272	2,414	2,418	2,498
Noninterest Expense								
Compensation	1,559	1,574	1,595	1,597	1,523	1,542	1,529	1,568
Employee benefits	333	314	324	315	330	299	294	308
Net occupancy and equipment	277	281	279	286	265	262	270	266
Professional services	95	106	114	139	83	95	96	133
Marketing and business development	89	111	109	117	97	111	106	115
Technology and communications	257	270	277	291	235	242	247	254
Postage, printing and supplies	72	73	74	71	80	80	84	80
Other intangibles	40	42	42	44	39	40	41	41
Other	365	382	330	541	403	414	377	515
Total noninterest expense	3,087	3,153	3,144	3,401	3,055	3,085	3,044	3,280
Income before income taxes	2,086	2,277	2,384	1,847	2,044	2,199	2,282	2,153
Applicable income taxes	378	449	467	354	362	441	460	291
Net income	1,708	1,828	1,917	1,493	1,682	1,758	1,822	1,862
Net (income) loss attributable to noncontrolling interests	(9)	(7)	(9)	(7)	(7)	(8)	(7)	(6)
Net income attributable to U.S. Bancorp	$1,699	$1,821	$1,908	$1,486	$1,675	$1,750	$1,815	$1,856
Net income applicable to U.S. Bancorp common shareholders	$1,613	$1,741	$1,821	$1,408	$1,597	$1,678	$1,732	$1,777
Earnings per common share	$ 1.01	$ 1.09	$ 1.16	$ .91	$ .97	$ 1.02	$ 1.06	$ 1.10
Diluted earnings per common share	$ 1.00	$ 1.09	$ 1.15	$ .90	$ .96	$ 1.02	$ 1.06	$ 1.10

U.S. Bancorp
Supplemental Financial Data (Unaudited)

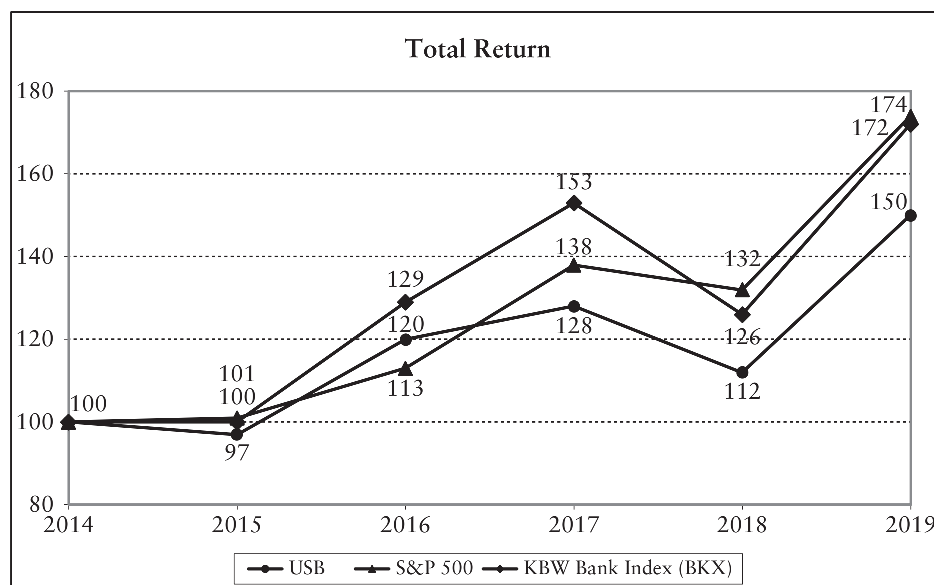
Earnings Per Common Share Summary	2019	2018	2017	2016	2015
Earnings per common share	$ 4.16	$ 4.15	$ 3.53	$ 3.25	$ 3.18
Diluted earnings per common share	4.16	4.14	3.51	3.24	3.16
Dividends declared per common share	1.58	1.34	1.16	1.07	1.01
Ratios					
Return on average assets	1.45%	1.55%	1.39%	1.36%	1.44%
Return on average common equity	14.1	15.4	13.8	13.4	14.0
Average total U.S. Bancorp shareholders' equity to average assets	11.1	10.9	10.8	10.9	11.0
Dividends per common share to net income per common share	38.0	32.3	32.9	32.9	31.8
Other Statistics (Dollars and Shares in Millions)					
Common shares outstanding[(a)]	1,534	1,608	1,656	1,697	1,745
Average common shares outstanding and common stock equivalents					
Earnings per common share	1,581	1,634	1,677	1,718	1,764
Diluted earnings per common share	1,583	1,638	1,683	1,724	1,772
Number of shareholders[(b)]	33,515	35,154	36,841	38,794	40,666
Common dividends declared	$ 2,493	$ 2,190	$ 1,950	$ 1,842	$ 1,785

(a) Defined as total common shares less common stock held in treasury at December 31.
(b) Based on number of common stock shareholders of record at December 31.

The common stock of U.S. Bancorp is traded on the New York Stock Exchange, under the ticker symbol "USB." At January 31, 2020, there were 33,410 holders of record of the Company's common stock.

Stock Performance Chart

The following chart compares the cumulative total shareholder return on the Company's common stock during the five years ended December 31, 2019, with the cumulative total return on the Standard & Poor's 500 Index and the KBW Bank Index. The comparison assumes $100 was invested on December 31, 2014, in the Company's common stock and in each of the foregoing indices and assumes the reinvestment of all dividends. The comparisons in the graph are based upon historical data and are not indicative of, nor intended to forecast, future performance of the Company's common stock.



U.S. Bancorp
Consolidated Daily Average Balance Sheet and Related Yields and Rates (a) (Unaudited)

Year Ended December 31 (Dollars in Millions)	2019 Average Balances	2019 Interest	2019 Yields and Rates	2018 Average Balances	2018 Interest	2018 Yields and Rates
Assets						
Investment securities	$117,150	$ 2,950	2.52%	$113,940	$ 2,674	2.35%
Loans held for sale	3,769	162	4.30	3,230	165	5.12
Loans[b]						
Commercial	103,198	4,229	4.10	98,854	3,795	3.84
Commercial real estate	39,386	1,919	4.87	39,977	1,881	4.71
Residential mortgages	67,747	2,644	3.90	61,893	2,366	3.82
Credit card	23,309	2,680	11.50	21,672	2,545	11.74
Other retail	57,046	2,682	4.70	56,136	2,466	4.39
Covered loans	—	—	—	2,169	134	6.17
Total loans	290,686	14,154	4.87	280,701	13,187	4.70
Other earning assets	18,932	341	1.80	17,196	272	1.58
Total earning assets	430,537	17,607	4.09	415,067	16,298	3.93
Allowance for loan losses	(4,007)			(3,939)		
Unrealized gain (loss) on investment securities	(117)			(1,650)		
Other assets	49,240			47,536		
Total assets	$475,653			$457,014		
Liabilities and Shareholders' Equity						
Noninterest-bearing deposits	$ 73,863			$ 78,196		
Interest-bearing deposits						
Interest checking	72,553	227	.31	70,154	150	.21
Money market savings	109,849	1,637	1.49	101,732	1,078	1.06
Savings accounts	46,130	111	.24	44,713	56	.13
Time deposits	44,417	880	1.98	38,667	585	1.51
Total interest-bearing deposits	272,949	2,855	1.05	255,266	1,869	.73
Short-term borrowings	18,137	370	2.04	21,790	387	1.78
Long-term debt	41,572	1,227	2.95	37,450	1,007	2.69
Total interest-bearing liabilities	332,658	4,452	1.34	314,506	3,263	1.04
Other liabilities	15,880		.	13,921		
Shareholders' equity						
Preferred equity	5,984			5,636		
Common equity	46,639			44,127		
Total U.S. Bancorp shareholders' equity	52,623			49,763		
Noncontrolling interests	629			628		
Total equity	53,252			50,391		
Total liabilities and equity	$475,653			$457,014		
Net interest income		$13,155			$13,035	
Gross interest margin			2.75%			2.89%
Gross interest margin without taxable-equivalent increments			2.73%			2.86%
Percent of Earning Assets						
Interest income			4.09%			3.93%
Interest expense			1.03			.79
Net interest margin			3.06%			3.14%
Net interest margin without taxable-equivalent increments			3.04%			3.11%

* *Not meaningful*

(a) Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent for 2019 and 2018 and 35 percent for 2017, 2016 and 2015.

(b) Interest income and rates on loans include loan fees. Nonaccrual loans are included in average loan balances.

2017			2016			2015			2019 v 2018
Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	% Change Average Balances
$111,820	$ 2,328	2.08%	$107,922	$ 2,181	2.02%	$103,161	$ 2,120	2.06%	2.8%
3,574	144	4.04	4,181	154	3.70	5,784	206	3.56	16.7
95,904	3,131	3.26	92,043	2,596	2.82	84,083	2,281	2.71	4.4
42,077	1,788	4.25	43,040	1,698	3.94	42,415	1,650	3.89	(1.5)
58,784	2,180	3.71	55,682	2,070	3.72	51,840	1,966	3.79	9.5
20,906	2,358	11.28	20,490	2,204	10.76	18,057	1,944	10.77	7.6
55,416	2,272	4.10	52,330	2,114	4.04	49,079	2,020	4.12	1.6
3,450	175	5.07	4,226	200	4.73	4,985	271	5.42	*
276,537	11,904	4.30	267,811	10,882	4.06	250,459	10,132	4.05	3.6
14,490	183	1.26	9,963	125	1.26	8,041	136	1.69	10.1
406,421	14,559	3.58	389,877	13,342	3.42	367,445	12,594	3.43	3.7
(3,862)			(3,837)			(4,035)			(1.7)
(348)			593			710			92.9
46,371			46,680			44,745			3.6
$448,582			$433,313			$408,865			4.1
$ 81,933			$ 81,176			$ 79,203			(5.5)%
67,953	84	.12	61,726	42	.07	55,974	30	.05	3.4
106,476	644	.61	96,518	349	.36	79,266	192	.24	8.0
43,393	32	.07	40,382	34	.09	37,150	40	.11	3.2
33,759	281	.83	33,008	197	.60	35,558	195	.55	14.9
251,581	1,041	.41	231,634	622	.27	207,948	457	.22	6.9
15,022	149	1.00	19,906	97	.49	27,960	74	.27	(16.8)
35,601	784	2.20	36,220	754	2.08	33,566	699	2.08	11.0
302,204	1,974	.65	287,760	1,473	.51	269,474	1,230	.46	5.8
15,348			16,389			14,686			14.1
5,490			5,501			4,836			6.2
42,976			41,838			39,977			5.7
48,466			47,339			44,813			5.7
631			649			689			.2
49,097			47,988			45,502			5.7
$448,582			$433,313			$408,865			4.1
	$12,585			$11,869			$11,364		
		2.93%			2.91%			2.97%	
		2.88%			2.86%			2.91%	
		3.58%			3.42%			3.43%	
		.48			.38			.34	
		3.10%			3.04%			3.09%	
		3.05%			2.99%			3.03%	

Company Information

General Business Description U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. U.S. Bancorp was incorporated in Delaware in 1929 and operates as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956. The Company provides a full range of financial services, including lending and depository services, cash management, capital markets, and trust and investment management services. It also engages in credit card services, merchant and ATM processing, mortgage banking, insurance, brokerage and leasing.

U.S. Bancorp's banking subsidiary, U.S. Bank National Association, is engaged in the general banking business, principally in domestic markets. U.S. Bank National Association, with $374 billion in deposits at December 31, 2019, provides a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within the Company's domestic markets, to domestic customers with foreign operations and to large national customers operating in specific industries targeted by the Company. Lending services include traditional credit products as well as credit card services, lease financing and import/export trade, asset-backed lending, agricultural finance and other products. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as capital markets, treasury management and receivable lock-box collection are provided to corporate customers. U.S. Bancorp's bank and trust subsidiaries provide a full range of asset management and fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

Other U.S. Bancorp non-banking subsidiaries offer investment and insurance products to the Company's customers principally within its domestic markets, and fund administration services to a broad range of mutual and other funds.

Banking and investment services are provided through a network of 2,795 banking offices principally operating in the Midwest and West regions of the United States, through on-line services and over mobile devices. The Company operates a network of 4,459 ATMs and provides 24-hour, seven day a week telephone customer service. Mortgage banking services are provided through banking offices and loan production offices throughout the Company's domestic markets. Lending products may be originated through banking offices, indirect correspondents, brokers or other lending sources. The Company is also one of the largest providers of corporate and purchasing card services and corporate trust services in the United States. A wholly-owned subsidiary, Elavon, Inc. ("Elavon"), provides domestic merchant processing services directly to merchants and through a network of banking affiliations. Wholly-owned subsidiaries, and affiliates of Elavon, provide similar merchant services in Canada, Mexico and segments of Europe. The Company also provides corporate trust and fund administration services in Europe. These foreign operations are not significant to the Company.

On a full-time equivalent basis, as of December 31, 2019, U.S. Bancorp employed 69,651 people.

Risk Factors An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. Below are risk factors that could adversely affect the Company's financial results and condition and the value of, and return on, an investment in the Company.

Economic and Market Conditions Risk

Deterioration in business and economic conditions could adversely affect the Company's lending business and the value of loans and debt securities it holds The Company's business activities and earnings are affected by general business conditions in the United States and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, and the strength of the domestic and global economies in which the Company operates. Changes in any of these conditions can adversely affect the Company's consumer and commercial businesses and securities portfolios, its level of charge-offs and provision for credit losses, its capital levels and liquidity, and its results of operations.

Given the high percentage of the Company's assets represented directly or indirectly by loans, and the importance of lending to its overall business, weak economic conditions are likely to have a negative impact on the Company's business and results of operations. A deterioration in economic conditions could adversely impact new loan origination activity and existing loan utilization rates as well as delinquencies, defaults and the ability of customers to meet obligations under the loans. The value to the Company of other assets such as investment securities, most of which are debt securities or other financial instruments supported by loans, similarly would be negatively impacted by widespread decreases in credit quality resulting from a weakening of the economy.

Any deterioration in global economic conditions could damage the domestic economy or negatively impact the Company's borrowers or other counterparties that have direct or indirect exposure to these regions. Such global disruptions can undermine investor confidence, cause a contraction of available credit, or create market volatility, any of which could have significant adverse effects on the Company's businesses, results

of operations, financial condition and liquidity, even if the Company's direct exposure to the affected region is limited. A withdrawal of the United Kingdom from the European Union, as well as other global political trends toward nationalism and isolationism, could increase the probability of a deterioration in global economic conditions.

Any further changes to economic policies could erode consumer confidence levels, cause adverse changes in payment patterns, lead to increases in delinquencies and default rates in certain industries or regions, or have other negative market or customer impacts. Such developments could increase the Company's loan charge-offs and provision for credit losses. Any future economic deterioration that affects household or corporate incomes could also result in reduced demand for credit or fee-based products and services.

Changes in United States trade policies, including the imposition of tariffs and retaliatory tariffs, may adversely impact the Company's business, financial condition and results of operations There has been increased discussion and activity regarding potential and proposed changes to United States trade policies, legislation, treaties and tariffs, including trade policies and tariffs affecting China, the European Union, Canada and Mexico and retaliatory tariffs by such countries. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliation tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that the Company's customers import or export could cause the prices of its customers' products to increase, which could reduce demand for such products, or reduce the Company's customers' margins, and adversely impact their revenues, financial results and ability to service debt. This in turn, could adversely affect the Company's financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on the Company or on the markets in which it does business, or otherwise result in sustained deterioration in economic conditions, results of operations and financial condition could be materially and adversely impacted in the future. Additionally, if prices of consumer goods increase materially as a result of tariffs, the ability of individual households to service debt may be negatively impacted. In total, these outcomes could adversely affect the Company's financial condition and results of operations. It remains unclear what the United States government or foreign governments will do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies, and this uncertainty further complicates business planning for the Company's customers in certain industries.

Changes in interest rates could reduce the Company's net interest income The Company's earnings are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Net interest income is significantly 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. Like all financial institutions, the Company's financial position is affected by fluctuations in interest rates. Volatility in interest rates can also result in the flow of funds away from financial institutions into direct investments. Direct investments, such as United States government and corporate securities and other investment vehicles (including mutual funds), generally pay higher rates of return than financial institutions, because of the absence of federal insurance premiums and reserve requirements. Some foreign central banks have moved to a negative interest rate environment, which has exerted downward pressure on the profitability of banks in those regions. The Company's financial condition could be damaged if this interest rate trend extends to the United States.

Changes in, or the discontinuance of, the London Interbank Offered Rate ("LIBOR") as an interest rate benchmark could adversely affect the Company's business, financial condition and results of operations In July 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is likely that banks will cease submitting LIBOR rates after 2021 and possibly sooner. It is not possible to know whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may have on the financial markets for LIBOR-linked financial instruments.

In April 2018, the Federal Reserve Bank of New York commenced publication of the Secured Overnight Financing Rate ("SOFR"), which has been recommended as an alternative to United States dollar LIBOR by the Alternative Reference Rates Committee, a group of market and official sector participants. However, uncertainty remains as to the transition process and acceptance of SOFR as the primary alternative to LIBOR.

The market transition from LIBOR to SOFR or a different alternative reference rate is complex and could have a range of adverse impacts on the Company. In particular, any such transition or reform could, among other things, (i) adversely impact the value of, return on and trading for the Company's financial assets or liabilities that are linked to LIBOR, including its securities, loans and derivatives; (ii) require renegotiations of outstanding financial assets and liabilities; (iii) result in additional inquiries or other actions from regulators in respect of the Company's preparation and readiness for the LIBOR transition; (iv) increase the risk of disputes or litigation and/or increase expenses related to the transition, including with respect to any actions resulting from the Company's interpretation and execution of its roles and responsibilities in corporate trust transactions; (v) adversely impact the Company's reputation as it works with customers to transition loans and financial instruments from LIBOR; (vi) require successful system and analytics development and operationalization to transition the Company's systems, loan portfolio and risk management processes away from LIBOR, which will require the Company to rely on the

readiness of third-party vendors; and (vii) cause significant disruption to financial markets that are relevant to the Company's business segments. In addition, there can be no assurance that actions taken by the Company and third parties to address these risks and otherwise prepare for the transition from LIBOR to alternative interest rate benchmarks will be successful.

Operations and Business Risk

A breach in the security of the Company's systems, or the systems of certain third parties, could disrupt the Company's businesses, result in the disclosure of confidential information, damage its reputation and create significant financial and legal exposure The Company experiences numerous attacks on its computer systems, software, networks and other technology assets daily, and the number of attacks is increasing. Although the Company devotes significant resources to maintain and regularly upgrade its systems and processes that are designed to protect the security of the Company's computer systems, software, networks and other technology assets, as well as its intellectual property, and to protect the confidentiality, integrity and availability of information belonging to the Company and its customers, the Company's security measures may not be effective. Adversaries continue to develop more sophisticated cyber attacks that could impact the Company. Many financial services institutions, retailers and other companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber attacks and other means.

Attacks on financial or other institutions important to the overall functioning of the financial system could also adversely affect, directly or indirectly, aspects of the Company's businesses. The increasing consolidation, interdependence and complexity of financial entities and technology systems means that a technology failure, cyber attack, or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Company. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both an entity-specific and an industry-wide basis.

Third parties that facilitate the Company's business activities, including exchanges, clearinghouses, payment and ATM networks, financial intermediaries or vendors that provide services or technology solutions for the Company's operations, could also be sources of operational and security risks to the Company, including with respect to breakdowns or failures of their systems, misconduct by their employees or cyber attacks that could affect their ability to deliver a product or service to the Company or result in lost or compromised information of the Company or its customers. The Company's ability to implement back-up systems or other safeguards with respect to third-party systems is limited. Furthermore, an attack on or failure of a third-party system may not be revealed to the Company in a timely manner, which could compromise the Company's ability to respond effectively. Some of these third parties may engage vendors of their own as they provide services or technology solutions for the Company's operations, which introduces the risk that these "fourth parties" could be the source of operational and security failures.

In addition, during the past several years a number of retailers and hospitality companies have disclosed substantial cyber security breaches affecting debit and credit card accounts of their customers, some of whom were the Company's cardholders. When that happens, holders of Company cards who have made purchases from the business whose systems were breached might experience fraud on their card accounts. The Company might suffer losses associated with reimbursing its customers for such fraudulent transactions on the customers' card accounts, as well as for other costs related to data security compromise events, such as replacing cards associated with compromised card accounts. These attacks involving Company cards are likely to continue and could, individually or in the aggregate, have a material adverse effect on the Company's financial condition or results of operations.

It is possible that the Company may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, because the techniques used change frequently, generally increase in sophistication, often are not recognized until launched, sometimes go undetected even when successful, and originate from a wide variety of sources, including organized crime, hackers, terrorists, activists, hostile foreign governments and other external parties. Those parties may also attempt to fraudulently induce employees, customers or other users of the Company's systems to disclose sensitive information to gain access to the Company's data or that of its customers or clients, such as through "phishing" schemes. Other types of attacks may include computer viruses, malicious or destructive code, denial-of-service attacks, ransomware or ransom demands to not expose security vulnerabilities in the Company's systems or the systems of third parties. These risks may increase in the future as the Company continues to increase its mobile and internet-based product offerings and expands its internal usage of web-based products and applications. In addition, the Company's customers often use their own devices, such as computers, smart phones and tablet computers, to make payments and manage their accounts. The Company has limited ability to assure the safety and security of its customers' transactions with the Company to the extent they are using their own devices, which could be subject to similar threats.

In the event that the Company's security systems are penetrated or circumvented, or an authorized user intentionally or unintentionally removes, loses or destroys operations data, serious negative consequences for the Company can follow, including significant disruption of the Company's operations, misappropriation of confidential information of the Company or that of its customers, or damage to computers or systems of the

Company or those of its customers and counterparties. These consequences could result in violations of applicable privacy and other laws; financial loss to the Company or to its customers; loss of confidence in the Company's security measures; customer dissatisfaction; significant litigation exposure; regulatory fines, penalties or intervention; reimbursement or other compensatory costs; additional compliance costs; and harm to the Company's reputation, all of which could adversely affect the Company.

The Company relies on its employees, systems and third parties to conduct its business, and certain failures by systems or misconduct by employees or third parties could adversely affect its operations The Company operates in many different businesses in diverse markets and relies on the ability of its employees and systems to process a high number of transactions. The Company's business, financial, accounting, data processing, and other operating systems and facilities may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are out of its control. In addition to the risks posed by information security breaches, as discussed above, such systems could be compromised because of spikes in transaction volume, electrical or telecommunications outages, degradation or loss of internet or website availability, natural disasters, political or social unrest, and terrorist acts. The Company's business operations may be adversely affected by significant disruption to the operating systems that support its businesses and customers. If backup systems are used during outages, they might not process data as quickly as do the primary systems, resulting in the potential of some data not being backed up.

The Company could also incur losses resulting from the risk of fraud by employees or persons outside of the Company, unauthorized access to its computer systems, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and business continuation and disaster recovery. This risk of loss also includes the potential legal actions, fines or civil money penalties 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 potential negative publicity.

Third parties provide key components of the Company's business infrastructure, such as internet connections, network access and mutual fund distribution. While the Company has selected these third parties carefully, it does not control their actions. Any problems caused by third-party service providers, including as a result of not providing the Company their services for any reason or performing their services poorly, could adversely affect the Company's ability to deliver products and services to the Company's customers and otherwise to conduct its business. Replacing third-party service providers could also entail significant delay and expense. In addition, failure of third-party service providers to handle current or higher volumes of use could adversely affect the Company's ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third-party service provider could adversely affect the Company's businesses to the extent those difficulties result in the interruption or discontinuation of services provided by that party.

Operational risks for large institutions such as the Company have generally increased in recent years, in part because of the proliferation of new technologies, the use of internet services and telecommunications technologies to conduct financial transactions, the increased number and complexity of transactions being processed, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. In the event of a breakdown in the internal control system, improper operation of systems or improper employee or third-party actions, the Company could suffer financial loss, face legal or regulatory action and suffer damage to its reputation.

The Company could face significant legal and reputational harm if it fails to safeguard personal information The Company is subject to complex and evolving laws and regulations, both inside and outside of the United States, governing the privacy and protection of personal information of individuals. The protected individuals can include the Company's customers, its employees, and the employees of the Company's suppliers, counterparties and other third parties. Ensuring that the Company's collection, use, transfer and storage of personal information comply with applicable laws and regulations in relevant jurisdictions can increase operating costs, impact the development of new products or services, and reduce operational efficiency. Any mishandling or misuse of the personal information of customers, employees or others by the Company or a third party affiliated with the Company could expose the Company to litigation or regulatory fines, penalties or other sanctions.

Additional risks could arise if the Company or third parties do not provide adequate disclosure or transparency to the Company's customers about the personal information collected from them and its use; any failure to receive, document, and honor the privacy preferences expressed by the Company's customers; any failure to protect personal information from unauthorized disclosure; or any failure to maintain proper training on privacy practices for all employees or third parties who have access to personal data. Concerns regarding the effectiveness of the Company's measures to safeguard personal information and abide by privacy preferences, or even the perception that those measures are inadequate, could cause the Company to lose existing or potential customers and thereby reduce its revenues. In addition, any failure or perceived failure by the Company to comply with applicable privacy or data protection laws and regulations could result in requirements to modify or cease certain operations or practices, significant liabilities or regulatory fines, penalties, or other sanctions. Refer to "Supervision and Regulation" in the Company's Annual Report on Form 10-K for additional information regarding data privacy laws and regulations. Any of these outcomes could damage the

Company's reputation and otherwise adversely affect its business.

The Company could lose market share and experience increased costs if it does not effectively develop and implement new technology The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services, including innovative ways that customers can make payments or manage their accounts, such as through the use of mobile payments, digital wallets or digital currencies. The Company's continued success depends, in part, upon its ability to address customer needs by using technology to provide products and services that customers want to adopt, and create additional efficiencies in the Company's operations. When launching a new product or service or introducing a new platform for the delivery of products and services, the Company might not identify or fully appreciate new operational risks arising from those innovations or might fail to implement adequate controls to mitigate those risks. Developing and deploying new technology-driven products and services can also involve costs that the Company may not recover and divert resources away from other product development efforts. The Company may not be able to effectively develop and implement profitable new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could harm the Company's competitive position and negatively affect its revenue and profit.

Damage to the Company's reputation could adversely impact its business and financial results Reputation risk, or the risk to the Company's business, earnings and capital from negative public opinion, is inherent in the Company's business. 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, investors, and employees and could 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, cybersecurity breaches, failures to safeguard personal information, discriminating or harassing behavior of employees toward other employees or customers, mortgage servicing and foreclosure practices, compensation practices, sales practices, environmental, social, and governance practices and disclosures, regulatory compliance, mergers and acquisitions, and actions taken by government regulators and community organizations in response to that conduct. In addition, social and environmental activists are increasingly targeting financial services firms with public criticism for their relationships with clients engaged in industries they perceive to be harmful to communities or the environment. Such criticism directed at the Company could generate dissatisfaction among its customers, investors, and employees. Although the Company takes steps to minimize reputation risk in dealing with customers and other constituencies, the Company, as a large diversified financial services company with a high industry profile, is inherently exposed to this risk.

The Company's business and financial performance could be adversely affected, directly or indirectly, by natural disasters, climate change, pandemics, terrorist activities or international hostilities Neither the occurrence nor the potential impact of natural disasters, climate change, pandemics, terrorist activities or international hostilities can be predicted. However, these occurrences could impact the Company directly (for example, by interrupting the Company's systems, which could prevent the Company from obtaining deposits, originating loans and processing and controlling its flow of business; causing significant damage to the Company's facilities; or otherwise preventing the Company from conducting business in the ordinary course), or indirectly as a result of their impact on the Company's borrowers, depositors, other customers, vendors or other counterparties (for example, by damaging properties pledged as collateral for the Company's loans or impairing the ability of certain borrowers to repay their loans). The Company could also suffer adverse consequences to the extent that natural disasters, climate change, pandemics, terrorist activities or international hostilities affect the financial markets or the economy in general or in any particular region. These types of impacts could lead, for example, to an increase in delinquencies, bankruptcies or defaults that could result in the Company experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses.

The Company's ability to mitigate the adverse consequences of these occurrences is in part dependent on the quality of the Company's resiliency planning, and the Company's ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of natural disasters, climate change, pandemics, terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that the Company transacts with, particularly those that it depends upon, but has no control over. Additionally, the force and frequency of natural disasters are increasing as the climate changes.

The Company's framework for managing risks may not be effective in mitigating risk and loss to the Company The Company's risk management framework seeks to mitigate risk and loss. The Company has established processes and procedures intended to identify, measure, monitor, report, and analyze the types of risk to which it is subject, including liquidity risk, credit risk, market risk, interest rate risk, compliance risk, strategic risk, reputation risk, and operational risk related to its employees, systems and vendors, among others. However, as with any risk management framework, there are inherent limitations to the Company's risk management strategies as there may exist, or develop in the future, risks that it has not appropriately anticipated or identified. In addition, the Company relies on quantitative models to measure certain risks and to estimate certain financial values, and these models could fail to predict future events or exposures accurately. The Company

must also develop and maintain a culture of risk management among its employees, as well as manage risks associated with third parties, and could fail to do so effectively. If the Company's risk management framework proves ineffective, the Company could incur litigation and negative regulatory consequences, and suffer unexpected losses that could affect its financial condition or results of operations.

Regulatory and Legal Risk

The Company is subject to extensive and evolving government regulation and supervision, which can increase the cost of doing business, limit the Company's ability to make investments and generate revenue, and lead to costly enforcement actions Banking regulations are primarily intended to protect depositors' funds, the federal Deposit Insurance Fund, and the United States financial system as a whole, and not the Company's debt holders or shareholders. These regulations, and the Company's inability to act in certain instances without receiving prior regulatory approval, affect the Company's lending practices, capital structure, investment practices, dividend policy, ability to repurchase common stock, and ability to pursue strategic acquisitions, among other activities.

Both the scope of the laws and regulations and the intensity of the supervision to which the Company is subject have increased in response to the financial crisis of 2008 and 2009, as well as other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Although the regulatory environment of the post financial crisis framework has been, and is being, rebalanced in some aspects, the Company expects that its business will remain subject to extensive regulation and supervision and that the level of scrutiny and the enforcement environment may fluctuate over time, based on numerous factors, including changes in the United States presidential administration or one or both houses of Congress and public sentiment regarding financial institutions (which can be influenced by scandals and other incidents that involve participants in the industry). In addition, although an overall reduction in the regulation of the financial services sector could result in some operational and cost benefits, any new regulations or modifications to existing regulations and supervisory expectations have and may in the future necessitate changes to the Company's existing regulatory compliance and risk management infrastructure and could result in increased competition.

Changes to statutes, regulations or regulatory policies, or their interpretation or implementation, and/or regulatory practices, requirements or expectations, could affect the Company in substantial and unpredictable ways. For example, the Guidelines for Heightened Standards of the Office of the Comptroller of the Currency and the Enhanced Prudential Supervision Rules of the Board of Governors of the Federal Reserve System (the "Federal Reserve") have required and will continue to require significant oversight by the Company's Board of Directors and focus by the Company's management on governance and risk-management activities. Moreover, general regulatory practices, such as longer time frames to obtain regulatory approvals for acquisitions and other activities (and the resultant impact on businesses the Company may seek to acquire), could affect the attractiveness of certain acquisitions or the introduction of new products or services, or otherwise affect the Company's ability to make acquisitions or introduce new products and services.

The financial services industry continues to face scrutiny from bank supervisors in the examination process and stringent enforcement of regulations on both the federal and state levels, particularly with respect to mortgage-related practices, student lending practices, sales practices and related incentive compensation programs, and other consumer compliance matters, as well as compliance with Bank Secrecy Act/anti-money laundering ("BSA/AML") requirements and sanctions compliance requirements as administered by the Office of Foreign Assets Control. This heightened regulatory scrutiny, or the results of an investigation or examination, may lead to additional regulatory investigations or enforcement actions. There is no assurance that those actions will not result in regulatory settlements or other enforcement actions against the Company. Furthermore, a single event involving a potential violation of law or regulation may give rise to numerous and overlapping investigations and proceedings, either by multiple federal and state agencies and officials in the United States or, in some instances, regulators and other governmental officials in foreign jurisdictions.

Federal law grants substantial enforcement powers to federal banking regulators and law enforcement agencies. This enforcement authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue cease and desist or removal orders; and to initiate injunctive actions against banking organizations and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Foreign supervisors also have increased regulatory scrutiny and enforcement in areas related to consumer compliance, money laundering, and information technology systems and controls, among others. Any future enforcement action could have a material adverse impact on the Company.

In general, the amounts paid by financial institutions in settlement of proceedings or investigations and the severity of other terms of regulatory settlements are likely to remain elevated in the near term. In some cases, governmental authorities have required criminal pleas or other extraordinary terms, including admissions of wrongdoing and the imposition of monitors, as part of such settlements, which could have significant consequences for a financial institution, including loss of customers, reputational harm, restrictions on the ability to access the capital markets, and the inability to operate certain businesses or offer certain products for a period of time.

Non-compliance with sanctions laws and/or AML laws or failure to maintain an adequate BSA/AML compliance program can lead to significant monetary penalties and reputational damage. In addition, federal regulators evaluate the effectiveness

of an applicant in combating money laundering when determining whether to approve a proposed bank merger, acquisition, restructuring, or other expansionary activity. There have been a number of significant enforcement actions against banks, broker-dealers and non-bank financial institutions with respect to sanctions laws and BSA/AML laws and some have resulted in substantial penalties, including against the Company and U.S. Bank National Association in 2018.

Violations of laws and regulations or deemed deficiencies in risk management practices also may be incorporated into the Company's confidential supervisory ratings. A downgrade in these ratings, or these or other regulatory actions and settlements, could limit the Company's ability to conduct expansionary activities for a period of time and require new or additional regulatory approvals before engaging in certain other business activities.

Compliance with new regulations and supervisory initiatives have increased the Company's costs over time and may continue to do so. In addition, regulatory changes may reduce the Company's revenues, limit the types of financial services and products it may offer, alter the investments it makes, affect the manner in which it operates its businesses, increase its litigation and regulatory costs should it fail to appropriately comply with new or modified laws and regulatory requirements, and increase the ability of non-banks to offer competing financial services and products.

Stringent requirements related to capital and liquidity have been adopted by United States banking regulators that may limit the Company's ability to return earnings to shareholders or operate or invest in its business United States banking regulators have adopted stringent capital- and liquidity-related standards applicable to larger banking organizations, including the Company. The rules require banks to hold more and higher quality capital as well as sufficient unencumbered liquid assets to meet certain stress scenarios defined by regulation. In November 2019, the federal banking regulators adopted two final rules (the "Tailoring Rules") that revised the criteria for determining the applicability of regulatory capital and liquidity requirements for large U.S. banking organizations, including the Company and U.S. Bank National Association, and that tailored the application of the Federal Reserve's enhanced prudential standards to large banking organizations. Although the Tailoring Rules and other recent changes to capital- and liquidity-related rules generally have simplified the regulatory framework applicable to the Company, future changes to the implementation of these rules including the common equity tier 1 capital conservation buffer, or additional capital- and liquidity-related rules, could require the Company to take further steps to increase its capital, increase its investment security holdings, divest assets or operations, or otherwise change aspects of its capital and/or liquidity measures, including in ways that may be dilutive to shareholders or could limit the Company's ability to pay common stock dividends, repurchase its common stock, invest in its businesses or provide loans to its customers. Refer to "Supervision and Regulation" in the Company's Annual Report on Form 10-K for additional information regarding the Company's capital and liquidity requirements.

Additional requirements may be imposed in the future. In December 2017, the Basel Committee finalized a package of revisions to the Basel III framework. The changes are meant to improve the calculation of risk-weighted assets and the comparability of capital ratios. Federal banking regulators are expected to undertake rule-makings in future years to implement these revisions in the United States. In addition, in April 2018 the Federal Reserve proposed stress capital buffer requirements that would replace the capital conservation buffer with a stress capital buffer and introduce a stress leverage buffer. Refer to "Supervision and Regulation" in the Company's Annual Report on Form 10-K for additional information regarding the proposed stress buffer requirements. The ultimate impact of revisions to the Basel III–based framework in the United States and the stress buffer requirements on the Company's capital and liquidity will depend on the final rule-makings and the implementation process thereafter.

The Company is subject to significant financial and reputation risks from potential legal liability and governmental actions The Company faces significant legal risks in its businesses, and the volume of claims and amount of damages and penalties claimed in litigation and governmental proceedings against it and other financial institutions are substantial. Customers, clients and other counterparties are making claims for substantial or indeterminate amounts of damages, while banking regulators and certain other governmental authorities have focused on enforcement. As a participant in the financial services industry, it is likely that the Company will continue to experience a high level of litigation related to its businesses and operations in the future.

In addition, governmental authorities have, at times, sought criminal penalties against companies in the financial services sector for violations, and, at times, have required an admission of wrongdoing from financial institutions in connection with resolving such matters. Criminal convictions or admissions of wrongdoing in a settlement with the government can lead to greater exposure in civil litigation and reputational harm.

Substantial legal liability or significant governmental action against the Company could materially impact its financial condition and results of operations or cause significant reputational harm to the Company, which in turn could adversely impact its business prospects. Also, the resolution of a litigation or regulatory matter could result in additional accruals or exceed established accruals for a particular period, which could materially impact the Company's results from operations for that period.

The Company may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches in contractual representations and warranties When the Company sells mortgage loans that it has originated to various parties, including GSEs, it is required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. The Company may be required to repurchase mortgage loans or

be subject to indemnification claims in the event of a breach of contractual representations or warranties that is not remedied within a certain period. Contracts for residential mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied if the Company does not adequately respond to repurchase requests. If economic conditions and the housing market deteriorate or the GSEs increase their claims for breached representations and warranties, the Company could have increased repurchase obligations and increased losses on repurchases, requiring material increases to its repurchase reserve.

Credit and Mortgage Business Risk

Heightened credit risk could require the Company to increase its provision for credit losses, which could have a material adverse effect on the Company's results of operations and financial condition When the Company lends money, or commits to lend money, it incurs credit risk, or the risk of losses if its borrowers do not repay their loans. As one of the largest lenders in the United States, the credit performance of the Company's loan portfolios significantly affects its financial results and condition. If the current economic environment were to deteriorate, the Company's customers may have difficulty in repaying their loans or other obligations, which could result in a higher level of credit losses and higher provisions for credit losses. The Company reserves for credit losses by establishing an allowance through a charge to earnings to provide for loan defaults and nonperformance. The amount of the Company's allowance for loan losses is based on its historical loss experience as well as an evaluation of the risks associated with its loan portfolio, including the size and composition of the loan portfolio, current economic conditions and geographic concentrations within the portfolio. Unexpected stress on the United States economy or the local economies in which the Company does business may result in, among other things, unexpected deterioration in credit quality of the loan portfolio, or in the value of collateral securing those loans.

In addition, the process the Company uses to estimate losses inherent in its credit exposure requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans. These economic predictions and their impact may not be capable of accurate estimation, which may, in turn, impact the reliability of the process. As with any such assessments, the Company may fail to identify the proper factors or to accurately estimate the impacts of the factors that the Company does identify. The Company also makes loans to borrowers where it does not have or service the loan with the first lien on the property securing its loan. For loans in a junior lien position, the Company may not have access to information on the position or performance of the first lien when it is held and serviced by a third party, which may adversely affect the accuracy of the loss estimates for loans of these types. Increases in the Company's allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect its financial results. In addition, the Company's ability to assess the creditworthiness of its customers may be impaired if the models and approaches it uses to select, manage, and underwrite its customers become less predictive of future behaviors.

A concentration of credit and market risk in the Company's loan portfolio could increase the potential for significant losses The Company may have higher credit risk, or experience higher credit losses, to the extent its loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. For example, the Company's credit risk and credit losses can increase if borrowers who engage in similar activities are uniquely or disproportionately affected by economic or market conditions, or by regulation, such as regulation related to climate change. Deterioration in economic conditions or real estate values in states or regions where the Company has relatively larger concentrations of residential or commercial real estate could result in higher credit costs. In particular, deterioration in real estate values and underlying economic conditions in California could result in significantly higher credit losses to the Company.

Changes in interest rates can impact the value of the Company's mortgage servicing rights and mortgages held for sale, and can make its mortgage banking revenue volatile from quarter to quarter, which can reduce its earnings The Company has a portfolio of MSRs, which is the right to service a mortgage loan—collect principal, interest and escrow amounts—for a fee. The Company initially carries its MSRs using a fair value measurement of the present value of the estimated future net servicing income, which includes assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions and thus fair value. When interest rates fall, prepayments tend to increase as borrowers refinance, and the fair value of MSRs can decrease, which in turn reduces the Company's earnings. Further, it is possible that, because of economic conditions and/or a weak or deteriorating housing market, even when interest rates fall or remain low, mortgage originations may fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs' value caused by the lower rates.

A decline in the soundness of other financial institutions could adversely affect the Company's results of operations The Company's ability to engage in routine funding or settlement transactions could be adversely affected by the actions and commercial soundness of other domestic or foreign financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different counterparties, and the Company routinely executes and settles transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, the soundness of one or more financial services institutions, or the financial services

industry generally, could lead to losses or defaults by the Company or by other institutions and impact the Company's predominately United States–based businesses or the less significant merchant processing, corporate trust and fund administration services businesses it operates in foreign countries. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be further increased when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due the Company. There is no assurance that any such losses would not adversely affect the Company's results of operations.

Change in residual value of leased assets may have an adverse impact on the Company's financial results The Company engages in leasing activities and is subject to the risk that the residual value of the property under lease will be less than the Company's recorded asset value. Adverse changes in the residual value of leased assets can have a negative impact on the Company's financial results. The risk of changes in the realized value of the leased assets compared to recorded residual values depends on many factors outside of the Company's control, including supply and demand for the assets, condition of the assets at the end of the lease term, and other economic factors.

Liquidity Risk

If the Company does not effectively manage its liquidity, its business could suffer The Company's liquidity is essential for the operation of its business. Market conditions, unforeseen outflows of funds or other events could negatively affect the Company's level or cost of funding, affecting its ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost and in a timely manner. If the Company's access to stable and low-cost sources of funding, such as customer deposits, is reduced, the Company might need to use alternative funding, which could be more expensive or of limited availability. Any substantial, unexpected or prolonged changes in the level or cost of liquidity could adversely affect the Company's business.

Loss of customer deposits could increase the Company's funding costs The Company relies on bank deposits to be a low-cost and stable source of funding. The Company competes with banks and other financial services companies for deposits, including those that offer on-line channels. If the Company's competitors raise the interest rates they pay on deposits, the Company's funding costs may increase, either because the Company raises the interest rates it pays on deposits to avoid losing deposits to competitors or because the Company loses deposits to competitors and must rely on more expensive sources of funding. Higher funding costs reduce the Company's net interest margin and net interest income. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, the Company may lose a relatively low-cost source of funds, increasing the Company's funding costs and reducing the Company's net interest income.

A downgrade in the Company's credit ratings could have a material adverse effect on its liquidity, funding costs and access to capital markets The Company's credit ratings are important to its liquidity. A reduction in one or more of the Company's credit ratings could adversely affect its liquidity, increase its funding costs or limit its access to the capital markets. Further, a downgrade could decrease the number of investors and counterparties willing or able, contractually or otherwise, to do business or lend to the Company, thereby adversely affecting the Company's competitive position. The Company's credit ratings and credit rating agencies' outlooks are subject to ongoing review by the rating agencies, which consider a number of factors, including the Company's own financial strength, performance, prospects and operations, as well as factors not within the control of the Company, including conditions affecting the financial services industry generally. There can be no assurance that the Company will maintain its current ratings and outlooks.

The Company relies on dividends from its subsidiaries for its liquidity needs, and the payment of those dividends is limited by laws and regulations The Company is a separate and distinct legal entity from U.S. Bank National Association and its non-bank subsidiaries. The Company receives a significant portion of its cash from dividends paid by its subsidiaries. These dividends are the principal source of funds to pay dividends on the Company's stock and interest and principal on its debt. Various federal and state laws and regulations limit the amount of dividends that U.S. Bank National Association and certain of its non-bank subsidiaries may pay to the Company without regulatory approval. Also, the Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to prior claims of the subsidiary's creditors, except to the extent that any of the Company's claims as a creditor of that subsidiary may be recognized.

Competitive and Strategic Risk

The financial services industry is highly competitive, and competitive pressures could intensify and adversely affect the Company's financial results The Company operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, as well as continued industry consolidation, which may increase in connection with current economic and market conditions. This consolidation may produce larger, better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices. The Company competes with other commercial banks, savings and loan associations,

mutual savings banks, finance companies, mortgage banking companies, credit unions, investment companies, credit card companies, and a variety of other financial services and advisory companies. Legislative or regulatory changes also could lead to increased competition in the financial services sector. For example, the Economic Growth Act and the Tailoring Rules have reduced the regulatory burden of large bank holding companies, including the Company and some of its competitors, and raised the asset thresholds at which more onerous requirements apply, which could cause certain large bank holding companies with less than $250 billion in total consolidated assets, which were previously subject to more stringent enhanced prudential standards, to become more competitive or to pursue expansion more aggressively.

In addition, technology has lowered barriers to entry and made it possible for non-banks to offer products and services, such as loans and payment services, that traditionally were banking products, and made it possible for technology companies to compete with financial institutions in providing electronic, internet-based, and mobile phone–based financial solutions. Competition with non-banks, including technology companies, to provide financial products and services is intensifying. In particular, the activity of financial technology companies ("fintechs") has grown significantly over recent years and is expected to continue to grow. Fintechs have and may continue to offer bank or bank-like products. For example, a number of fintechs have applied for bank or industrial loan charters. In addition, other fintechs have partnered with existing banks to allow them to offer deposit products to their customers. Many of these companies, including the Company's competitors, have fewer regulatory constraints, and some have lower cost structures, in part due to lack of physical structures. Also, the potential need to adapt to industry changes in information technology systems, on which the Company and financial services industry are highly dependent, could present operational issues and require capital spending. The Company's ability to compete successfully depends on a number of factors, including, among others, its ability to develop and execute strategic plans and initiatives; developing, maintaining and building long-term customer relationships based on quality service, competitive prices, high ethical standards and safe, sound assets; and industry and general economic trends. A failure to compete effectively could contribute to downward price pressure on the Company's products or services or a loss of market share.

The Company may need to lower prices on existing products and services and develop and introduce new products and services to maintain market share The Company's success depends, in part, on its ability to adapt its products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices. Lower prices can reduce the Company's net interest margin and revenues from its fee-based products and services. In addition, the adoption of new technologies or further developments in current technologies require the Company to make substantial expenditures to modify or adapt its existing products and services. Also, these and other capital investments in the Company's businesses may not produce expected growth in earnings anticipated at the time of the expenditure. The Company might not be successful in developing or introducing new products and services, adapting to changing customer preferences and spending and saving habits, achieving market acceptance of its products and services, or sufficiently developing and maintaining loyal customer relationships.

The Company's business could suffer if it fails to attract and retain skilled employees The Company's success depends, in large part, on its ability to attract and retain key employees. Competition for the best people in most activities the Company engages in can be intense. The Company may not be able to hire the best people or to keep them. Recent strong scrutiny of compensation practices has resulted in, and may continue to result in, additional regulation and legislation in this area. As a result, the Company may not be able to retain key employees by providing adequate compensation. In addition, there is the potential for changes in immigration policies in multiple jurisdictions, and the Company could be adversely affected to the extent that immigration policies or work authorization programs were to unduly restrict or otherwise make it more difficult for qualified employees to work in, or transfer among, jurisdictions in which the Company has operations or conducts its business. There is no assurance that these developments will not cause increased turnover or impede the Company's ability to retain and attract the highest caliber employees.

The Company may not be able to complete future acquisitions, and completed acquisitions may not produce revenue enhancements or cost savings at levels or within timeframes originally anticipated, may result in unforeseen integration difficulties, and may dilute existing shareholders' interests The Company regularly explores opportunities to acquire financial services businesses or assets and may also consider opportunities to acquire other banks or financial institutions. The Company cannot predict the number, size or timing of acquisitions it might pursue.

The Company must generally receive federal regulatory approval before it can acquire a bank or bank holding company. The Company's ability to pursue or complete an attractive acquisition could be negatively impacted by regulatory delay or other regulatory issues. The Company cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. For example, the Company may be required to sell branches as a condition to receiving regulatory approval for bank acquisitions. If the Company commits certain regulatory violations, including those that result in a downgrade in certain of the Company's bank regulatory ratings, governmental authorities could, as a consequence, preclude it from pursuing future acquisitions for a period of time.

There can be no assurance that acquisitions the Company completes will have the anticipated positive results, including results related to expected revenue increases, cost savings,

increases in geographic or product presence, and/or other projected benefits. Integration efforts could divert management's attention and resources, which could adversely affect the Company's operations or results. The integration could result in higher than expected customer loss, deposit attrition, loss of key employees, disruption of the Company's businesses or the businesses of the acquired company, or otherwise adversely affect the Company's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. In addition, future acquisitions may also expose the Company to increased legal or regulatory risks. Finally, future acquisitions could be material to the Company, and it may issue additional shares of stock to pay for those acquisitions, which would dilute current shareholders' ownership interests.

Accounting and Tax Risk

The Company's reported financial results depend on management's selection of accounting methods and certain assumptions and estimates, which, if incorrect, could cause unexpected losses in the future The Company's accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company's management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment regarding the most appropriate manner to report the Company's financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances, yet might result in the Company's reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting the Company's financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for credit losses, estimations of fair value, the valuation of MSRs, and income taxes. Because of the uncertainty of estimates involved in these matters, the Company may be required to do one or more of the following: significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the reserve provided, recognize significant losses on the remeasurement of certain asset and liability balances, or significantly increase its accrued taxes liability. For more information, refer to "Critical Accounting Policies" in this Annual Report.

Changes in accounting standards could materially impact the Company's financial statements From time to time, the Financial Accounting Standards Board and the United States Securities and Exchange Commission change the financial accounting and reporting standards that govern the preparation of the Company's financial statements. These changes can be hard to predict and can materially impact how the Company records and reports its financial condition and results of operations. The Company could be required to apply a new or revised standard retroactively or apply an existing standard differently, on a retroactive basis, in each case potentially resulting in the Company restating prior period financial statements. As an example, effective January 1, 2020, the Company adopted accounting guidance issued by the Financial Accounting Standards Board related to the impairment of financial instruments, particularly the allowance for loan losses. This guidance changes impairment recognition to a model that is based on expected losses rather than incurred losses, which is intended to result in more timely recognition of credit losses. Upon adoption, the Company increased its allowance for credit losses and reduced retained earnings by $1.5 billion.

The Company's investments in certain tax-advantaged projects may not generate returns as anticipated and may have an adverse impact on the Company's financial results The Company invests in certain tax-advantaged projects promoting affordable housing, community development and renewable energy resources. The Company's investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. The Company is subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be realized. The possible inability to realize these tax credit and other tax benefits can have a negative impact on the Company's financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of the Company's control, including changes in the applicable tax code and the ability of the projects to be completed.

Executive Officers

Andrew Cecere

Mr. Cecere is Chairman, President and Chief Executive Officer of U.S. Bancorp. Mr. Cecere, 59, has served as President of U.S. Bancorp since January 2016, Chief Executive Officer since April 2017 and Chairman since April 2018. He also served as Vice Chairman and Chief Operating Officer from January 2015 to January 2016 and was U.S. Bancorp's Vice Chairman and Chief Financial Officer from February 2007 until January 2015. Until that time, he served as Vice Chairman, Wealth Management and Investment Services, of U.S. Bancorp since the merger of Firstar Corporation and U.S. Bancorp in February 2001. Previously, he had served as an executive officer of the former U.S. Bancorp, including as Chief Financial Officer from May 2000 through February 2001.

Ismat Aziz

Ms. Aziz is Senior Executive Vice President and Chief Human Resources Officer of U.S. Bancorp. Ms. Aziz, 52, has served in this position since joining U.S. Bancorp in September 2018. She served as Chief Human Resources Officer of Sprint Corporation from May 2016 until September 2018. Ms. Aziz served as the Chief Human Resources Officer of Sam's Club from April 2012 to April 2016, and as the Senior Vice President of Business Capability and Human Resources of Sam's Club from August 2010 to April 2012. Prior to that time, she served as the Vice President of Business Capability and Human Resources at Sears Canada from June 2009 to August 2010.

James L. Chosy

Mr. Chosy is Senior Executive Vice President and General Counsel of U.S. Bancorp. Mr. Chosy, 56, has served in this position since March 2013. He also served as Corporate Secretary of U.S. Bancorp from March 2013 until April 2016. From 2001 to 2013, he served as the General Counsel and Secretary of Piper Jaffray Companies. From 1995 to 2001, Mr. Chosy was Vice President and Associate General Counsel of U.S. Bancorp, having also served as Assistant Secretary of U.S. Bancorp from 1995 through 2000 and as Secretary from 2000 until 2001.

Terrance R. Dolan

Mr. Dolan is Vice Chair and Chief Financial Officer of U.S. Bancorp. Mr. Dolan, 58, has served in this position since August 2016. From July 2010 to July 2016, he served as Vice Chairman, Wealth Management and Investment Services, of U.S. Bancorp. From September 1998 to July 2010, Mr. Dolan served as U.S. Bancorp's Controller. He additionally held the title of Executive Vice President from January 2002 until June 2010 and Senior Vice President from September 1998 until January 2002.

Leslie V. Godridge

Ms. Godridge is Vice Chair, Corporate and Commercial Banking, of U.S. Bancorp. Ms. Godridge, 64, has served in this position since January 2016. From February 2013 until December 2015, she served as Executive Vice President, National Corporate Specialized Industries and Global Treasury Management, of U.S. Bancorp. From February 2007, when she joined U.S. Bancorp, until January 2013, Ms. Godridge served as Executive Vice President, National Corporate and Institutional Banking, of U.S. Bancorp. Prior to that time, she served as Senior Executive Vice President and a member of the Executive Committee at The Bank of New York, where she was head of BNY Asset Management, Private Banking, Consumer Banking and Regional Commercial Banking from 2004 to 2006. Ms. Godridge will retire from U.S. Bancorp on June 30, 2020.

Gunjan Kedia

Ms. Kedia is Vice Chair, Wealth Management and Investment Services, of U.S. Bancorp. Ms. Kedia, 49, has served in this position since joining U.S. Bancorp in December 2016. From October 2008 until May 2016, she served as Executive Vice President of State Street Corporation where she led the core investment servicing business in North and South America and served as a member of State Street's management committee, its senior most strategy and policy committee. Previously, Ms. Kedia was an Executive Vice President of global product management at Bank of New York Mellon from 2004 to 2008.

James B. Kelligrew

Mr. Kelligrew is Vice Chair, Corporate and Commercial Banking, of U.S. Bancorp. Mr. Kelligrew, 54, has served in this position since January 2016. From March 2014 until December 2015, he served as Executive Vice President, Fixed Income and Capital Markets, of U.S. Bancorp, having served as Executive Vice President, Credit Fixed Income, of U.S. Bancorp from May 2009 to March 2014. Prior to that time, he held various leadership positions with Wells Fargo Securities from 2003 to 2009.

Shailesh M. Kotwal

Mr. Kotwal is Vice Chair, Payment Services, of U.S. Bancorp. Mr. Kotwal, 55, has served in this position since joining U.S. Bancorp in March 2015. From July 2008 until May 2014, he served as Executive Vice President of TD Bank Group with responsibility for retail banking products and services and as Chair of its enterprise payments council. From 2006 until 2008, he served as President, International, of eFunds Corporation. Previously, Mr. Kotwal served in various leadership roles at American Express Company from 1989 until 2006, including responsibility for operations in North and South America, Europe and the Asia-Pacific regions.

Katherine B. Quinn

Ms. Quinn is Vice Chair and Chief Administrative Officer of U.S. Bancorp. Ms. Quinn, 55, has served in this position since April 2017. From September 2013 to April 2017, she served as Executive Vice President and Chief Strategy and Reputation Officer of U.S. Bancorp and has served on U.S. Bancorp's Managing Committee since January 2015. From September 2010 until January 2013, she served as Chief Marketing Officer of WellPoint, Inc. (now known as Anthem, Inc.), having served as Head of Corporate Marketing of WellPoint from July 2005 until September 2010.

Jodi L. Richard

Ms. Richard is Vice Chair and Chief Risk Officer of U.S. Bancorp. Ms. Richard, 51, has served in this position since October 2018. She served as Executive Vice President and Chief Operational Risk Officer of U.S. Bancorp from January 2018 until October 2018, having served as Senior Vice President and Chief Operational Risk Officer from 2014 until January 2018. Prior to that time, Ms. Richard held various senior leadership roles at HSBC from 2003 until 2014, including Executive Vice President and Head of Operational Risk and Internal Control at HSBC North America from 2008 to 2014. Ms. Richard started her career at the Office of the Comptroller of the Currency in 1990 as a national bank examiner.

Mark G. Runkel

Mr. Runkel is Senior Executive Vice President and Chief Credit Officer of U.S. Bancorp. Mr. Runkel, 43, has served in this position since December 2013. From February 2011 until December 2013, he served as Senior Vice President and Credit Risk Group Manager of U.S. Bancorp Retail and Payment Services Credit Risk Management, having served as Senior Vice President and Risk Manager of U.S. Bancorp Retail and Small Business Credit Risk Management from June 2009 until February 2011. From March 2005 until May 2009, he served as Vice President and Risk Manager of U.S. Bancorp.

Jeffry H. von Gillern

Mr. von Gillern is Vice Chair, Technology and Operations Services, of U.S. Bancorp. Mr. von Gillern, 54, has served in this position since July 2010. From April 2001, when he joined U.S. Bancorp, until July 2010, Mr. von Gillern served as Executive Vice President of U.S. Bancorp, additionally serving as Chief Information Officer from July 2007 until July 2010.

Timothy A. Welsh

Mr. Welsh is Vice Chair, Consumer and Business Banking, of U.S. Bancorp. Mr. Welsh, 54, has served in this position since joining U.S. Bancorp in July 2017. From July 2006 until June 2017, he served as a Senior Partner at McKinsey & Company where he specialized in financial services and the consumer experience. Previously, Mr. Welsh served as a Partner at McKinsey & Company from 1999 to 2006.

Derek J. White

Mr. White is Vice Chair and Chief Digital Officer of U.S. Bancorp. Mr. White, 46, has served in this position since joining U.S. Bancorp in June 2019. He served as Global Head of Client Solutions of BBVA from March 2016 until April 2019. Prior to joining BBVA, Mr. White served in various senior leadership roles at Barclays Bank from 2005 to 2016, including as the Chief Design and Digital Officer from June 2013 to February 2016.

Directors

Andrew Cecere[1,3,7]
Chairman, President and Chief Executive Officer
U.S. Bancorp

Warner L. Baxter[1,2,3]
Chairman, President and Chief Executive Officer
Ameren Corporation
(Energy)

Dorothy J. Bridges[6,7]
Former Senior Vice President
Federal Reserve Bank of Minneapolis
(Government)

Elizabeth L. Buse[2,3]
Former Chief Executive Officer
Monitise PLC
(Financial services)

Marc N. Casper[5,6]
President and Chief Executive Officer
Thermo Fisher Scientific Inc.
(Life sciences and healthcare technology)

Arthur D. Collins, Jr.[1,4,5]
Retired Chairman and Chief Executive Officer
Medtronic, Inc.
(Medical device and technology)

Kimberly J. Harris[1,5,6]
Retired President and Chief Executive Officer
Puget Energy, Inc.
(Energy)

Roland A. Hernandez[1,2,3]
Founding Principal and Chief Executive Officer
Hernandez Media Ventures
(Media)

Doreen Woo Ho[3,7]
Commissioner
San Francisco Port Commission
(Government)

1. *Executive Committee*
2. *Audit Committee*
3. *Capital Planning Committee*
4. *Compensation and Human Resources Committee*
5. *Governance Committee*
6. *Public Responsibility Committee*
7. *Risk Management Committee*

Olivia F. Kirtley[4,5,7]
Business Consultant
(Consulting)

Karen S. Lynch[2,6]
Executive Vice President
CVS Health Corporation
(Health care)

Richard P. McKenney[1,6,7]
President and Chief Executive Officer
Unum Group
(Financial protection benefits)

Yusuf I. Mehdi[6,7]
Corporate Vice President
Microsoft Corporation
(Technology)

David B. O'Maley [1,4,5]
Retired Chairman, President and Chief Executive Officer
Ohio National Mutual Holdings, Inc.
(Insurance)

O'dell M. Owens, M.D., M.P.H.[3,4]
President and Chief Executive Officer
Interact for Health
(Health and wellness)

Craig D. Schnuck[5,7]
Former Chairman and Chief Executive Officer
Schnuck Markets, Inc.
(Food retail)

John P. Wiehoff[6,7]
Chairman and Retired Chief Executive Officer
C.H. Robinson Worldwide, Inc.
(Transportation and logistics services)

Scott W. Wine[1,2,4]
Chairman and Chief Executive Officer
Polaris Industries Inc.
(Motorized products)

Corporate Information

Executive Offices

U.S. Bancorp
800 Nicollet Mall
Minneapolis, MN 55402

Common Stock Transfer Agent and Registrar

Computershare acts as our transfer agent and registrar, dividend paying agent and dividend reinvestment plan administrator, and maintains all shareholder records for the company. Inquiries related to shareholder records, stock transfers, changes of ownership, lost stock certificates, changes of address and dividend payment should be directed to the transfer agent at:

Computershare
P.O. Box 505000
Louisville, KY 40233
Phone: 888.778.1311 or
201.680.6578 (international calls)

computershare.com/investor

Registered or Certified Mail:
Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202

Telephone representatives are available weekdays from 8 a.m. to 6 p.m., Central Time, and automated support is available 24 hours a day, seven days a week. Specific information about your account is available on Computershare's Investor Center website.

Independent Auditor

Ernst & Young LLP serves as the independent auditor for U.S. Bancorp's financial statements.

Common Stock Listing and Trading

U.S. Bancorp common stock is listed and traded on the New York Stock Exchange under the ticker symbol USB.

Dividends and Reinvestment Plan

U.S. Bancorp currently pays quarterly dividends on our common stock on or about the 15th day of January, April, July and October, subject to approval by our Board of Directors. U.S. Bancorp shareholders can choose to participate in a plan that provides automatic reinvestment of dividends and/or optional cash purchase of additional shares of U.S. Bancorp common stock. For more information, please contact our transfer agent, Computershare.

Investor Relations Contact

Jennifer A. Thompson, CFA
Executive Vice President
Investor Relations
jen.thompson@usbank.com
Phone: 612.303.0778 or 866.755.9668

Financial Information

U.S. Bancorp news and financial results are available through our website and by mail.

Website: For information about U.S. Bancorp, including news, financial results, annual reports and other documents filed with the Securities and Exchange Commission, visit **usbank.com** and click on About Us.

Mail: At your request, we will mail to you our quarterly earnings, news releases, quarterly financial data reported on Form 10-Q, Form 10-K and additional copies of our annual reports. Please contact:

U.S. Bancorp Investor Relations
800 Nicollet Mall
Minneapolis, MN 55402
investorrelations@usbank.com
Phone: 866.775.9668

Media Requests

David R. Palombi
Global Chief Communications Officer
Public Affairs and Communications
david.palombi@usbank.com
Phone: 612.303.3167

Privacy

U.S. Bancorp is committed to respecting the privacy of our customers and safeguarding the financial and personal information provided to us. To learn more about the U.S. Bancorp commitment to protecting privacy, visit **usbank.com** and click on Privacy.

Accessibility

U.S. Bancorp is committed to providing ready access to our products and services so all of our customers, including people with disabilities, can succeed financially. To learn more, visit **usbank.com** and click on Accessibility.

Code of Ethics

At U.S. Bancorp, our commitment to high ethical standards guides everything we do. Demonstrating this commitment through our words and actions is how each of us does the right thing every day for our customers, shareholders, communities and each other. Our ethical culture has been recognized by the Ethisphere® Institute, which again named us to its World's Most Ethical Companies® list.

Each year, every employee certifies compliance with the letter and spirit of our Code of Ethics and Business Conduct.

For details about our Code of Ethics and Business Conduct, visit **usbank.com** and click on About Us and then Investor Relations and then Corporate Governance.

Diversity, Equity and Inclusion

At U.S. Bancorp, embracing diversity, championing equity and fostering inclusion are business imperatives. We view everything we do through a diversity, equity and inclusion lens to deepen our relationships with our stakeholders: our employees, customers, shareholders and communities.

Our employees bring their whole selves to work. We respect and value each other's differences, strengths and perspectives, and we strive to reflect the communities we serve. This makes us stronger, more innovative and more responsive to our diverse customers' needs.

Equal Opportunity and Affirmative Action

U.S. Bancorp and our subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this commitment, employment decisions are made based on abilities, not race, color, religion, creed, citizenship, national origin or ancestry, gender, age, disability, veteran status, sexual orientation, marital status, gender identity or expression, genetic information or any other factors protected by law. The company complies with municipal, state and federal fair employment laws, including regulations applying to federal contractors.

U.S. Bancorp, including each of our subsidiaries, is an equal opportunity employer committed to creating a diverse workforce.

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800 Nicollet Mall
Minneapolis, MN 55402
800.USBANKS
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U.S. Bancorp 2019 Annual Report